

Statistical Review

Abbreviations for Insurance Companies

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

Following General Notes supplement when interpreting the data of Tables and Charts of the Statistical Review.

1. Tables and Charts depicted in this report were based on the statistics provided by the Insurance Companies and Insurance Brokering Companies.
2. AIA General Insurance Lanka Limited and Janashakthi General Insurance Limited have been amalgamated in 2016 and known as "Janashakthi General Insurance Limited".
3. Softlogic Life Insurance PLC was known as Asian Alliance Insurance PLC prior to 2016.
4. Asian Alliance General Insurance Limited was acquired by Fairfax Asia Limited in year 2015 and known as "Fairfirst Insurance Limited".
5. Union General Limited has been amalgamated with Fairfirst Insurance Limited with effect from 28th February 2017 and known as "Fairfirst Insurance Limited".
6. AIG Insurance Limited has not been required to submit RBC returns to the IRCSL as it is on a run-off process.
7. Data submitted by NITF with regard to profitability and Risk Based Capital had not been considered in order to maintain the comparability since NITF handles different types of insurance schemes.
8. Figures reported in Reinsurance business of NITF is based on Annual Returns submitted by NITF.
9. Financial data of crop & loan protection scheme of NITF has been eliminated from statistics from 2014 onwards since the said operation has not been considered as insurance.
10. Figures in some tables have been rounded off to the nearest final digit. Hence, there may be a slight discrepancy between the total as shown and the sum of its components.
11. Differences as compared with previously published figures are due to subsequent revisions.
12. Values indicated within parenthesis are negative values.
13. The following symbols have been used throughout: -
 - (a) = Reinstated and Audited figures
 - (b) = Provisional figures
 - = nil

Overview of Sri Lankan Insurance Industry

Global Insurance Market at a Glance

The global insurance growth prospects continued to improve during 2017 which resulted in global premium growing around 3% in real terms. Life insurance premium growth was supported by strong sales of saving products in emerging Asia, while non-life insurance sector growth was dependent on the magnitude of the expected price increases as per the Swiss Re publications.

Among many global economic, political and regulatory challenges faced in year 2017, large natural catastrophic events like Harvey, Irma, Maria and events such as Brexit and new international accounting standard IFRS 17, which is expected to come into effect in 2021 have highly influenced the global insurance market.

The trend towards leveraging the benefits of "InsurTech" solutions across the globe by insurers in collaboration with high tech firms was visible while demand for cyber insurance solutions also continued to grow with cyber threats.

Sri Lankan Economy at a Glance

Year 2017, was a challenging year for Sri Lankan economy which ended with the economic growth rate declining to a 16-year low of 3.1% with the hit of natural disasters, high inflation and complex political environment. The country's total Gross Domestic Product (GDP) amounted to Rs. 13,289 billion with the adverse weather conditions negatively impacting agricultural growth. Industry and Services sectors also grew on slow-pace in year 2017 compared to year 2016.

During the year, financial sector showed improved performance led by the banking sector, followed by other deposit taking financial institutions, contractual savings institutions etc. despite the challenging macro-economic conditions prevailing in the country. The insurance industry as one of contributors in the category of 'Contractual Savings Institutions' positively performed in year 2017.

(Source – Central Bank Annual Report 2017)

Sri Lankan Insurance Market

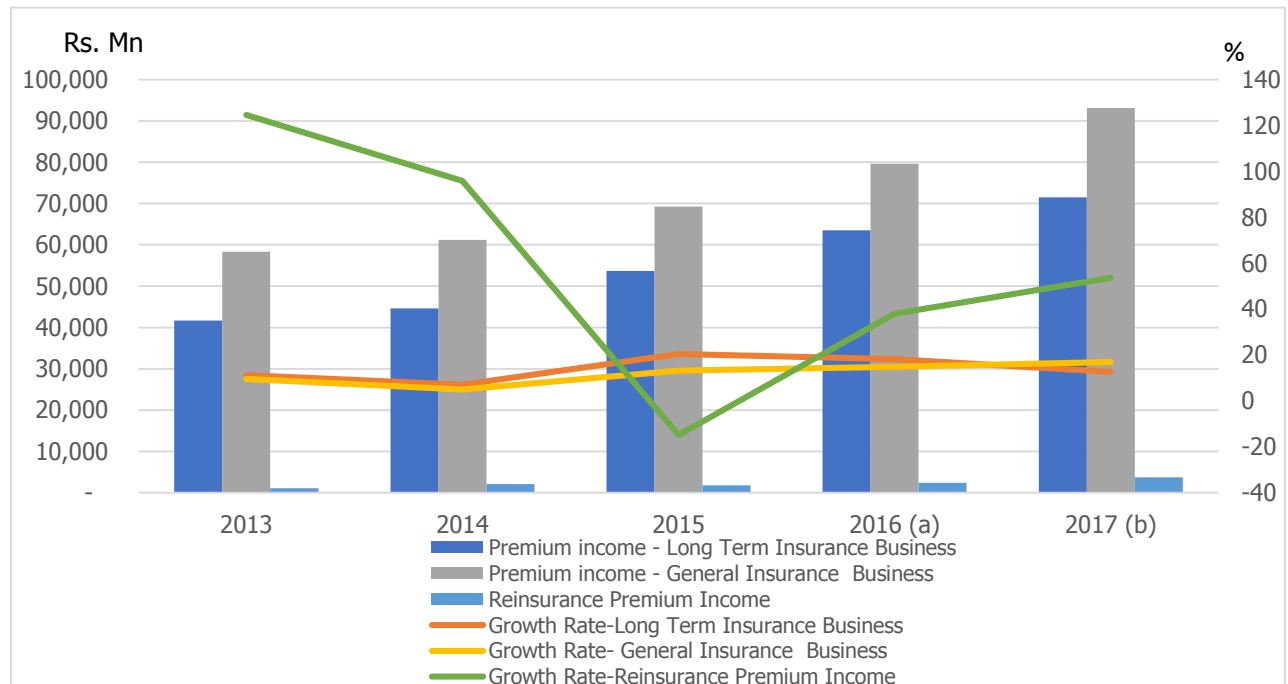
Overall, insurance industry remains focused on higher sales and profitability regardless of the challenges faced with regulatory demand, advance technology and higher customer expectations.

Total Gross Written Premium (GWP) of the insurance industry has grown by 15.07% to Rs. 164,623 million (2016: Rs. 143,067 million) in 2017. The growth in premium was largely driven by general insurance business, mainly from motor and health insurance sub-classes. Total GWP of general insurance business amounted to Rs. 93,119 million in 2017 compared to Rs. 79,590 million in 2016, reflecting a growth of 17%. The life insurance industry also positively contributed to the premium income by reporting a growth rate of 12.65%. Sale of investment type products and decreasing term assurance products have driven the growth of life

insurance premium in 2017 compared to 2016. Accordingly, life insurance companies reported total GWP of Rs. 71,504 million (2016: Rs. 63,477 million) in year 2017. Chart 1 illustrates the premium income and growth rate of the insurance industry during the last five years.

Chart 1

Premium Income & Growth Rate of the Insurance Industry



Despite the growth reported in GWP, overall insurance penetration remained as 1.24% in 2017 which long term and general insurance businesses contributed by 0.54% and 0.70% respectively. However, this computation does not reflect the premium income of insurance and micro insurance policies issued by institutions such as Agricultural and Agrarian Insurance Board, Sri Lanka Export Credit Insurance Corporation, Social Security Board, Microfinance Institutions and community based organizations etc. which are currently not within the purview of the IRCSL.

In Sri Lanka, demand for insurance is relatively dependent on the level of disposable income of the customers. The low level of disposable income coupled with lack of awareness, inefficiencies in insurance policy management, availability of certain social security benefits and community based society in the country has not positively moved the penetration level and remains stagnant around 1% during the last decade.

Insurance density is expressed by the total premium income as a percentage of total population. In 2017, insurance density has slightly improved to Rs. 7,677 compared to Rs. 6,747 recorded in 2016. Table 1 provides details on GWP, insurance penetration and density during last five years.

Table 1

Premium Income & Penetration

	2013	2014	2015	2016 (a)	2017 (b)
Premium income - Long Term Insurance Business (Rs. millions)	41,676	44,596	53,691	63,477	71,504
Premium income - General Insurance Business (Rs. millions)	58,284	61,202	69,271	79,590	93,119
Total Premium Income - Insurance Business (Rs. millions)	99,960	105,798	122,962	143,067	164,623
Growth Rate in Total Premium Income - Insurance Business (%)	10.22	5.84	16.22	16.35	15.07
Reinsurance Premium Income (Rs. millions)**	1,042	2,041	1,738	2,397	3,683
Gross Domestic Product at current market price (Rs. billions)*	9,592	10,448	10,952	11,907	13,289
GDP Growth Rate % *	3.40	4.90	4.84	4.50	3.10
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.04	1.01	1.12	1.20	1.24
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.43	0.43	0.49	0.53	0.54
Penetration % (Premium of General Insurance Business as a % of GDP)	0.61	0.59	0.63	0.67	0.70
Insurance Density - (Total Premium Income - Insurance Business/ population) Rs.	4,857	5,094	5,865	6,747	7,677
Population '000 (Mid-Year) *	20,579	20,771	20,966	21,203	21,444

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

** Reinsurance premium income represents the compulsory cession of reinsurance premiums of general insurance business ceded to NITF

There were certain trends, opportunities and regulatory changes in relation to Sri Lankan insurance industry which is listed below:

Economic forecast shows a green light to the insurance industry as it is expected that in the medium to long term, the country will move into high middle income level bracket and thus expecting improved disposable income resulting in higher insurance penetration. Further, the expected regulatory developments in the medium term in relation to micro insurance, targeting needs of the low income population will have potential to enhance the insurance penetration level of the country.

Demographic transitions in Sri Lanka expect an increase in the ageing population where one out of every four persons will be an elderly person in another two decades' time. This will result in creating demand for insurance products specially on health and pension.

Further, the upcoming IFRS 17, which will be effected in the medium term can create holistic change on insurers' systems, processes, capital, risk management etc. Insurers with prudent planning can create efficiencies and enhance capabilities that benefit the business more broadly.

Amendments to the taxation laws which came into effect on 01st April 2018 caused significant effects in certain areas such as life insurers' surplus distribution to shareholders and policyholders, computation of taxable profit etc. Accordingly, during the year, certain life insurers have transferred relevant surpluses to shareholders' fund from the life fund with the recommendations of their Appointed Actuaries. As a result, profits of the year 2017 have significantly improved.

In recent years, Sri Lankan insurers tend to reap the benefits of advanced technology by many ways in the life cycle of insurance including product development, distribution, customer service etc. Several insurance companies and also some insurance brokering companies have engaged with telecommunication providers to broaden the landscape of insurance service.

During the year, insurers specially NITF faced challenges due to natural disasters including heavy monsoon rains that triggered floods and landslides in certain districts in the island.

Total Assets of Insurance Companies

Macro-economic conditions, such as high volatility in interest rate, inflation and meeting the regulatory compliance requirements create challenges for insurers in managing their assets and liabilities. The total assets reported by the insurers amounted to Rs. 582,417 million as at 31st December 2017 whilst posting moderate growth of 10.87% compared to growth rate of 12.61% in 2016. Table 2 and Chart 2 depicts the details relating to total assets of the insurance industry for the last five years.

Table 2

Total Assets of Insurance Companies

	2013	2014	2015	2016 (a)	2017 (b)
Long Term Insurance (Rs. millions)	216,275	247,061	312,713	345,589	392,400
General Insurance (Rs. millions)	155,636	174,588	151,177	173,985	185,767
Reinsurance (Rs. millions)	1,453	3,065	3,417	5,755	4,250
Total (Rs. millions)	*365,760	*422,031	*466,519	525,329	582,417

*Inter segment transactions have been eliminated

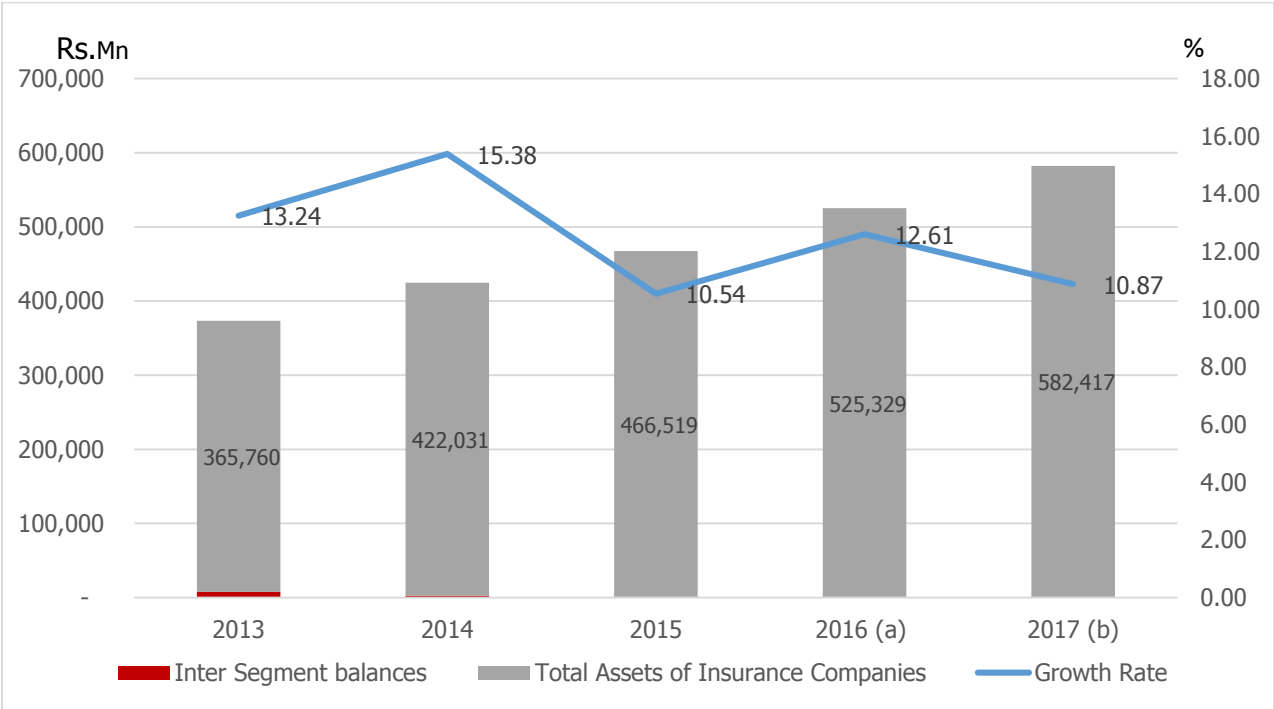
Generally, life insurer’s liability is long duration and hence cash flows can be estimated meaningfully enabling them to invest in long term assets. Total assets reported by life insurers amounted to Rs. 392,400 million in 2017. In contrast, general insurers tend to maintain substantial liquid assets as they experience claims from the day the policy is underwritten. Total assets reported by general insurers amounted to Rs. 185,767 million in 2017.

Main contributors to the asset portfolio are SLIC, Ceylinco Life, AIA Life and Union Life.

The national reinsurer, NITF holds assets amounting to Rs. 4,250 million relating to their reinsurance business. However, the asset portfolio of the reinsurance business of NITF has dropped by 26.15% in 2017 compared to the previous year. Further, there was significant reduction in the financial investments relating to the reinsurance business of NITF.

Chart 2

Total Assets and Assets Growth Rate of the Insurance Industry



Distribution of Total Assets of Major Financial Sectors

The financial sector positively contributed to the economy by further expanding the asset portfolio from Rs. 15,220 billion in 2016 to Rs. 17,076 billion in 2017 as presented in the Table 3 and Chart 3. Accordingly, asset base of the financial institutions increased by 12.19% in 2017.

Table 3**Distribution of Total Assets of Major Financial Sectors**

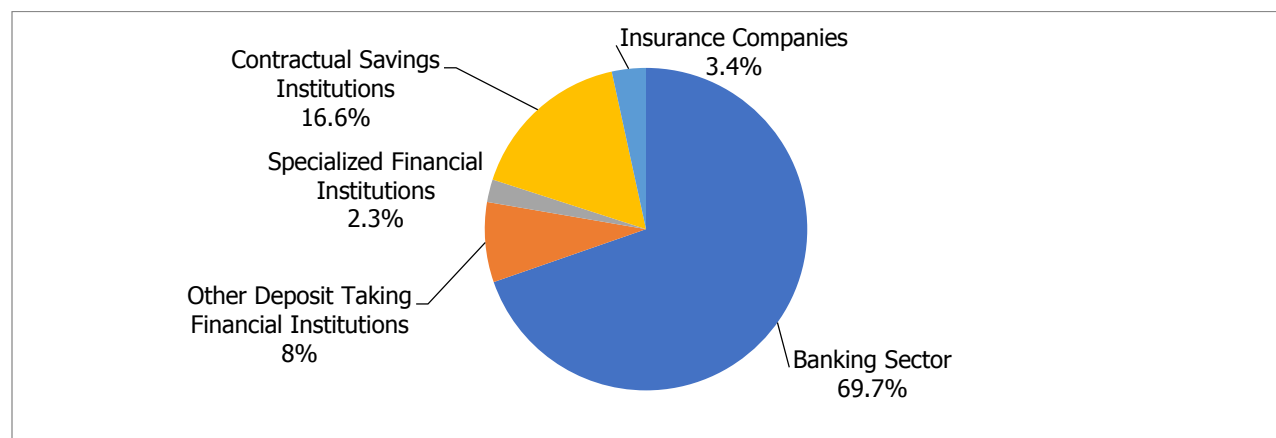
Financial Sectors	2013		2014		2015		2016		2017	
	Rs. billions	%	Rs. billions	%	Rs. billions	%	Rs. billions	%	Rs. billions	%
	Banking Sector	7,187.5	69.6	8,442.0	70.3	9,503.7	68.7	10,575.8	69.5	11,897.4
Other Deposit Taking Financial Institutions	756.4	7.3	857	7.1	1,044.2	7.5	1,246.7	8.2	1,370.4	8.0
Specialized Financial Institutions	378	3.7	441	3.7	557.8	4.0	335.4	2.2	388.9	2.3
Contractual Savings Institutions	1,632.5	15.8	1,853.6	15.4	2,257.5	16.3	2,536.6	16.7	2,836.50	16.6
Insurance Companies *	365.8	3.6	421.1	3.5	466.7	3.4	525.2 (a)	3.4	582.4 (b)	3.4
Total	10,320.2	100	12,015.0	100	13,830.8	100	15,219.7	100	17,075.6	100

Source: Central Bank of Sri Lanka

* Assets of insurance companies were reinstated based on data received from insurance companies

The banking sector represented 69.7% of the total assets and has contributed to more than half of the growth reported in the financial sector by recording a growth rate of 12.50% in 2017. The asset base of the specialized financial institutions expanded to Rs. 388.9 billion (2016: Rs. 335.4 billion) recording a growth of 15.95% in 2017. Also contractual savings institutions recorded improved performance by growing at the rate of 11.82% and recording assets worth Rs. 2,837 billion in 2017. This sector contributed 16.6% of the total assets of the financial sector.

Similar to previous years' insurance companies held 3.4% of the total assets of the finance sector in 2017.

Chart 3**Distribution of Total Assets of Major Financial Sectors as at 31st December 2017**

One-Off Surplus

Subsequent to the implementation of the Risk Based Capital regime in year 2016 by the IRCSL, transition of policy liability valuation methodology resulted in a reduction in policy liabilities leading to a significant increase in surplus of certain long term insurers. The said surplus was named as "One-off Surplus" and recommended to be kept in the life fund.

However, with the amendments in taxation laws concerning the life insurance segment the industry requested the approval of the IRCSL to transfer the said surplus to the shareholders' fund and to maintain it as a restricted reserve. In order to address same, the IRCSL issued Direction 16 on the identification and treatment of One-off Surplus.

Accordingly, the IRCSL permitted long term insurers to transfer the One-off Surplus other than participating business to shareholders for year ended 31st December 2017 or on a subsequent date after complying with the requirements stated in the Direction. Further, insurers were directed to maintain this surplus as "Restricted Regulatory Reserve" in the shareholders' fund.

With regards to the One-off Surplus relating to participating business, the IRCSL directed insurers to hold same within the participating fund as part of the unallocated valuation surplus and this surplus may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the RII Act. Further recommended that any bonus declared be sustainable, equitable and in line with policyholders' reasonable expectations.

The total One-off Surplus reported by life insurers amounted to Rs. 29,399 million with participating and other than participating One-off Surplus amounting to Rs. 10,823 million and Rs. 18,576 million respectively as at 01st January 2016. Upon receipt of approval of the IRCSL, total One-off Surplus transferred to the shareholders' fund as restricted regulatory surplus amounted to Rs. 15,867 million as at 31st December 2017. Said transfers directly resulted in increasing the profits reported by the specific life insurers in 2017.

Profitability

Life insurers have reported profit before tax of Rs. 23,401 million during the year 2017 as depicted in Table 4 prior to transfer of One-off Surplus by certain life insurers. Profit before tax prior to transfer of One-off Surplus has improved by 71.87% year on year. As discussed before, this improvement was mainly driven by the surplus transfer of other than participating business to shareholders by few large companies with the recommendations of their Appointed Actuaries. Total One-off Surplus transferred to shareholders' funds as "Restricted Regulatory Reserve" with the approval of the IRCSL amounted to Rs. 15,867 million as stated above. These companies are Ceylinco Life, Union Life, Janashkathi Life, Soflogica, LOLC Life, SLIC and AIA Life. Accordingly, with the said transfer, total profits of life insurance industry have increased to Rs. 39,268 million for year 2017.

Total profit before tax reported by general insurers amounted to Rs. 8,543 million in year 2017 compared to Rs. 13,236 million reported in 2016. The high profitability in year 2016 was due to the receipt of significant dividend income from a subsidiary of SLIC amounting to Rs. 6,750 million in year 2016.

Table 4

Profitability of Insurance Companies

Insurer	2016 (a)			2017 (b)			
	Long Term Insurance (Rs.'000)	General Insurance (Rs.'000)	Total (Rs.'000)	Long Term Insurance (Rs.'000)		General Insurance (Rs.'000)	Total (Rs.'000)
				Prior to One-off Surplus transfer	After One-off Surplus transfer		
AIA Life	793,250		793,250	7,597,099	13,677,947		13,677,947
AIG		(64,384)	(64,384)			(40,526)	(40,526)
Allianz Gen.		37,636	37,636			193,318	193,318
Allianz Life	25,959		25,959	104,051	104,051		104,051
Amana Gen.		(139,172)	(139,172)			61,144	61,144
Amana Life	35,691		35,691	52,207	52,207		52,207
Arpico	107,888		107,888	49,033	49,033		49,033
Ceylinco Gen.		1,381,126	1,381,126			1,702,653	1,702,653
Ceylinco Life	3,743,726		3,743,726	6,351,351	9,807,535		9,807,535
Continental		191,276	191,276			291,386	291,386
Cooperative Gen.		189,142	189,142			429,954	429,954
Cooplife	(7,266)		(7,266)	53,774	53,774		53,774
Fairfirst		(485,083)	(485,083)			720,450	720,450
HNB Life	656,641		656,641	725,665	725,665		725,665
HNB Gen.		48,879	48,879			201,722	201,722
Janashakthi Life	953,017		953,017	(104,193)	1,691,635		1,691,635
Janashakthi Gen.		1,277,445	1,277,445			1,242,429	1,242,429
LIC	3,394		3,394	24,645	24,645		24,645
LOLC Gen.		313,297	313,297			272,157	272,157
LOLC Life	320,534		320,534	144,595	400,730		400,730
MBSL	-	(220,526)	(220,526)	-	-	(46,437)	(46,437)
Orient		30,565	30,565			65,877	65,877
People's		733,010	733,010			866,691	866,691
Sanasa	176,591	(68,497)	108,094	77,914	77,914	6,838	84,752
Softlogic Life	877,443		877,443	1,106,517	1,904,521		1,904,521
SLIC	4,555,716	9,235,253	13,790,969	3,216,447	3,314,683	2,575,519	5,890,202
Union Life	1,373,307		1,373,307	4,002,194	7,384,128		7,384,128
Union Gen.		776,630	776,630				
Total	13,615,891	13,236,597	26,852,488	23,401,299	39,268,468	8,543,175	47,811,643

Shareholders' Funds of Insurance Companies

Total shareholders' funds reported by insurance companies exhibited improved performance as explained before with the One-off Surplus transfer by certain life insurers in terms of the Direction 16 issued by the IRCSL. As a result, as depicted in table 5, total shareholders' funds amounted to Rs. 176,706 million (2016: Rs. 140,445 million) and grew by 25.82% in 2017 against growth rate of 3.15% reported in 2016.

Table 5

Total Shareholders' Funds of Insurance Companies

Insurer	2016 (a)		2017 (b)				
	Total Shareholder Funds (Rs.'000)	%	Stated Capital (Rs.'000)	Restricted regulatory reserve (Rs.'000)	Total other Reserves (Rs.'000)	Total Shareholders' Funds (Rs.'000)	%
AIA Life	5,360,984	3.82	511,922	6,080,848	10,766,147	17,358,917	9.82
AIG	43,469	0.03	812,215		(809,272)	2,943	0.00
Allianz Gen.	973,471	0.69	905,500		679,081	1,584,581	0.90
Allianz Life	486,186	0.35	739,624		149,782	889,406	0.50
Amana Gen.	1,758,292	1.25	1,860,001		(38,462)	1,821,539	1.03
Amana Life	523,517	0.37	500,000		75,343	575,343	0.33
Arpico	754,710	0.54	675,565		101,686	777,251	0.44
Ceylinco Gen.	8,801,136	6.27	500,200		9,362,137	9,862,337	5.58
Ceylinco Life	11,911,828	8.48	500,001	3,456,184	16,690,712	20,646,897	11.68
Continental	1,194,534	0.85	750,000		688,891	1,438,891	0.81
Cooperative Gen.	1,695,343	1.21	1,260,252		803,932	2,064,184	1.17
Cooplife	485,502	0.35	500,000		96,209	596,210	0.34
Fairfirst	816,567	0.58	3,131,949		1,398,137	4,530,086	2.56
HNB Life	2,875,330	2.05	1,171,875		2,604,402	3,776,277	2.14
HNB Gen.	971,728	0.69	1,150,000		20,220	1,170,220	0.66
Janashakthi Life	8,148,633	5.80	4,853,752	1,795,829	2,811,296	9,460,877	5.35
Janashakthi Gen.	6,718,571	4.78	5,878,017		1,866,085	7,744,102	4.38
LIC	527,255	0.38	500,000		93,357	593,357	0.34
LOLC Gen.	991,715	0.71	700,000		566,740	1,266,740	0.72
LOLC Life	583,270	0.42	800,000	256,134	(72,101)	984,033	0.56

MBSL	91,728	0.07	1,080,022		(1,046,207)	33,815	0.02
NITF	7,564,859	5.38			7,260,349	7,260,349	4.11
Orient	617,545	0.44	825,000		(156,108)	668,892	0.38
People's	2,629,456	1.87	1,350,000		1,707,239	3,057,239	1.73
Sanasa	1,215,483	0.87	1,044,597		3,192	1,047,789	0.59
Soft logic Life	1,962,167	1.40	1,062,500	798,004	2,025,625	3,886,129	2.20
SLIC	63,028,451	44.87	6,000,000	98,236	55,544,510	61,642,746	34.89
Union Life	3,866,192	2.75	1,000,000	3,381,934	7,582,780	11,964,714	6.77
Union Gen.	3,847,303	2.73			-	-	-
Total	140,445,225	100	40,062,992	15,867,169	120,775,702	176,705,863	100

SLIC remained in a very strong position with its shareholders' fund reporting Rs. 61,643 million in 2017. However, SLIC is yet to segregate general and life insurance businesses. Ceylinco Life holds the second largest shareholders' fund which amounted to Rs. 20,647 million compared to Rs. 11,912 million reported in 2016.

Massive improvement was noted in the total reserves of AIA Life compared to 2016 mainly due to transfer of one off surplus and surplus of life insurance fund to the shareholders' fund as at 31st December 2017 totalling to Rs. 13,161 million with the recommendation of their Appointed Actuary. Total shareholders' funds of Union Life have increased more than 200% due to the One-off Surplus transfer coupled with other surplus transfers during the year as recommended by their Appointed Actuary which totalled to Rs. 7,024 million.

Out of the general insurance companies, Ceylinco General has reported the largest shareholders' fund of Rs. 9,862 million followed by Janashakthi General and NITF. Total shareholders' fund of Fairfirst has significantly improved with the amalgamation of Union General and reported Rs. 4,530 million in 2017 (2016: Rs. 817 million).

Analysis of Branches, Employees and Agents of Insurers

Due to the nature of business, availability of widespread branches over the island play an important role in distributing the insurance services to customers. Number of branches spread among Western Province amounted to 677 as the main selling area. Further, trend towards expanding the branch network in other Provinces also was visible with the recorded branches in Southern Province, North Western Province, Eastern Province, Sabaragamuwa Province etc. in 2017 compared to 2016. Overall in year 2017, 108 new branches were added where the total branches increased to 2,079 in current year compared to 1,971 reported in

previous year. The composition of branches reported in 2017 are 1,151 life insurance branches, 765 general insurance branches and 163 composite insurance branches.

Table 6

Number of Branches, Employees and Agents as at 31st December 2016 and 2017

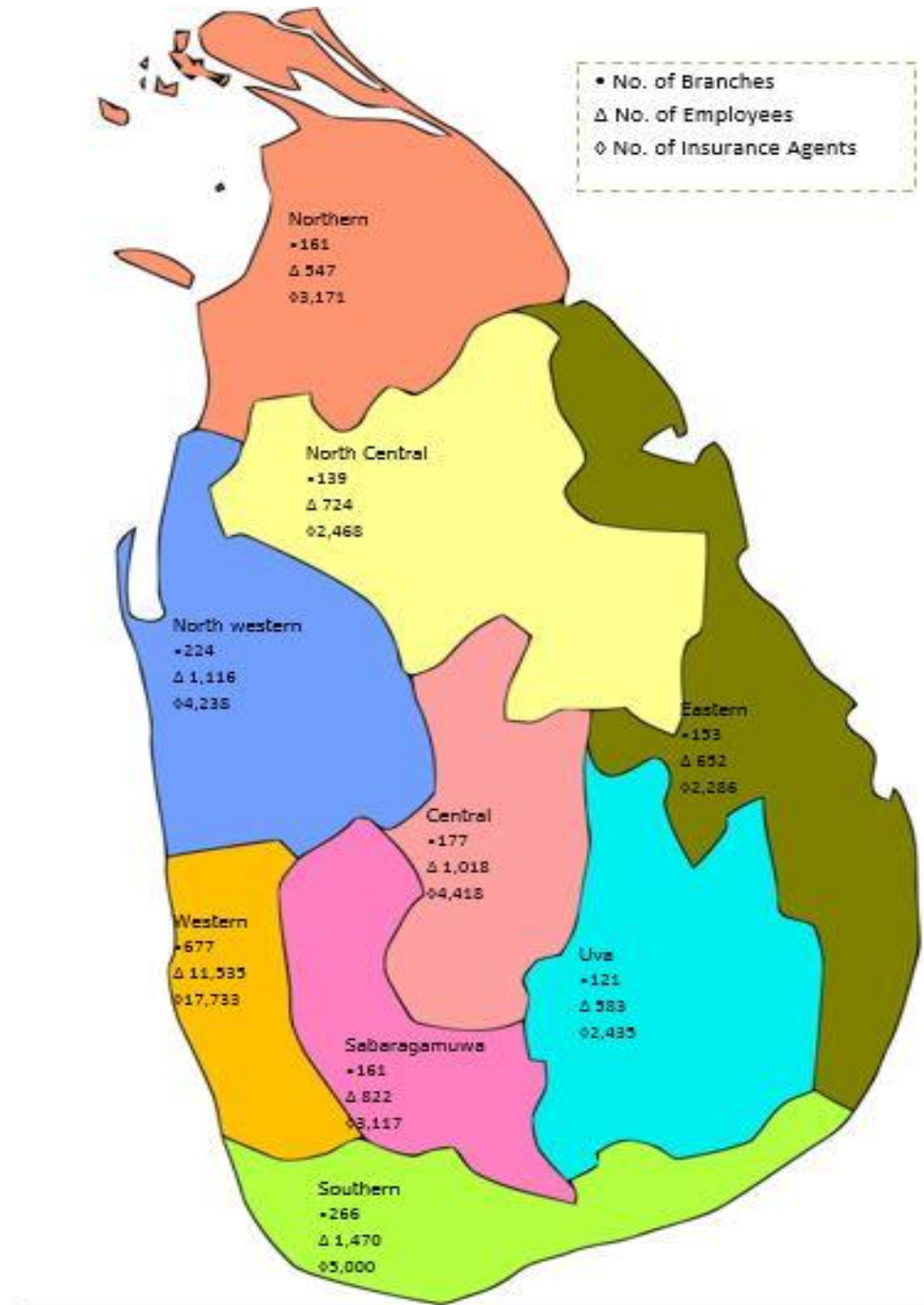
Province	No. of Branches		No. of Employees		No. of Agents	
	2016	2017	2016	2017	2016	2017
Central Province	196	177	880	1,018	4,245	4,418
Eastern Province	132	153	553	652	2,223	2,286
North Central Province	145	139	617	724	2,520	2,468
North Western Province	178	224	919	1,116	4,094	4,238
Northern Province	160	161	570	547	3,387	3,171
Sabaragamuwa Province	149	161	842	822	2,745	3,117
Southern Province	234	266	1,088	1,470	4,915	5,000
Uva Province	120	121	478	583	2,422	2,435
Western Province	657	677	10,949	11,535	17,265	17,733
Total	1,971	2,079	16,896	18,467	43,816	44,866

Life insurance industry mainly depends on the contribution of agents selling products, though the efficient management of agents is quite a challenging task for insurance companies. Total number of agents servicing the industry were 44,866 in 2017 against 43,816 reported in 2016. Agents' were mainly scattered in the Western Province followed by Southern and Central Provinces. Number of agents servicing the Sabaragamuwa Province have noticeably increased to 3,117 in 2017 (2016: 2,745) while reduction noted in number of agents servicing the Northern and North Central Provinces.

As depicted in Table 6 and Chart 4, total number of employees servicing the insurance industry amounted to 18,467 during the year and improved compared to 16,896 reported in previous year. More than 60% of the total employees servicing the insurance companies are located in the Western Province. Employment in Southern Province has notably increased by 35% in 2017 compared to 2016.

Chart 4

Number of Branches, Employees and Agents as at 31st December 2017



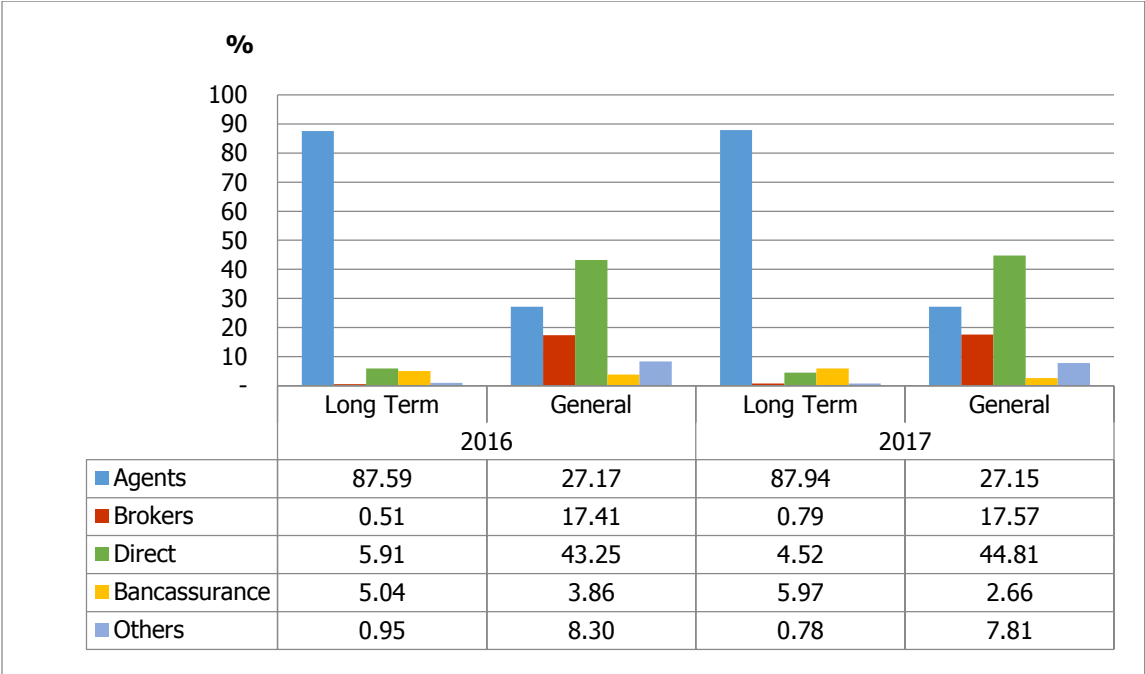
Distribution Channels of Insurance Companies

With the technological innovations insurers tend to use multi-distribution channels specially exploring ways to develop newer distribution channels in the online space. Trend towards gathering information on insurance

products through internet is visible including popularity of social media create opportunities for insurers specially in the marketing. Several insurers are engaged with telecommunication providers in expanding their clientele in recent past with certain InsurTech solutions.

Chart 5 illustrates the contribution of different distribution channels to GWP of insurance companies.

Chart 5
Distribution Channels of Insurance Companies



Despite the emergence of other distribution channels, the agency system continued to dominate the life insurance market by generating 87.94% of the GWP. The contribution from bancassurance towards life GWP is 5.97% (2016: 5.04%), which is followed by direct sales.

General insurers lean towards distributing their portfolio through professionally trained sales force, equipped with advanced tech products to provide efficient services to the customers. Accordingly, contribution from direct sales such as walking customers, exclusive sales force to GWP was 44.81% (2016: 43.25%). Largely Ceylinco General has contributed to this category followed by NITF due to the nature of products sold by NITF.

Agents had contributed 27.15% (2016: 27.17%) of total premium income of general insurance business in 2017. Brokers had generated 17.57% of GWP of general insurance business while contribution for life insurance business was very minimal. Other category represented 7.81% of total GWP of general insurance business and mainly comprised of insurance business generated through group finance and lease establishments.

Long Term Insurance Business

Gross Written Premium and Market Share

Despite the economic challenges, life insurers have recorded total premium income of Rs. 71,504 million in year 2017 compared to Rs. 63,477 million recorded in year 2016. Accordingly, life insurance industry recorded a growth of 12.65% (2016: 18.23%) in terms of GWP. Increase in awareness of the benefits of life insurance, launching of new insurance products to cater to the customers' demand and enhanced customer services have positively contributed to the progress in the life insurance sector. The industry witnessed a double digit growth rate during last three years, upon segregation of composite insurers.

Table 7 illustrates the company-wise GWP and market share of longterm insurance companies.

Table 7

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

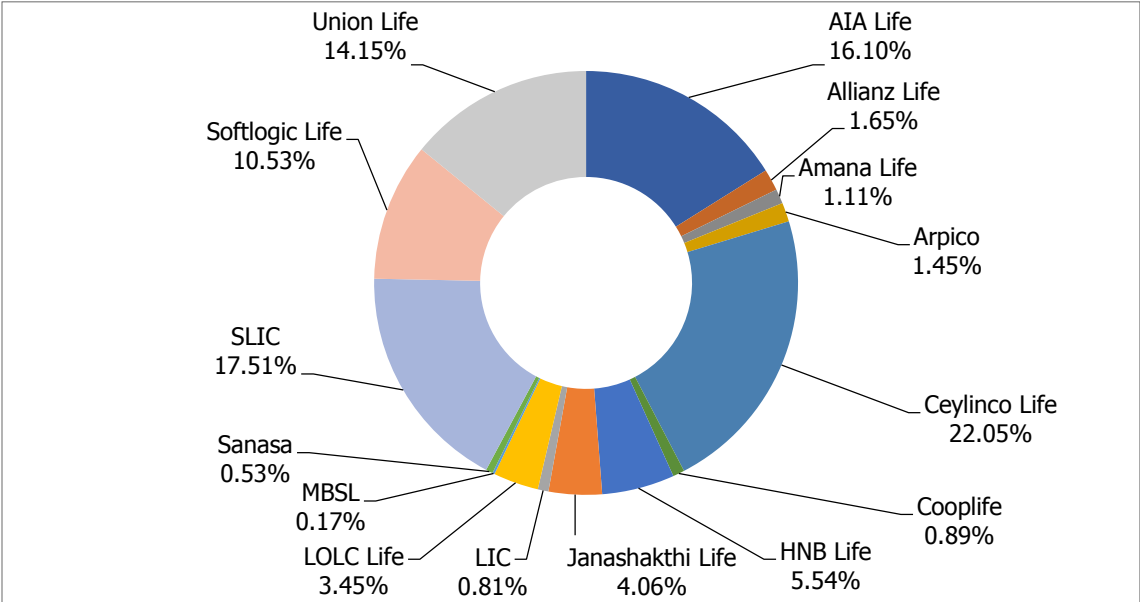
Insurer	2013		2014		2015		2016 (a)		2017 (b)	
	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)
AIA Life	6,863,047	16.47	7,266,574	16.29	8,433,333	15.71	10,103,915	15.92	11,510,581	16.10
Allianz Life	828,790	1.99	823,456	1.85	919,144	1.71	1,040,269	1.64	1,178,828	1.65
Amana Life	542,986	1.30	679,029	1.52	928,294	1.73	820,727	1.29	792,174	1.11
Arpico	206,494	0.50	297,439	0.67	482,447	0.90	745,386	1.17	1,038,085	1.45
Ceylinco Life	11,122,906	26.69	12,002,524	26.91	13,456,828	25.06	15,027,600	23.67	15,765,484	22.05
Cooplife	337,623	0.81	402,046	0.90	494,598	0.92	466,997	0.73	636,178	0.89
HNB Life	2,014,547	4.83	2,342,867	5.25	2,788,715	5.19	3,554,078	5.60	3,963,642	5.54
Janashakthi Life	2,193,662	5.26	2,170,419	4.87	2,550,782	4.75	2,943,963	4.64	2,902,873	4.06
LIC	322,268	0.77	348,767	0.78	386,885	0.72	473,867	0.75	582,114	0.81
LOLC Life	274,798	0.66	592,422	1.33	1,209,578	2.25	1,896,558	2.99	2,467,166	3.45
MBSL	251,720	0.60	294,299	0.66	203,235	0.38	235,533	0.37	123,732	0.17
Sanasa	283,975	0.68	260,867	0.58	311,434	0.58	367,637	0.58	377,690	0.53
SLIC	8,397,718	20.15	8,121,159	18.21	10,470,079	19.50	11,893,640	18.74	12,517,119	17.51
Softlogic Life	2,520,283	6.05	3,048,148	6.84	4,091,042	7.62	5,635,701	8.88	7,530,935	10.53
Union Life	5,515,063	13.23	5,945,499	13.33	6,964,390	12.97	8,270,751	13.03	10,117,630	14.15
Total	41,675,880	100	44,595,516	100	53,690,783	100	63,476,622	100	71,504,231	100
Growth Rate(%)	11.20		7.01		20.40		18.23		12.65	

Similar to previous years, Ceylinco Life held the leading position with a market share of 22.05% and generating income of Rs. 15,765 million in 2017 (2016: Rs. 15,028 million). SLIC was the second largest contributor to GWP with a market share of 17.51% and generating income of Rs. 12,517 million followed by AIA Life recording a market share of 16.10% (Rs. 11,511 million). These three companies' contribution towards total GWP has slightly dropped to 55.66% in 2017 compared to 58.33% recorded in 2016. Union Life has recorded Rs. 10,118 million and had secured the fourth place in the market.

Four companies namely Arpico, Cooplife, Softlogic Life, LOLC Life had recorded growth rate above 30% in 2017 compared to their GWP recorded in 2016. Chart 6 illustrates each life insurers performance in terms of GWP.

Chart 6

Company - wise Market Share of Gross Written Premium - Long term Insurance Business for the year ended 31st December 2017



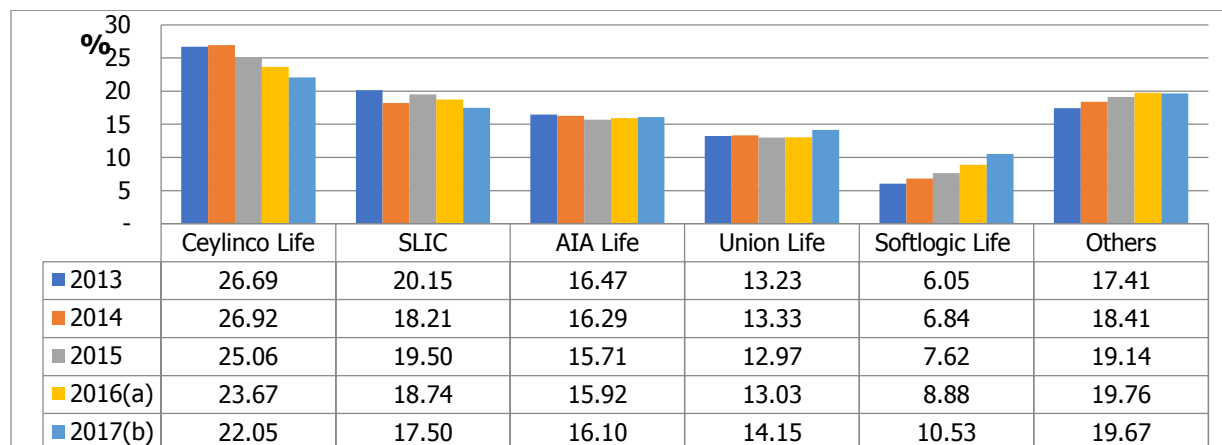
Top Five Contributors to GWP and Other Insurers – Long Term Insurance Business

Chart 7 depicts details relating to market share of top five contributors and other insurers for the last five years. Similar to previous years Ceylinco Life, SLIC, AIA Life, Union Life and Softlogic Life have collectively generated Rs. 57,442 million of GWP, capturing 80.33% of the total market of life insurance sector. Two leading companies namely, Ceylinco Life and SLIC market shares have slightly dropped in year 2017

compared to 2016. Softlogic Life as the fifth contributor has captured 10.53% (2016: 8.88%) of the market and gradually increased their market share during last five years.

Chart 7

Top Five Contributors and Other Insurers for the years 2013 to 2017 - Long Term Insurance Business



Category wise Analysis of Gross Written Premium, Premium Ceded to Reinsurers and Retention Ratio - Long Term Insurance Business

As illustrated in Table 8, participating and non-participating businesses had contributed to the GWP by 26.99% (2016: 28.45%) and 70.14% (2016: 68.36%) respectively in year 2017. Products which carried participating features have become less in supply since certain insurers have moved away from participating business. Based on the total participating business portfolio in 2017, SLIC and Ceylinco Life owned two third of GWP reported.

The contribution from non-participating business portfolio has grown by 15.57% to Rs. 50,152 million in 2017. GWP from unit linked business is becoming less popular with the slow performance in the stock market and emergence of more competitive product options in the market. Accordingly, contribution from unit linked business for GWP amounted to Rs. 2,056 million in 2017.

As depicted in Table 8 overall retention ratio of life insurance business was 95.97% in 2017 (2016: 96.09%).

Table 8**Category wise Analysis of Gross Written Premium, Premium Ceded to Reinsurers and Retention Ratio - Long Term Insurance Business**

Class	2015			2016 (a)			2017 (b)		
	Gross Written Premium (Rs. '000)	Premium ceded to Reinsurers (Rs '000)	Retention Ratio (%)	Gross Written Premium (Rs. '000)	Premium ceded to Reinsurers (Rs '000)	Retention Ratio (%)	Gross Written Premium (Rs. '000)	Premium ceded to Reinsurers (Rs '000)	Retention Ratio (%)
Participating	18,257,891	238,383	98.69	18,056,530	178,699	99.01	19,296,371	151,849	99.21
Non Participating	32,987,375	1,749,826	94.70	43,393,219	2,271,917	94.76	50,151,583	2,671,119	94.67
Unit Linked	2,445,517	30,008	98.77	2,026,873	30,069	98.52	2,056,277	58,048	97.18
Total	53,690,783	2,018,218	96.24	63,476,622	2,480,685	96.09	71,504,231	2,881,016	95.97

Assets of Long Term Insurance Business

Table 9 and Chart 8 illustrates the company wise total assets of long term insurers as at 31st December 2016 and 2017. Long term insurance companies owned Rs. 392,400 million worth assets in year 2017 compared to Rs. 345,589 million in year 2016.

Table 9**Company wise Analysis of Total Assets - Long Term Insurance Business**

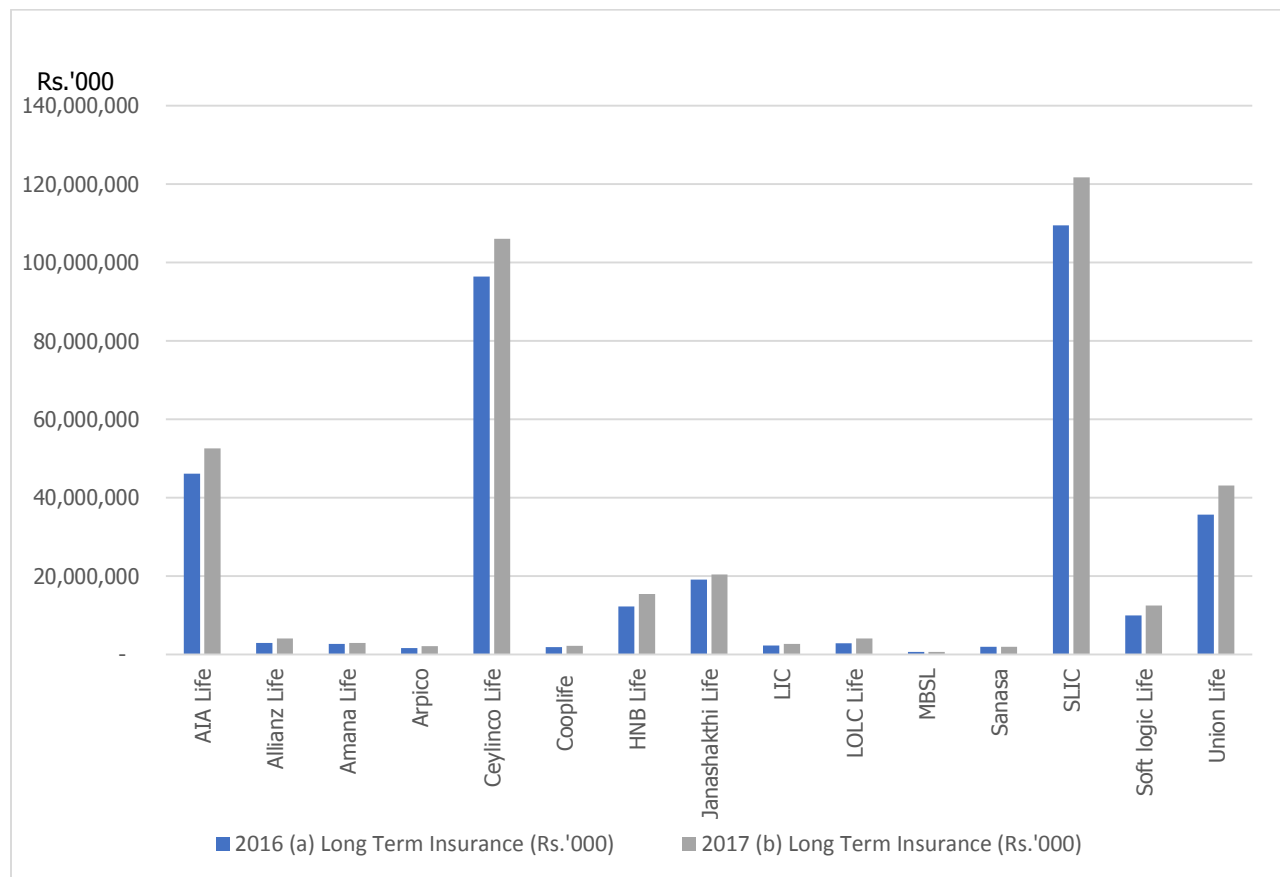
Insurer	2016 (a)		2017 (b)	
	(Rs.'000)	%	(Rs.'000)	%
AIA Life	46,082,441	13.34	52,576,947	13.40
Allianz Life	2,907,569	0.84	4,072,925	1.04
Amana Life	2,707,599	0.78	2,928,702	0.75
Arpico	1,586,962	0.46	2,106,353	0.54
Ceylinco Life	96,458,088	27.91	106,094,508	27.04
Cooplif	1,824,173	0.53	2,188,203	0.56
HNB Life	12,199,440	3.53	15,419,280	3.93
Janashakthi Life	19,092,842	5.53	20,384,326	5.19
LIC	2,256,631	0.65	2,682,943	0.68
LOLC Life	2,806,696	0.81	4,102,317	1.04
MBSL	596,568	0.17	634,896	0.16
Sanasa	1,933,526	0.56	1,923,053	0.49
SLIC	109,525,219	31.69	121,739,739	31.02
Softlogic Life	9,917,607	2.87	12,478,446	3.18
Union Life	35,693,463	10.33	43,067,007	10.98
Total	345,588,824	100	392,399,645	100

Similar to previous years, SLIC remained in the top position by representing 31.02% of the total assets of Rs. 121,740 million. Ceylinco Life and AIA Life owned 27.04% (Rs. 106,095 million) and 13.40% (Rs. 52,577 million) worth of assets in the market securing second and third positions respectively. Accordingly, SLIC, Ceylinco Life and AIA Life collectively captured more than 71% of the total assets ownership in the long term insurance industry.

Union Life, Janashakthi Life and HNB Life were able to increase their asset base and ensured the fourth, fifth and sixth places in the industry respectively. All companies were able to enhance their total assets except one company as at 31st December 2017.

Chart 8

Company - wise Analysis of Total Assets as at 31st December 2016 & 2017 - Long Term Insurance Business



Concentration of Assets as at 31st December 2016 & 2017 - Long Term Insurance Business

In the volatile interest rate environment financing long term investments can be highly challenging for life insurers to match their long term liabilities. Despite these challenges assets of life insurers have moderately grown by 13.55% in year 2017.

Table 10
Concentration of Assets as at 31st December 2016 & 2017 - Long Term Insurance Business

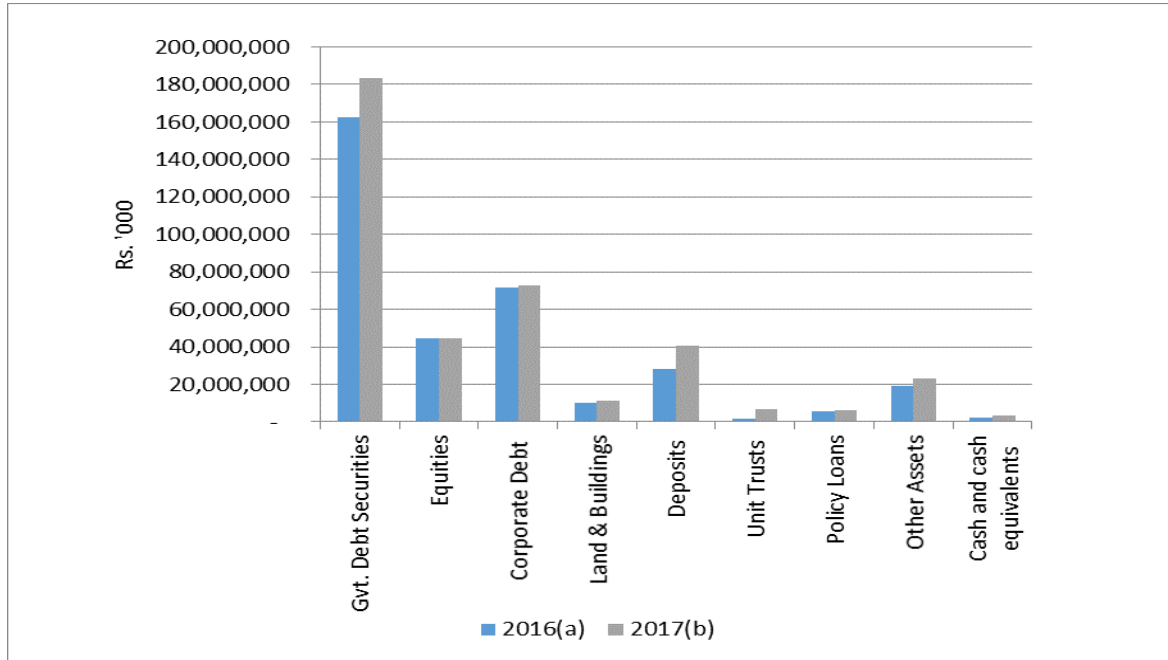
Type of Asset	2016 (a)		2017 (b)	
	Rs.'000	%	Rs.'000	%
Government Debt Securities	162,296,721	46.96	183,353,483	46.73
Equities	44,311,123	12.82	44,382,861	11.31
Corporate Debt	71,380,883	20.65	73,009,816	18.60
Land & Buildings	10,005,535	2.90	11,059,556	2.82
Deposits	28,285,552	8.18	40,794,927	10.40
Unit Trusts	1,939,392	0.56	6,881,291	1.75
Policy Loans	5,724,534	1.66	6,136,682	1.56
Other Assets	19,174,620	5.55	23,297,044	5.94
Cash and cash equivalents	2,470,464	0.72	3,483,985	0.89
Total	345,588,824	100	392,399,645	100

Due to regulatory requirements and risk associated in the long term investments, as depicted in Table 10 and Chart 9 life insurers have given high priority for investments in government debt securities in their asset liability management policy. Accordingly, government debt securities amounted to Rs. 183,353 million to 46.73% of the total assets and recorded 12.97% growth year on year.

Corporate debt was one of the main category of investments and reported Rs. 73,010 million (2016: Rs. 71,381 million) as at 31st December 2017. Equities amounted to Rs. 44,383 million and represented 11.31% of total asset portfolio. There was a notable rise in deposits as at 31st December 2017 amounting to Rs. 40,795 million which was 44.23% increase compared to the previous year. In general, attractive interest rates offered for government securities and deposits resulted in more investments in these two type of investments. Investments in unit trusts had increased by Rs. 4,942 million despite the fact that more than 80% of the same were from SLIC and Softlogic Life.

Chart 9

Concentration of Assets as at 31st December 2016 & 2017 - Long Term Insurance Business



Investment Income – Long Term Insurance Business

Total income generated from investments noticeably grew by 25.59% to Rs. 34,675 million compared to Rs. 27,610 million reported in 2016. As depicted in Table 11, government treasury bonds, debentures and bank deposits were the most preferred investment categories which contributed to 89% of the total investment income.

Investment income generated from government securities amounted to Rs. 19,943 million for average investments of Rs. 172, 825 million in 2017. Accordingly, government securities recorded investment yield of 11.54% for year 2017. Deposits recorded the highest investment yield ratio of 13.14% out of all financial investments. Further, interest income from deposits has increased by 46.43% compared to previous year. Corporate debt which represented a significant portion of the investment portfolio had generated investment income of Rs. 8,416 million (2016: Rs. 6,731 million) and grew by 25.05% year on year. Further, investment yield of corporate debt was 11.66% in 2017 compared to 10.89% reported in 2016.

The overall investment yield was 10.30% in 2017 compared to 9.15% in 2016.

Table 11**Breakup of Investment Income and Average Investments - Long Term Insurance Business**

Category	2016(a)			2017(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	17,287,423	149,720,570	11.55	19,943,319	172,825,102	11.54
- Treasury Bonds	15,799,939			18,488,291		
- Treasury Bills	112,769			115,075		
- Others (REPO)	1,374,715			1,339,953		
Equity	(90,015)	39,492,171	(0.23)	1,032,285	35,940,489	2.87
- Capital Gain/Losses	(1,211,655)			(275,534)		
- Dividend	1,121,640			1,307,819		
Corporate Debts	6,730,680	61,832,558	10.89	8,416,426	72,195,350	11.66
- Debentures	6,680,698			8,324,759		
- Commercial Papers	48,924			91,667		
- Other Similar Financial Instruments	1,058			-		
Land and Buildings	72,101	8,800,403	0.82	76,147	10,532,545	0.72
Deposits	3,098,884	33,758,505	9.18	4,537,799	34,540,239	13.14
- Bank	2,886,761			4,066,946		
- Finance Companies	212,123			470,853		
Unit Trusts	92,602	2,166,425	4.27	125,887	4,410,341	2.85
Policy Loans	366,026	5,537,077	6.61	497,367	5,930,608	8.39
Others	52,624	290,963	18.09	46,139	438,906	10.51
Total	27,610,325	301,598,672	9.15	34,675,369	336,813,580	10.30

Solvency Position of Insurance Companies -Long Term Insurance Business

The IRCSL continued to measure and monitor the risk based capital level of life insurers with a view to enhancing the safety and resilience of the insurance sector. Table 12, 13 and 14 demonstrate the details relating to Risk Based Capital (RBC) of life insurers in terms of the Solvency Margin (Risk Based Capital) Rules 2015.

Accordingly, all life insurers except MBSL have met the Total Available Capital (TAC) requirement of Rs. 500 million as at 31st December 2017. Further, insurers are required to maintain minimum Capital Adequacy Ratio (CAR) of 120% in order to comply with the capital adequacy requirement. All life insurers ensured to maintain the CAR above 160% which is the Enforcement level of the IRCSL. The average CAR of long term insurance companies amounted to 321% as at 31st December 2017 (2016: 302%).

Surrender Value Capital Charge (SVCC) addresses the risk of extreme adverse scenario if all life insurance contracts are surrendered simultaneously, where for some companies this value may be negative or zero. Accordingly, SVCC reported as at 31st December 2017 amounted to Rs. 6,113 million and reduced significantly compared to Rs. 12,442 million reported as at 31st December 2016.

Table 12

Company - wise Analysis of Solvency Position - Long Term Insurance Business as at 31st December 2016 & 2017

Insurer	As at 31st December 2016 (a)				As at 31st December 2017 (b)			
	TAC (Rs'000)	RCR (Rs'000)	SVCC (Rs'000)	CAR (%)	TAC (Rs'000)	RCR (Rs'000)	SVCC (Rs'000)	CAR (%)
AIA Life	21,107,662	3,755,882	5,853,682	361	23,866,513	3,853,018	4,010,591	595
Allianz Life	897,438	297,902	110,061	301	1,120,048	187,798	21,381	596
Amana Life	550,223	372,733	-	148	586,807	279,153	-	210
Arpico	1,250,144	200,880	63,453	622	1,424,463	362,451	-	393
Ceylinco Life	43,094,498	12,847,731	-	335	52,730,727	13,582,910	-	388
Cooplif	758,207	359,965	-	211	697,394	405,471	-	172
HNB Life	5,274,682	1,058,500	1,185,311	445	6,038,377	1,689,029	483,048	358
Janashakthi Life	3,751,144	1,405,869	-	267	5,178,103	2,151,085	717,405	241
LIC	536,864	207,057	49,678	259	665,053	253,947	-	262
LOLC Life	887,316	392,696	-	226	1,008,326	442,673	-	228
MBSL	105,905	73,229	-	145	156,415	78,626	-	199
Sanasa	936,626	177,125	481,480	195	523,137	280,955	54,773	186
SLIC	73,125,635	17,134,441	311,006	427	74,563,589	17,278,458	-	432
Softlogic Life	8,570,469	2,761,510	4,386,958	195	6,084,461	2,920,932	826,001	208
Union Life	14,274,762	3,598,467	-	397	16,532,023	4,701,641	-	352
Total/Overall	175,121,575	44,643,987	12,441,629	302	191,175,436	48,468,147	6,113,199	321

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

TAC of long term insurance companies accumulated to Rs. 191,175 million (2016: Rs. 175,122 million) as at 31st December 2017 and grew by 9.17% year on year. TAC comprised of Tier 1, Tier 11 capital and Deductions.

Tier 1 capital is the capital fully available to cover the losses plus retained earnings and adjustments to retained earnings. Tier 1 capital amounted to Rs. 209,989 million as at 31st December 2017. Tier 11 capital which supports to absorb the loss to some extent on going concern basis amounted to Rs. 24,693 million as at 31st December 2017. Deductions which mainly comprised of intangible or illiquid assets represented 12.92% of the TAC.

Table 13

Total Available Capital (TAC) requirement of Insurance Companies - Long Term Insurance Business

Insurer	As at 31st December 2016 (a)	As at 31 st December 2017 (b)			
	TAC (Rs'000)	Tier 1 (Rs'000)	Tier II (Rs'000)	Deductions (Rs'000)	TAC (Rs'000)
AIA Life	21,107,662	26,167,050	441,176	2,741,713	23,866,513
Allianz Life	897,438	1,323,766	-	203,718	1,120,048
Amana Life	550,223	629,586	120	42,900	586,806
Arpico	1,250,144	1,567,254	-	142,791	1,424,463
Ceylinco Life	43,094,498	55,949,722	3,624,279	6,843,274	52,730,727
Cooplife	758,207	817,912	44,705	165,223	697,394
HNB Life	5,274,682	8,111,048	-	2,072,671	6,038,377
Janashakthi Life	3,751,144	12,325,288		7,147,185	5,178,103
LIC	536,864	792,033	-	126,980	665,053
LOLC Life	887,316	1,195,555	-	187,230	1,008,325
MBSL	105,905	158,019	-	1,604	156,415
Sanasa	936,626	705,636	1,221	183,720	523,137
SLIC	73,125,635	75,873,864	31,128	1,341,403	74,563,589
Softlogic Life	8,570,469	6,905,366	48,436	869,340	6,084,462
Union Life	14,274,762	17,467,260	1,688,310	2,623,547	16,532,023
Total	175,121,575	209,989,359	5,879,375	24,693,299	191,175,436

Comparison of Risk Capital Required (RCR) by Insurance Companies - Long Term Insurance Business

Risk Capital Required (RCR) is the aggregate of capital charges determined for material risk categories with appropriate allowances for diversification. Credit risk, concentration risk, market risk, reinsurance risk, liability risk and operational risk are considered as material risk categories for this purpose as depicted in Table 14. In 2017, total risk capital charges after diversification amounted to Rs. 48,468 million (2016: Rs. 44,644 million) for long term insurance business. Prior to diversification same amounted to Rs. 63,550 million in 2017. Similar to prior year, market risk was the main risk amounting to Rs. 36,728 million followed by liability risk and concentration risk respectively. Accordingly, these three risk categories represented 84.47% of total risk capital charges prior to diversification.

Table 14

Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2016 & 2017 – Long Term Insurance Business

Insurer	As at 31 st December 2016 (a) (Rs'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	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	24,317	236,982	367	135,930	23,367	423,347	297,902
Amana Life	30,407	279,493	59,373	601	37,298	27,063	434,235	372,733
Arpico	19,302	110,716	69,027	108	21,027	15,776	235,956	200,880
Ceylinco Life	888,650	504,103	11,231,956	10,420	2,129,986	938,552	15,703,667	12,847,731
Cooplif	25,529	21,907	286,671	1,235	129,581	18,152	483,075	359,965
HNB Life	124,489	279,699	410,127	974	664,619	118,356	1,598,264	1,058,500
Janashakthi Life	245,566	245,914	817,698	560	477,108	182,810	1,969,658	1,405,869
LIC	17,884	37,093	143,027	86	56,344	21,401	275,836	207,057
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	36,075	6,017	132,674	931	12,410	18,710	206,816	177,125
SLIC	880,170	1,435,350	14,440,153	-	3,413,384	1,088,729	21,257,785	17,134,441
Softlogic Life	65,587	298,230	1,846,349	-	1,652,722	98,046	3,960,934	2,761,510
Union Life	184,021	399,384	2,688,718	357	1,456,248	345,230	5,073,958	3,598,467
Total	3,048,353	4,427,665	34,712,923	18,988	12,179,037	3,393,387	57,780,354	44,643,987

Insurer	As at 31 st December 2017 (b) (Rs'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	544,451	474,348	2,267,270	-	1,941,588	527,000	5,754,658	3,853,018
Allianz Life	2,618	25,017	86,290	494	145,002	33,924	293,345	187,798
Amana Life	29,497	201,296	43,883	585	36,015	29,333	340,610	279,153
Arpico	19,663	270,640	61,596	168	83,571	20,870	456,508	362,451
Ceylinco Life	1,076,424	567,911	11,671,525	4,653	2,430,953	1,072,306	16,823,772	13,582,910
Cooplif	50,089	12,620	290,161	-	198,532	21,795	573,196	405,471
HNB Life	194,403	362,576	1,030,356	1,759	551,798	152,059	2,292,949	1,689,029
Janashakthi Life	247,394	53,919	1,700,189	1,082	760,967	194,302	2,957,852	2,151,085
LIC	25,835	44,087	174,420	82	63,257	27,289	334,970	253,947
LOLC Life	1,072	16,189	240,874	4,457	354,006	41,041	657,639	442,673
MBSL	4,428	14,432	47,752	5	41,276	6,363	114,256	78,626
Sanasa	27,862	156,839	84,412	300	77,346	19,237	365,995	280,955
SLIC	1,042,994	1,972,474	13,709,970	-	4,149,374	1,259,957	22,134,770	17,278,458
Softlogic Life	92,124	348,759	1,481,824	-	2,195,653	118,941	4,237,301	2,920,932
Union Life	196,407	471,272	3,837,662	276	1,270,902	435,499	6,212,016	4,701,641
Total	3,555,261	4,992,379	36,728,184	13,861	14,300,240	3,959,916	63,549,837	48,468,147

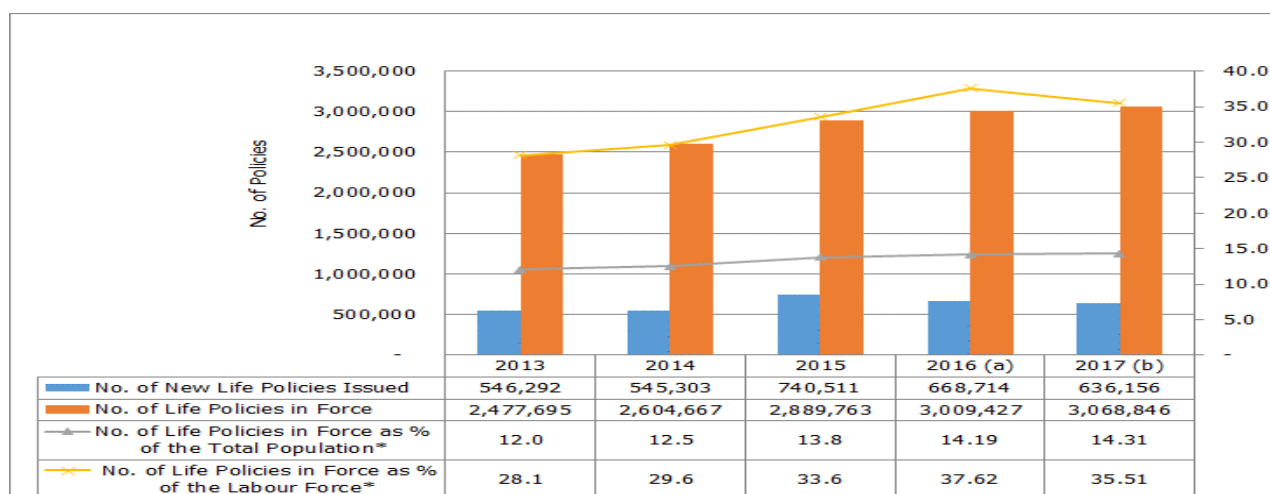
Number of Insurance Policies Issued and Policies Inforce – Long Term Insurance Business

As illustrated in Chart 10, total number of life insurance policies inforce amounted to 3,068,846 in 2017 compared to 3,009,427 in 2016. However, slight reduction noted in the number of new life policies issued which amounted to 636,156 in 2017.

During 2017, number of life policies in force as a percentage of the total population had improved slightly to 14.31% (2016: 14.19%) while the number of life policies in force as a percentage of the labor force has reduced marginally to 35.51% (2016: 37.62%).

Chart 10

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

Product-wise Policies Inforce and Sum Insured - Long Term Insurance Business

Table 15 provides details on number of insurance policies inforce and sum assured based on the type of products for year 2016 and 2017. Mainly products were categorized in to endowment, universal life, term, whole and others. In 2017, total sum assured amounted to Rs. 2,413,655 million and grew by 23.62% year on year.

Table 15

Product wise Policies Inforce and Sum Insured for 2016 and 2017 - Long Term Insurance Business

Type of Product	2016		2017	
	No: of Policies in Force	Sum Assured (Rs.000')	No: of Policies in force	Sum Assured (Rs.000')
Term Insurance	476,468	805,553,921	501,899	878,057,665
Universal Life	840,150	323,335,829	871,299	367,730,167
Whole Life Insurance	29,793	1,674,568	25,701	1,581,575
Endowments	1,499,479	332,101,717	1,438,145	371,193,218
Others	163,537	489,831,801	231,802	795,092,598
Total	3,009,427	1,952,497,836	3,068,846	2,413,655,223

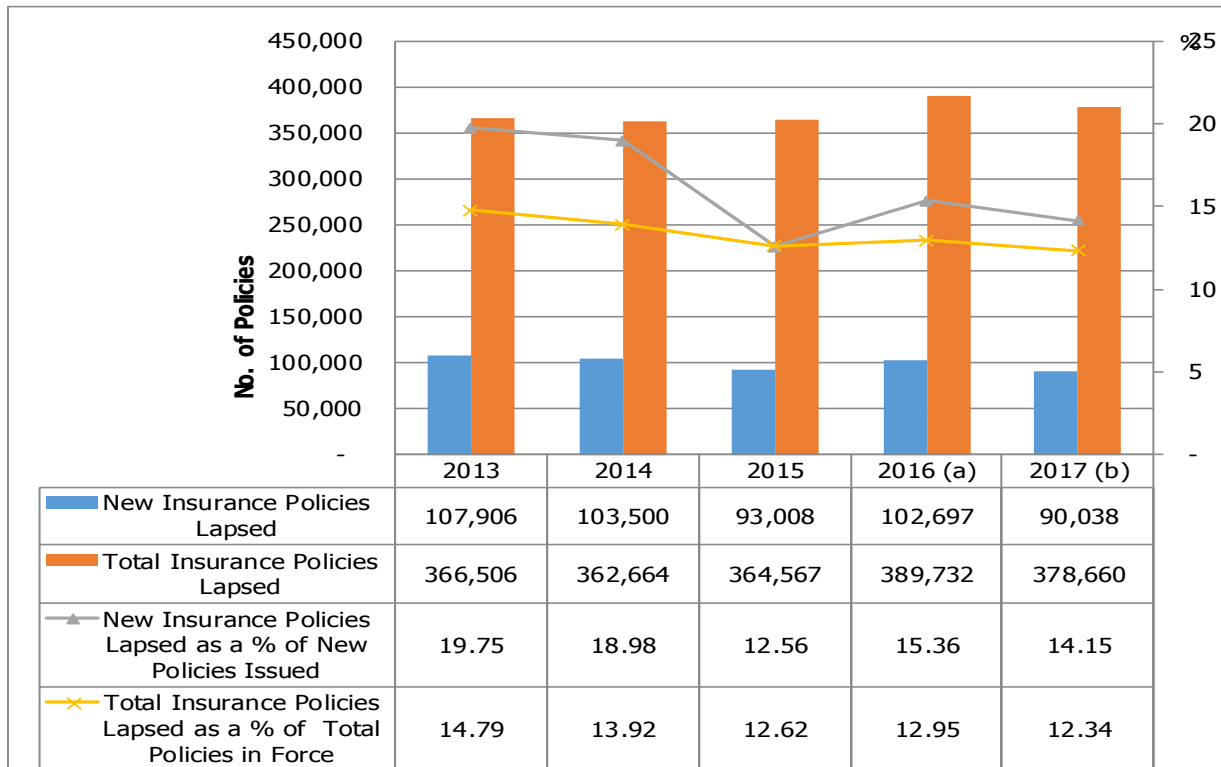
Majority of policies in force represented endowment which amounted to 1,438,145 due to its inherent characteristics of maturity lump sum payment. However, endowment and whole life policies showed a slight drop during last year with the changes in consumer demand. On the other hand, demand towards universal life products is growing due to the certain features such as flexibility, investment saving element etc. Accordingly, there were 871,299 (2016: 840,150) universal life policies inforce at the end of the year 2017 with a total sum assured amounting to Rs. 367,730 million (2016: Rs. 323,336 million). Term insurance also represented significant portion of the sum assured and accounted for 16.35% of the total policies in force.

Insurance Policy Lapses – Long Term Insurance Business

Chart 11 depicts an overall reduction in lapse rates in terms of new insurance policies and total insurance policies. Persistency is an industry wide issue with the high policy lapsation ratios recorded in every year due to many reasons such as premium defaults by customers with fluctuations in disposable income, agents' misappropriations, product mismatch, inefficiencies in policy management etc. In 2017, total life insurance policies lapsed amounted to 378,660 which 90,038 consist of new policies. Further, total policies lapsed as a percentage of total policies in force was 12.34% (2016: 12.95%) while new policy lapsation as a percentage of new policies issued was 14.15% (2016: 15.36%) in 2017. On average there were more than 372,000 policies lapsed during last five years.

Chart 11

Number of Policies Lapsed and Lapse Ratio from 2013 and 2017 - Long Term Insurance Business

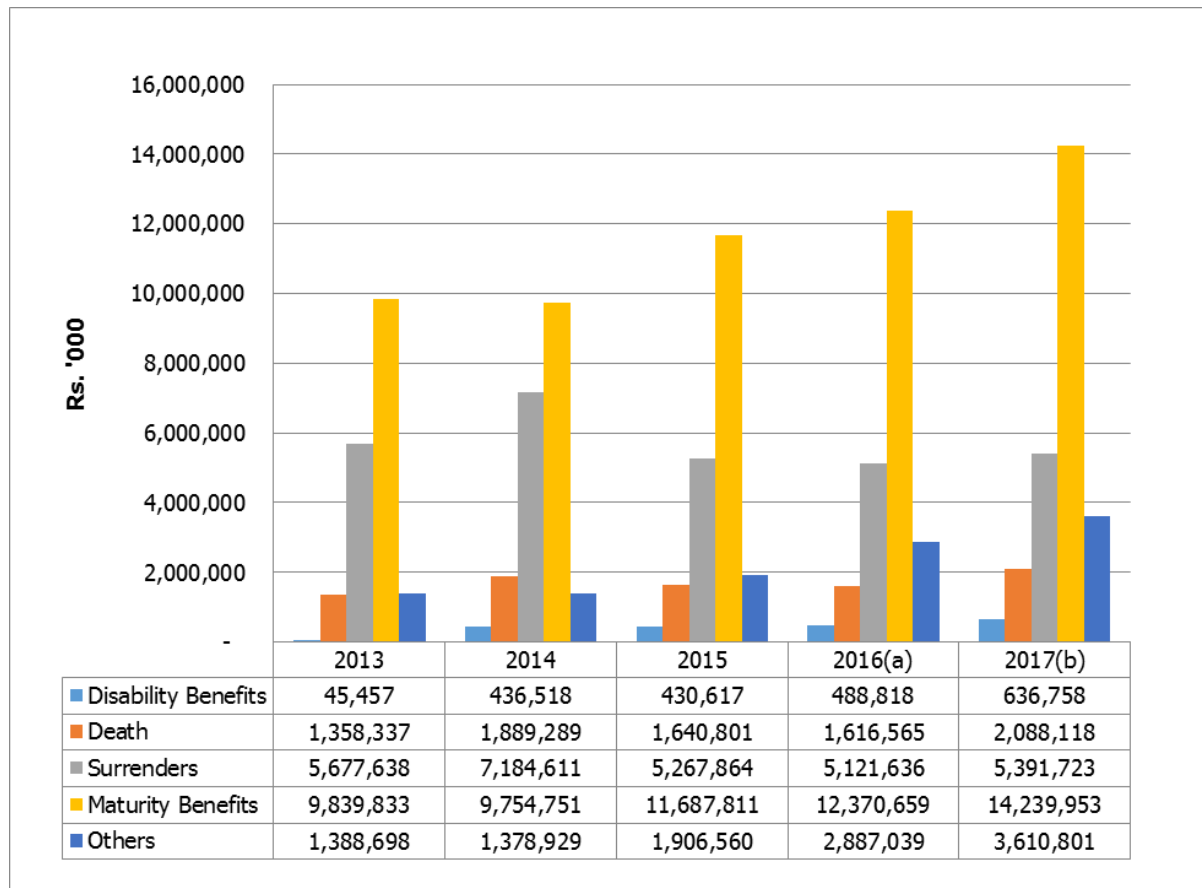


Claims Incurred by Insurance Companies - Long Term Insurance Business

It is noteworthy to mention that life insurers claims incurred have significantly increased in year 2017 which amounted to Rs. 25,967 million (2016: Rs. 22,485 million) and has grown by 15.49% year on year. Within last five years this was the highest claims incurred by the life insurers in terms of value. Maturity benefits represented majority which amounted to Rs. 14,240 million (2016: Rs. 12,371 million) and represented 54.84% of the total benefits. Accordingly, maturity benefits have risen by 15.11% in year 2017 compared to year 2016. Surrenders also represented a significant portion of the claims incurred which amounted to Rs. 5,392 million and represented 20.76% of the total claims.

During 2017, disability benefits and death benefits have gone up by 30.26% and 29.17% respectively compared to 2016. Other benefits which include health benefits, advance payments, bonus, certain cancellations and refunds etc. had amounted to Rs. 3,611 million which is 13.91% of the total claims incurred and recorded a growth of 25.07% year on year.

Chart 12 provides details of claims incurred by long term insurance companies.

Chart 12**Claims Incurred by Insurance Companies - Long Term Insurance Business****Number of Insurance Claims - Long Term Insurance Business**

Total number of claims for the year 2017 has marginally risen by 7.87% to 341,344 as against improvement of 15.49% noted in value of the claims in 2017. The number of maturity benefit claims was 115,311 (2016: 108,680) and represented 33.78% of the total claims. "Others" which is a combination of miscellaneous claims on health benefits, cancellations, refunds, partial withdrawals etc. had grown by 9.71% to 157,251 year on year.

Surrenders represented 13.70% of the total number of claims which insurers need to pay attention to minimize the same. The number of death benefits paid has considerably increased to 11,253 in 2017 from 8,418 reported in 2016.

Table 16 provides details on number of insurance claims for the years 2013 to 2017.

Table 16**Number of Insurance Claims - Long Term Insurance Business**

	2013	2014	2015	2016	2017
Disability Benefits	6,980	8,120	14,081	9,521	10,749
Death	5,284	5,795	6,747	8,418	11,253
Surrenders	41,964	46,312	42,814	46,484	46,780
Maturity Benefits	102,050	107,353	120,661	108,680	115,311
Other benefits	99,257	84,835	112,337	143,336	157,251
Total	255,535	252,415	296,640	316,439	341,344

General Insurance Business**Gross Written Premium**

Year 2017 was another successful year for the general insurance industry with twelve insurers solely operating in general insurance business along with another three composite insurers handling both general and long term insurance businesses. These insurers have been able to overcome number of challenges in past year due to adverse weather conditions, fluctuation in exchange rates, changes in duty rates charged on vehicles, increase in mosquito-borne viral infections etc.

Similar to previous years, GWP of insurance market has mainly driven by general insurance business which accounted for 56.57% (2016: 55.63%) of the total GWP recorded in the year 2017. Despite the challenging environment, year 2017 ended with a positive growth of 17.00% (2016: 14.90%) by generating GWP Rs. 93,119 million compared to Rs. 79,590 million recorded in the year 2016.

The steady growth was mainly due to increase in motor and health insurance businesses for the year 2017. Suraksha free medical and personal accident cover introduced by the Education Ministry through SLIC for all Sri Lankan school children in October 2017 and increase in premium income of Agraphara health insurance scheme operated by NITF have mainly contributed to the growth in health insurance business by 46.23% compared to 17.60% recorded in 2016.

Table 17
Company - wise Gross Written Premium and Market Share - General Insurance Business

Insurer	2013		2014		2015		2016 (a)		2017 (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.	2,428,675	4.17	2,655,577	4.34	3,297,840	4.76				
AIG	880,060	1.51	414,805	0.68	3,141	0.00				
Allianz Gen.	1,964,907	3.37	2,723,406	4.45	3,244,844	4.68	4,247,691	5.34	5,593,322	6.01
Amana Gen.	1,432,135	2.46	1,285,418	2.10	1,438,732	2.08	1,474,186	1.85	1,739,936	1.87
Ceylinco Gen.	10,311,479	17.69	11,431,680	18.68	12,921,561	18.65	15,265,433	19.18	17,012,087	18.27
Continental	1,330,515	2.28	1,761,747	2.88	2,309,413	3.33	3,088,064	3.88	3,892,991	4.18
Cooperative Gen.	1,272,941	2.18	1,358,932	2.22	1,691,705	2.44	2,420,130	3.04	2,966,680	3.19
Fairfirst	1,556,386	2.67	1,638,126	2.68	1,908,901	2.76	2,361,614	2.97	9,610,990	10.32
HNB Gen.	1,767,361	3.03	2,182,915	3.57	2,577,224	3.72	2,982,385	3.75	3,748,215	4.03
Janashakthi Gen.	6,318,626	10.84	6,491,556	10.61	7,406,160	10.69	10,137,864	12.74	11,744,148	12.61
LOLC Gen.	1,485,521	2.55	1,815,486	2.97	2,476,961	3.58	3,096,834	3.89	3,795,106	4.07
MBSL	1,132,789	1.94	961,225	1.57	1,159,208	1.67	972,976	1.22	227,813	0.24
NITF	4,973,357	8.53	5,295,759	8.65	4,961,413	7.16	6,420,822	8.07	8,114,417	8.71
Orient	355,001	0.61	491,127	0.80	746,935	1.08	810,728	1.02	1,179,000	1.27
People's	3,085,041	5.29	3,286,063	5.37	3,637,404	5.25	4,166,727	5.24	4,584,347	4.92
Sanasa	322,592	0.55	344,041	0.56	349,527	0.50	384,481	0.48	554,332	0.60
SLIC	12,549,763	21.53	12,113,994	19.79	13,583,222	19.61	15,198,381	19.10	18,355,361	19.71
Union Gen.	5,116,966	8.78	4,950,741	8.09	5,557,189	8.02	6,561,571	8.23	-	-
Total	58,284,115	100	61,202,599	100	69,271,380	100	79,589,887	100	93,118,745	100
Growth Rate (%)	9.53		5.01		13.18		14.90		17.00	

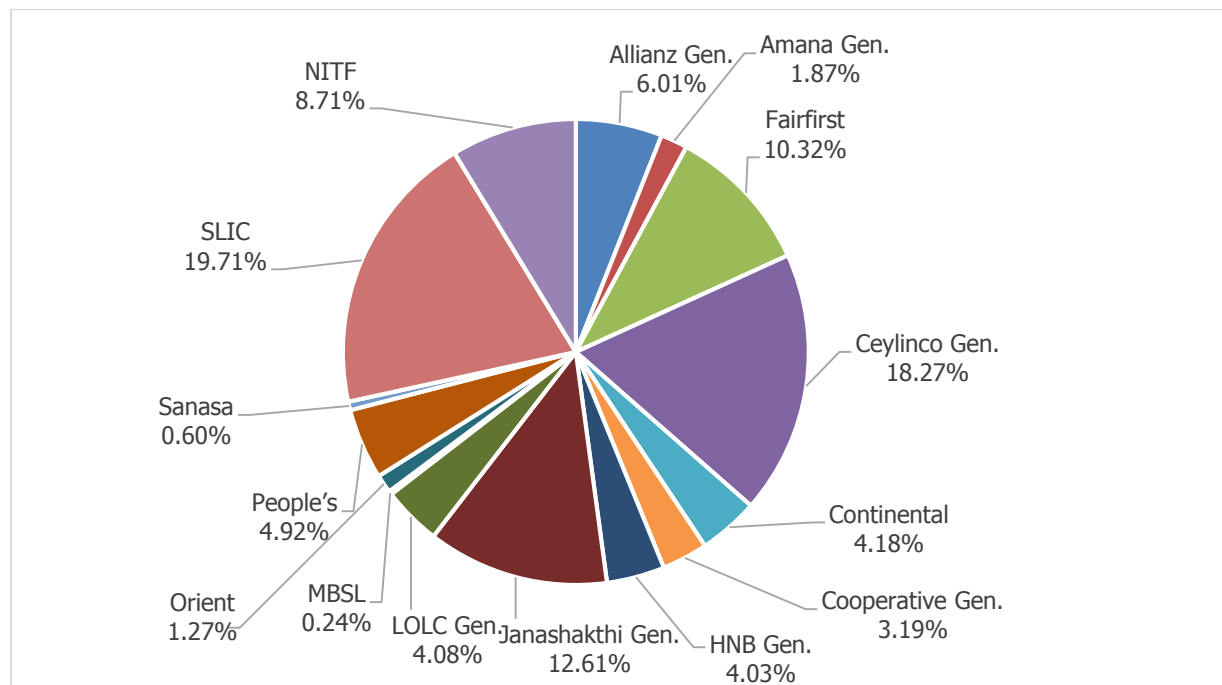
As depicted in Table 17 and Chart 13, SLIC led the market by achieving a market share of 19.71% (2016: 19.10%) and recorded a premium income of Rs. 18,355 million in 2017. Accordingly, SLIC was able to secure the first place in the general insurance market in terms of GWP for four consecutive years except for year 2016. There was a significant growth rate of 20.77% in premium income compared to Rs. 15,198 million recorded in 2016. This includes the premium generated through Suraksha free medical and personal accident cover amounting to Rs. 2.3 billion. Ceylinco General achieved the second position by recording premium income of Rs. 17,012 million (2016: Rs. 15,265 million) capturing a market share of 18.27% in 2017 (2016: 19.18%). Janashakthi General remained in the third position with a market share of 12.61% (2016: 12.74%) by recording premium income of Rs. 11,774 million in 2017 (2016: Rs. 10,138 million). Fairfirst achieved the fourth market position with the amalgamation of Union General and improved GWP by 307% to Rs. 9,611 million in 2017.

NITF remained the fifth largest market player by achieving a market share of 8.71% (2016: 8.07%) in 2017 with premium income of Rs. 8,114 million (2016: Rs. 6,421 million) and recording a growth rate of 26.38% compared to 2016. Significant improvement in premium generated through Agrahara health insurance scheme and SRCC & T has mainly contributed to the high growth rate recorded by NITF during the year 2017. Allianz General and People's were able to achieve a market share of 6.01% (2016: 5.34%) and 4.92% (2016: 5.23%) respectively in year 2017.

Orient, Sanasa, Allianz General, Continental, and HNB General have recorded growth rates above 25% compared to GWP recorded in year 2016 resulting in increased market shares. Market share of all insurance companies has slightly increased except Ceylinco General, Janashakthi General, MBSLI and People's.

Chart 13

Company -wise Market Share of Gross Written Premium - General Insurance Business for the year ended 31st December 2017

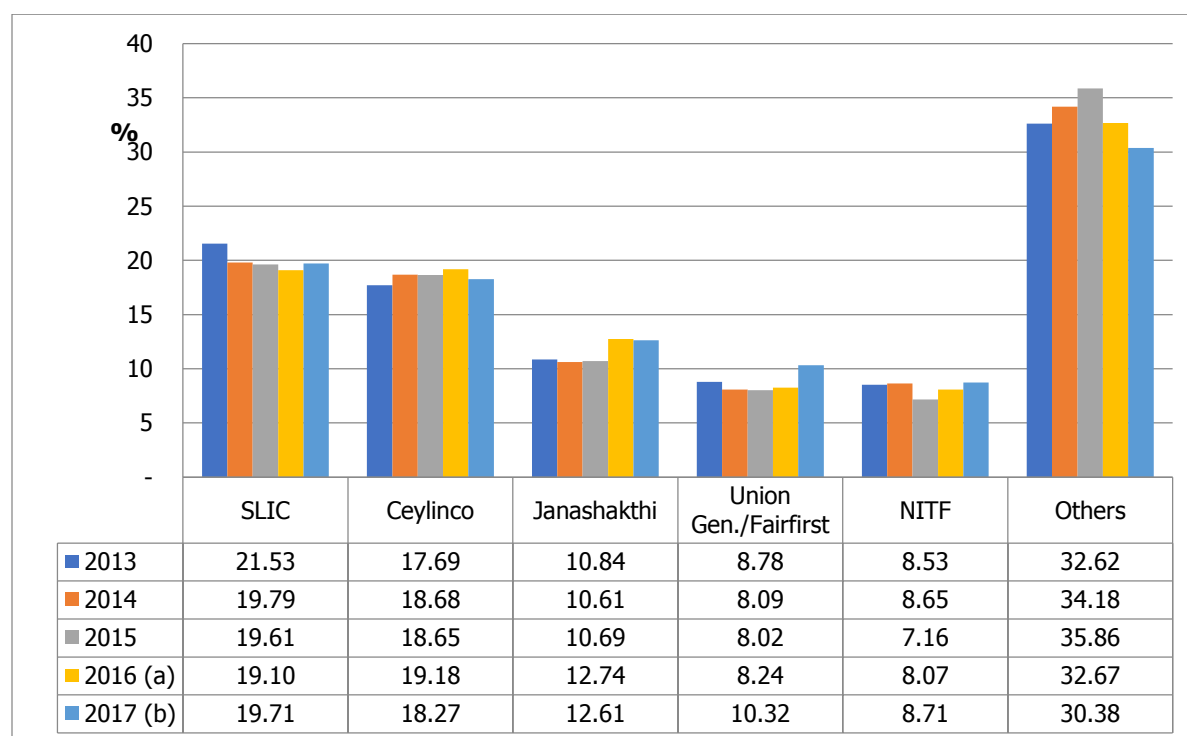


Top Five Contributors to Gross Written Premium and Other Insurers - General Insurance Business

Chart 14 depicts the market share of top five contributors to the GWP and other insurers' market share in the general insurance business from 2013 to 2017. Similar to previous years, SLIC and Ceylinco General were leading in the general insurance market by contributing to aggregate market share of 37.98% in 2017 (2016: 38.28%) and third, fourth and fifth positions were taken by Janashakthi General, Fairfirst and NITF respectively. These five players together contributed to 69.62% of the total GWP and recorded a growth of 2.29% year on year. Similar to previous year, the aggregate market shares of remaining insurance companies had further decreased to 30.38% in 2017 from 32.67% recorded in year 2016.

Chart 14

Top Five Contributors to GWP and Other Insurers for the Years 2013 to 2017 - General Insurance Business



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

Table 18 and Chart 15 illustrate the class wise analysis of GWP generated from fire, marine, motor, health and miscellaneous insurance businesses from 2013 to 2017 constituting the main sub-classes of general insurance business including premiums relating to SRCC & T.

Table 18
Class - wise Analysis of Gross Written Premium - General Insurance Business

Class	Gross Written Premium (Rs. '000)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	6,303,725	6,353,292	6,604,074	7,479,910	8,239,759
Marine	1,796,969	1,911,944	1,996,862	2,086,394	2,222,191
Motor	33,331,917	35,786,941	42,622,205	49,333,000	56,072,846
Health	7,292,091	7,593,386	8,534,364	10,036,518	14,676,421
Miscellaneous	7,015,630	6,721,836	6,495,454	7,120,742	7,871,246
Sub Total	55,740,332	58,367,399	66,252,959	76,056,564	89,082,463
SRCC & T	2,543,783	2,835,200	3,018,421	3,533,324	4,036,283
Total	58,284,115	61,202,599	69,271,380	79,589,888	93,118,746

Class	Growth (%)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	15.16	0.79	3.95	13.26	10.16
Marine	(6.75)	6.40	4.44	4.48	6.51
Motor	4.67	7.37	19.10	15.74	13.66
Health	22.58	4.13	12.39	17.60	46.23
Miscellaneous	22.27	(4.19)	(3.37)	9.63	10.54
Sub Total	9.44	4.71	13.51	14.80	17.13
SRCC & T	11.51	11.46	6.46	17.06	14.23
Total	9.53	5.01	13.18	14.90	17.00

Class	Percentage Share (%)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	10.82	10.38	9.53	9.40	8.85
Marine	3.08	3.12	2.88	2.62	2.39
Motor	57.19	58.47	61.53	61.98	60.22
Health	12.51	12.41	12.32	12.61	15.76
Miscellaneous	12.04	10.98	9.38	8.95	8.45
Sub Total	95.64	95.37	95.64	95.56	95.67
SRCC & T	4.36	4.63	4.36	4.44	4.33
Total	100	100	100	100	100

Similar to previous years, motor insurance business continued its dominance in the general insurance market by recording GWP of Rs. 56,073 million (2016: Rs. 49,333 million) which represented 60.22% of total GWP declining by 1.76% compared to market share of 61.98% recorded in year 2016. Further, there was a drop in growth rate of motor insurance business to 13.66% compared to growth rate of 15.74% recorded in 2016.

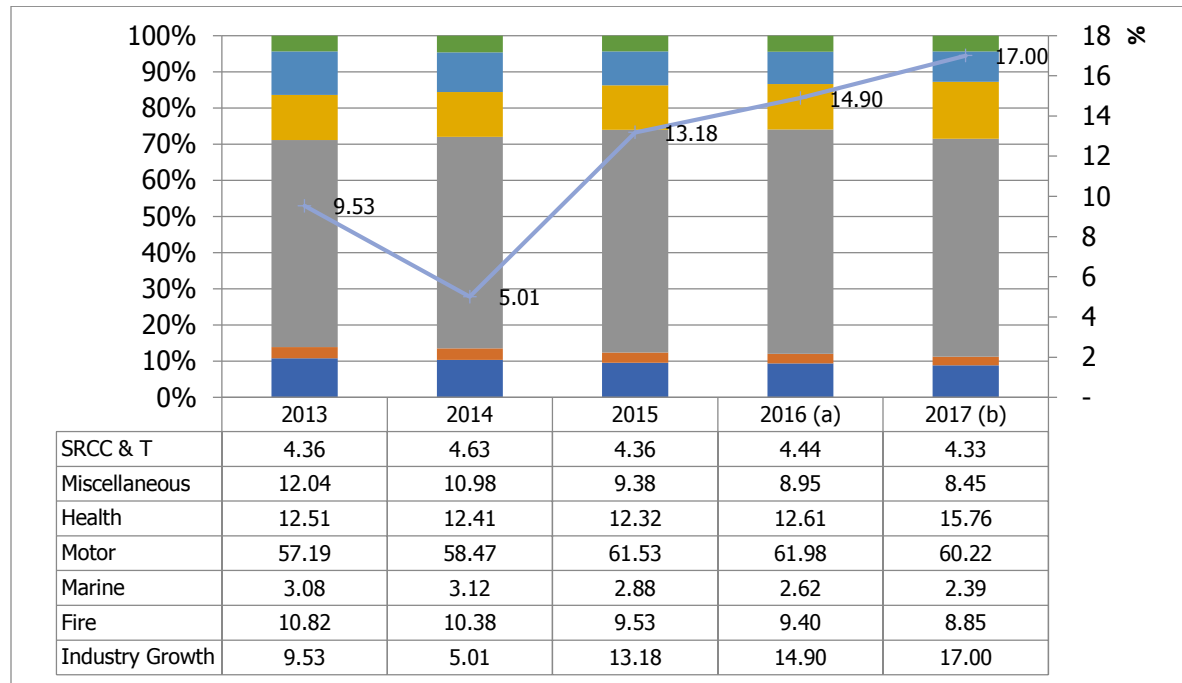
Health represented the second largest category of the general insurance business by recording GWP of Rs. 14,676 million (2016: Rs. 10,037 million) with a significant growth rate of 46.23% year on year.

Increased demand for apartments and residential units have created more opportunities for fire insurance business and achieved a growth rate of 10.16% year on year and recorded GWP of Rs. 8,240 million (2016: Rs. 7,480 million).

Miscellaneous insurance recorded 8.45% of the total GWP by generating premium income of Rs. 7,871 million (2016: Rs. 7,121 million) and had grown by 10.54 % compared to year 2016. GWP generated through Marine insurance business has improved by 6.51% in year 2017 compared to year 2016 (2016: 4.48%). As confirmed by NITF, premiums collected for SRCC & T amounting to Rs. 4,036 million (2016: Rs. 3,533 million) represented 4.33% of the total GWP while recording a growth rate of 14.23% in year 2017.

Chart 15

Class - wise Analysis of GWP from 2013 to 2017 - General Insurance Business



Category-wise Analysis of GWP of Miscellaneous Insurance Business

Table 19 illustrates the GWP generated from different insurance businesses categorized under miscellaneous insurance business during the years 2016 and 2017. Main categories of miscellaneous insurance business include Personal Accident, Air Craft Hull, Title Insurance, Workmen Compensation Insurance, Travel Insurance, Cash in Transit etc. Total GWP generated from miscellaneous insurance excluding SRCC & T and coinsurance premium amounted Rs. 7,871 million (Rs. 7,121 million) in year 2017 and improved by 10.54% compared to year 2016.

All the categories of miscellaneous insurance business have increased during the year 2017 except Personal Accident, Fidelity Guarantee, Cash in Transit including cash in safe, Bankers' Indemnity and Air Craft Hull. GWP generated through Contractors' All Risk, Professional Indemnity, Goods in Transits and NNDIS has positively influenced the total GWP generated from miscellaneous insurance business during the year 2017.

The business carried out in terms of "Others" mainly comprised of Performance Bonds, Personal insurance products and Hull All Risk represented 18.76% (2016: 16.58%) of total GWP of miscellaneous insurance (including SRCC & T) and became one of the major category of miscellaneous insurance business. Personal Accident became the second largest business category by contributing Rs. 1,434 million to GWP in year 2017 (2016: Rs. 1,454 million) and recorded a negative growth of 1.37% compared to year 2016 followed by the Air Craft Hull insurance business generating GWP amounting to Rs. 840 million (2016: Rs. 998 million).

Table 19**Category - wise Analysis of GWP of Miscellaneous Insurance Premium for 2016 & 2017**

Category	GWP Rs.'000	
	2016 (a)	2017 (b)
Title	492,883	507,621
Personal Accident	1,454,497	1,434,518
Contractors' All Risk	59,428	197,680
Professional Indemnity	183,227	275,178
Travel Insurance	442,893	497,729
Fidelity Guarantee	97,700	93,894
Burglary	349,480	376,890
Cash in transit including cash in safe	435,132	411,760
Goods in Transits	81,776	133,885
Products Liability	124,341	139,905
Public Liability	384,149	397,677
Bankers' Indemnity	396,791	389,531
Air Craft Hull	997,727	840,116
Worker's Compensation Insurance	535,456	565,864
National Natural Disaster Insurance Scheme (NNDIS)	300,000	500,000
Others	1,180,419	1,476,720
Subtotal	7,515,899	8,238,968
Less: Total of SRCC & T due to NITF	(370,791)	(347,729)
Co-insurance Premium	(24,364)	(19,990)
Total	7,120,744	7,871,249

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

Table 20 and Chart 16 depict the GWP generated by insurance companies, reinsurance premium ceded to reinsurers and the retention levels of main classes of general insurance business from 2013 to 2017. As shown in the Table 20, Rs. 16,454 million had been ceded to reinsurers (2016: Rs. 12,068 million) out of the total GWP (2016: Rs. 76,057 million) of Rs. 89,082 million generated by general insurance business. Accordingly, general insurers recorded an overall retention ratio of 81.53% (excluding SRCC & T) in year 2017 (2016: 84.13%) a slight decrease compared to the previous year.

Table 20**Gross Written Premium, Reinsurance Premium and Retention by Insurers - General Insurance Business**

Class	GWP (Rs'000)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	6,303,725	6,353,292	6,604,074	7,479,910	8,239,759
Marine	1,796,969	1,911,944	1,996,862	2,086,394	2,222,191
Motor	33,331,917	35,786,941	42,622,205	49,333,000	56,072,846
Health	7,292,091	7,593,386	8,534,364	10,036,518	14,676,421
Miscellaneous	7,015,630	6,721,836	6,495,454	7,120,742	7,871,246
Sub Total	55,740,332	58,367,399	66,252,959	76,056,564	89,082,463
SRCC & T	2,543,783	2,835,200	3,018,421	3,533,324	4,036,283
Total	58,284,115	61,202,599	69,271,380	79,589,888	93,118,746

Class	Reinsurance Premium (Rs'000)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	4,823,731	5,075,545	5,137,042	5,959,242	6,578,120
Marine	998,976	1,171,768	1,154,511	1,174,266	1,207,575
Motor	864,394	636,603	1,115,036	1,233,466	2,170,337
Health				486,984	2,674,504
Miscellaneous	2,700,309	2,634,795	3,012,362	3,213,645	3,823,138
Sub Total	9,387,410	9,518,711	10,418,951	12,067,603	16,453,674
SRCC & T	-	-	-	-	108,750
Total Reinsurance Premium	9,387,410	9,518,711	10,418,951	12,067,604	16,562,424

Class	Retention (Rs'000)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	1,479,994	1,277,747	1,467,033	1,520,667	1,661,639
Marine	797,994	740,176	842,351	912,129	1,014,617
Motor	32,467,523	35,150,338	41,507,169	48,099,534	53,902,509
Health				9,549,533	12,001,917
Miscellaneous	11,607,412	11,680,427	12,017,456	3,907,097	4,048,108
Sub Total	46,352,923	48,848,688	55,834,008	63,988,960	72,628,790
SRCC & T	2,543,783	2,835,200	3,018,421	3,533,324	3,927,533
Total Net Written Premium	48,896,706	51,683,888	58,852,429	67,522,284	76,556,323

Class	Retention as a Percentage of GWP (%)				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	23.48	20.11	22.21	20.33	20.17
Marine	44.41	38.71	42.18	43.72	45.66
Motor	97.41	98.22	97.38	97.50	96.13
Health				95.15	81.78
Miscellaneous	81.13	81.59	79.96	54.87	51.43
Sub Total	83.16	83.69	84.27	84.13	81.53
SRCC & T	100	100	100	100	97.31
Overall Retention Ratio	83.89	84.45	84.96	84.84	82.21

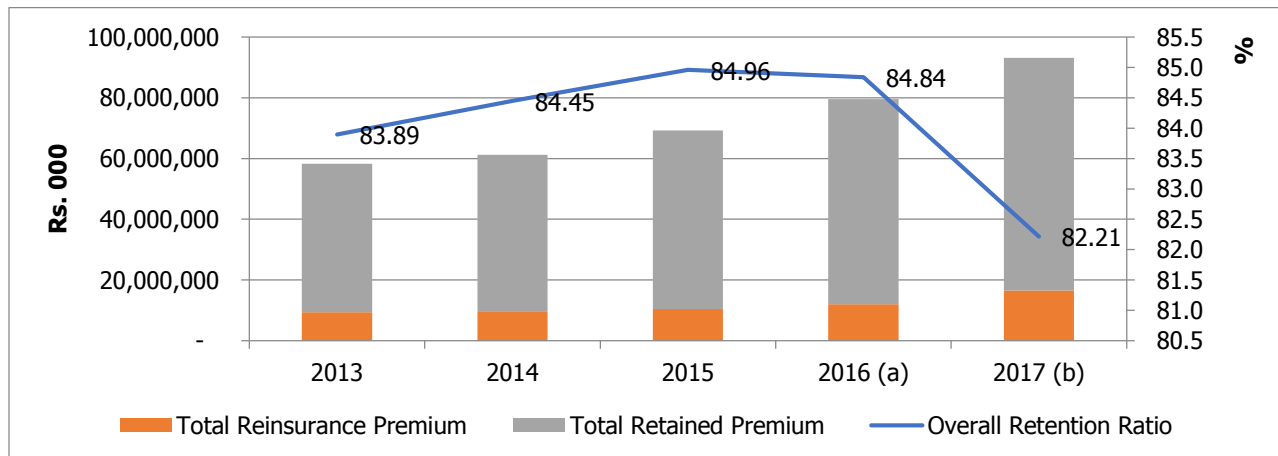
Motor insurance business remained the highest retained class of general insurance business for last five years. In the year 2017, motor class recorded a retention ratio of 96.13 % (2016: 97.50%). However, premiums ceded to reinsurance for motor insurance business have increased by 75.95% and amounted to Rs. 2,170 million compared to Rs. 1,233 million recorded in 2016. This was mainly due to enhancement of reinsurance coverage due to adverse weather conditions prevailed in last two years which resulted in high claim payments.

Health insurance business also continued to record relatively high retention ratio of 81.78 % in 2017 (2016: 95.15%) however, recorded a decrease in retention ratio compared to previous year due to enhancement of reinsurance coverage.

Fire class of insurance business recorded the lowest retention ratio for last five years with 20.17% (2016: 20.33%) recorded for the year 2017. Similarly, Marine insurance business also recorded low retention ratios for last five years and retention ratio recorded for the year 2017 was 45.66%. These classes recorded low retention ratio due to higher risk transfer to reinsurers to minimise the claims exposure.

Chart 16

Reinsurance Premium and Retention by Insurers - General Insurance Business



Company wise Analysis of Total Assets - General Insurance Business

Table 21 & Chart 17 depict the distribution of assets among general insurance companies as at 31st December 2016 and 2017. Total assets of general insurance business amounted to Rs. 185,767 million as at 31st December 2017 and recorded a growth of 6.77% compared to assets amounted to Rs. 173,985 million recorded as at 31st December 2016.

Table 21

Company wise Analysis of Total Assets - General Insurance Business

Insurer	2016 (a)		2017 (b)	
	(Rs.'000)	%	(Rs.'000)	%
AIG	125,282	0.07	55,380	0.03
Allianz Gen.	5,211,062	3.00	7,333,401	3.95
Amana Gen.	2,939,990	1.69	3,141,550	1.69
Ceylinco Gen.	23,376,250	13.44	25,572,536	13.77
Continental	3,584,797	2.06	4,369,211	2.35
Cooperative Gen.	3,787,315	2.18	4,669,447	2.51
Fairfirst	2,945,827	1.69	15,836,675	8.53
HNB Gen.	3,492,537	2.01	4,385,775	2.36
Janashakthi Gen.	19,023,897	10.93	22,142,143	11.92
LOLC Gen.	4,069,023	2.34	5,113,204	2.75
MBSL	1,086,971	0.62	625,377	0.34
NITF	12,176,936	7.00	13,259,239	7.14
Orient	1,713,218	0.98	1,726,427	0.93
People's	6,720,143	3.86	7,745,115	4.17
Sanasa	521,765	0.30	635,851	0.34
SLIC	67,503,909	38.80	69,155,434	37.22
Union Gen.	15,706,231	9.03	-	-
Total	173,985,153	100	185,766,765	100

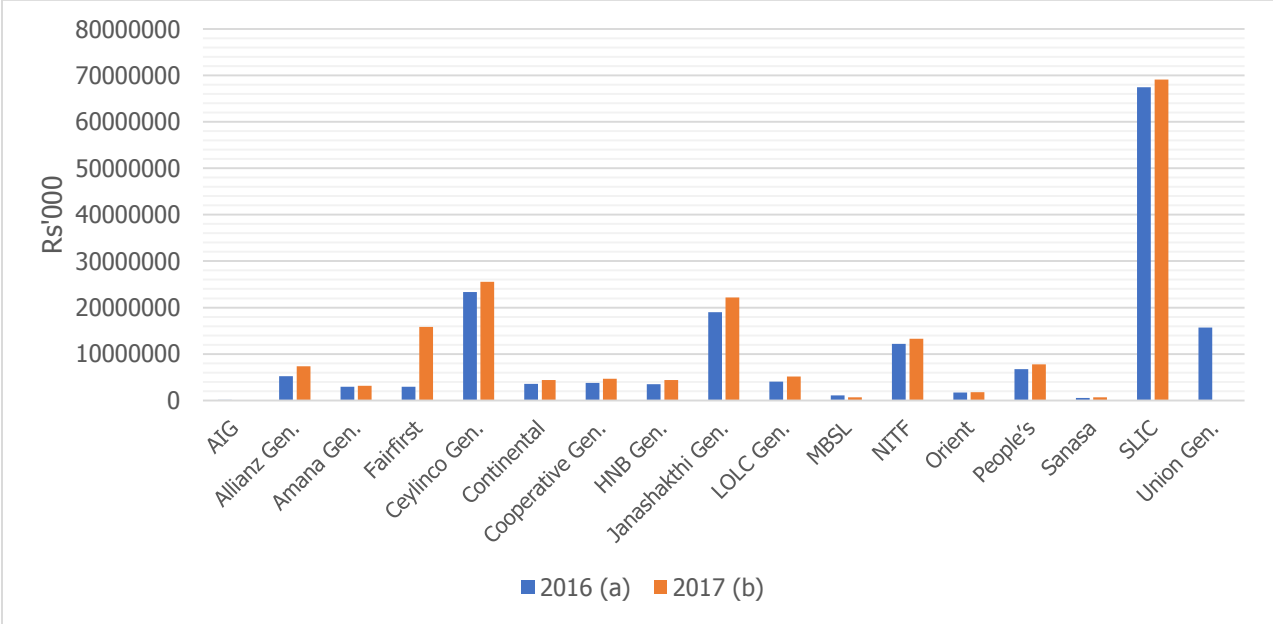
SLIC possessed the largest portion of assets among general insurance companies similar to previous years and represented 37.22% (2016: 38.80%) of total industry assets by recording assets worth of Rs. 69,155 million (2016: Rs. 67,504 million). However, their share of asset had decreased by 1.58% compared to year 2016.

Ceylinco General and Janashkthi General became the second and third largest holders of the assets by recording assets worth Rs. 25,573 million (2016: Rs. 23,376 million) and Rs. 22,142 million (2016: Rs. 19,024 million) representing 13.77% and 11.92% respectively out of the total assets as at 31st December 2017.

Fairfirst and NITF accounted for 8.53% and 7.14% of total assets and claimed fourth and fifth positions in terms of asset share respectively. Fairfirst reported assets worth Rs. 15,837 million (2016: Rs. 2,946 million) in the year 2017 recording an increase of Rs. 12,891 million due to merger of business activities with Union General during the year 2017. It is interesting to note that 78.58% of total assets of insurance companies are concentrated among top five companies while the balance 21.42% are owned by other twelve companies.

Chart 17

Company wise Analysis of Total Assets - General Insurance Business



Concentration of Assets of General Insurance Business

Table 22 and Chart 18 demonstrate the concentration of assets of general insurance business as at 31st December 2016 & 2017.

Table 22**Concentration of Assets as at 31st December 2016 & 2017 - General Insurance Business**

Type of Asset	2016 (a)		2017 (b)	
	Rs.'000	%	Rs.'000	%
Government Debt Securities	40,101,080	23.05	41,870,344	22.54
Equities	37,795,017	21.72	38,355,376	20.65
Corporate Debts	11,659,017	6.70	12,761,621	6.87
Land & Buildings	11,573,141	6.65	11,364,135	6.12
Deposits	11,404,871	6.56	18,500,476	9.96
Unit Trusts	1,142,393	0.66	1,528,271	0.82
Reinsurance receivables	18,737,908	10.77	16,622,166	8.95
Premium receivable from policyholders and intermediaries	17,981,467	10.34	21,087,107	11.35
Property Plant and Equipment	5,783,922	3.32	6,524,695	3.51
Other Assets	14,944,018	8.59	14,432,659	7.77
Cash and cash equivalent	2,862,317	1.64	2,719,914	1.46
Total	173,985,151	100	185,766,764	100

Government Debt Securities remained as the main investment category for the general insurance sector and recorded Rs. 41,870 million (2016: Rs. 40,101 million) investments representing 22.54% of the total asset portfolio. Insurers are required to invest at least 20% of the Technical Reserves in government securities in accordance with section 25(1) of the RII Act. Accordingly, the IRCSL ensured that insurance companies comply with same and the remaining assets were invested in accordance with Determination 1 of 2012 based on the returns filed.

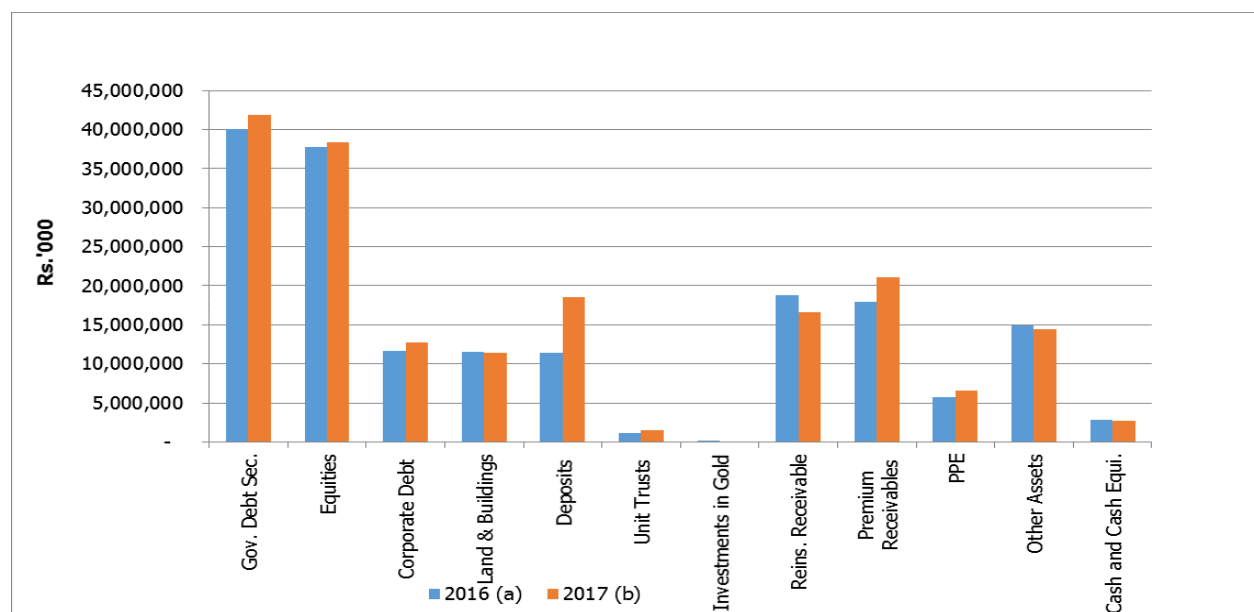
Investments in Equities amounted to Rs. 38,355 million (2016: Rs. 37,795 million) as at 31st December 2017 and represented the second largest asset category in general insurance business, slightly increasing by 1.48% from Rs. 37,795 million recorded in the year 2016. Premium receivables from policyholders and intermediaries amounted to Rs. 21,087 million (Rs. 17,981 million) in 2017 representing 11.35% of total assets, increased by 17.27% compared to 2016.

Investments in deposits amounted to Rs. 18,500 million in 2017, significantly increasing by 62.22% compared to deposits recorded in year 2016 due to favorable interest rates offered by the banks. Accordingly, deposits represented 9.96% (2016: 6.56%) of the total assets. Reinsurance receivables represent 8.95% (2016: 10.77%) of asset share and recorded a decrease compared to 2016 and remained at Rs. 16,622 million in year 2017.

Corporate debts are also one of the main investment categories of general insurance business which represented 6.87% from total assets in 2017 (2016: 6.70%).

Chart 18

Concentration of Assets as at 31st December 2016 & 2017 - General Insurance Business



Investment Income - General Insurance Business

Table 23 illustrates the breakup of investment income, average investments and investment yield ratio of different asset categories in general insurance business for the years 2016 and 2017.

The average investments of general insurance business amounted to Rs. 119,605 million and increased by 5.97% compared to Rs. 112,864 million recorded in 2016. The general insurance business recorded an investment income of Rs. 8,340 million (2016: Rs. 13,823 million) which resulted in an overall investment yield of 6.97% in 2017 (2016: 12.25%). The movement in investment income and investment yield in 2016 and 2017 was mainly due to the significant dividend income recorded by SLIC during the year 2016 under the category of equity investment.

Investment income generated from government securities amounted to Rs. 4,212 million in 2017 which recorded the largest portion of average investment amounting to Rs. 40,986 million (2016: Rs. 39,023 million) from the total average investment of general insurance business. Further, government debt securities have recorded an investment yield of 10.28%, slightly higher than 9.20% recorded in 2016.

Insurers have preferred to invest in the corporate debt market and recorded an average investment amounting to Rs. 12,210 million (2016: Rs. 10,267 million) while representing an investment yield of 11.58% (2016: 10.85%).

Average investments in deposit in banks and finance companies amounted to Rs. 14,953 million and recorded positive increase of 16.56% compared to Rs. 12,829 million recorded in 2016. Accordingly, investment income generated from deposits has increased by 42% and recorded Rs. 1,493 million in year 2017 (2016: Rs. 1,051 million).

Table 23
Breakup of Investment Income and Average Investments - General Insurance Business

Category	2016 (a)			2017 (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	3,588,284	39,023,078	9.20	4,212,077	40,985,713	10.28
- Treasury Bonds	2,089,935			2,735,629		
- Treasury Bills	803,739			590,397		
- Others (REPO)	694,610			886,051		
Equity	7,597,574	38,326,247	19.82	655,827	38,075,197	1.72
- Capital Gain/Losses	(721,337)			104,334		
- Dividend	8,318,911			551,493		
Corporate Debts	1,114,281	10,267,033	10.85	1,413,752	12,210,319	11.58
- Debentures	1,094,355			1,353,313		
- Commercial Papers	19,926			60,439		
Land and Buildings	10,484	10,389,225	0.10	-	11,468,638	-
Deposits	1,051,223	12,828,577	8.19	1,492,512	14,952,674	9.98
- Banks	818,071			1,131,569		
- Finance Companies	233,152			360,943		
Unit Trusts	96,798	1,486,219	6.51	102,045	1,335,332	7.64
Gold	-	2,599	-	-	1,353	-
Others	364,141	541,405	67.26	464,209	576,326	80.55
Total	13,822,785	112,864,383	12.25	8,340,422	119,605,552	6.97

Solvency position of Insurance Companies- General Insurance Business

Table 24 demonstrates details of Total Available Capital (TAC), Risk-based Capital Required (RCR) and Capital Adequacy Ratio (CAR) of general insurance business as at 31st December 2016 and 2017. The average CAR of general insurance business recorded for the years 2017 and 2016 stood at 177%. All general insurers except one company have complied with the minimum CAR requirement of 120% as at 31st December 2017. Despite the severe competition among the general insurance market players, most of the insurers were able to improve their CAR compared to 31st December 2016. Similar to previous year, two insurance companies were not able to comply with the minimum TAC requirement of Rs. 500 million as at 31st December 2017.

Accordingly, the IRCSL has taken appropriate action against such companies who have not complied with Solvency Margin (Risk Based Capital) Rules 2015. Further, companies who had reported CAR between 120% and the enforcement level of 160% were closely monitored in terms of the Enforcement Strategy on RBC issued by the IRCSL.

Table 24

Company-wise Analysis of Solvency Position - General Insurance Business as at 31st December 2016 & 2017

Insurer	As at 31st December 2016 (a)			As at 31st December 2017 (b)		
	TAC (Rs'000)	RCR (Rs'000)	CAR (%)	TAC (Rs'000)	RCR (Rs'000)	CAR (%)
Allianz Gen.	717,076	561,308	128	1,242,299	862,788	144
Amana Gen.	612,166	282,964	216	694,303	368,950	188
Ceylinco Gen.	4,808,967	2,898,591	166	5,256,966	2,683,035	196
Continental	990,264	362,339	273	1,254,166	435,656	288
Cooperative Gen.	930,531	668,347	139	1,255,470	707,534	177
Fairfirst	697,852	498,335	140	2,996,328	1,879,831	159
HNB Gen.	745,532	444,704	168	945,781	530,608	178
Janashakthi Gen.	5,555,651	2,960,794	188	6,950,621	2,944,742	236
LOLC Gen.	1,065,705	529,397	201	1,161,195	537,801	216
MBSL	(112,186)	395,693	-28	(188,192)	146,896	-128
Orient	524,830	219,733	239	565,891	311,104	182

People's	2,782,250	819,580	339	2,825,708	884,562	319
Sanasa	126,492	79,881	158	131,015	106,859	123
SLIC	25,791,641	13,866,523	186	27,050,916	13,501,434	200
UAGI	1,923,728	1,332,421	144			
Total	47,160,499	25,920,610	177	52,142,466	25,901,800	177

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

Table 25 illustrates TAC pertaining to general insurance business as at 31st December 2016 and 2017. As per Solvency Margin (Risk Based Capital) Rules 2015, TAC comprises of Tier 1 capital, Tier 2 capital and Deductions. Overall TAC of the general insurance business was Rs. 52,142 million as at 31st December 2017 and increased by 10.56% compared to Rs. 47,160 million recorded as at 31st December 2016. Tier 1 capital consists of issued and fully paid-up ordinary shares, capital reserves and other adjustments for retained earnings amounting to Rs. 74,745 million in 2017 (2016: Rs. 73,330 million). Tier 2 capital which cannot exceed 50% of Tier 1 capital amounted to Rs. 8,794 million as at 31st December 2017. Deductions from TAC comprised of inadmissible loans and advances, prepayments, inventory, pledged assets, deferred income tax etc. which amounted to Rs. 31,398 million in year 2017.

Table 25
Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2016 and 2017 – General Insurance Business

Insurer	TAC as at 31st December 2016 (a) (Rs'000)	As at 31st December 2017 (b)			
		Tier I (Rs'000)	Tier II (Rs'000)	Deductions (%)	TAC (Rs'000)
Allianz Gen.	717,076	1,516,063	-	273,765	1,242,298
Amana Gen.	612,166	1,770,334	230,332	1,306,363	694,303
Ceylinco Gen.	4,808,967	9,728,950	-	4,471,984	5,256,966
Continental	990,264	1,436,054	-	181,888	1,254,166
Cooperative Gen.	930,531	1,821,632	299,401	865,563	1,255,470
Fairfirst	697,852	4,408,989	-	1,412,661	2,996,328
HNB Gen.	745,532	1,127,779	-	181,998	945,781

Janashakthi Gen.	5,555,651	7,411,668	130,046	591,093	6,950,621
LOLC Gen.	1,065,705	1,366,785	-	205,590	1,161,195
MBSL	(112,186)	(16,206)	(8,125)	163,861	(188,192)
Orient	524,830	655,315	-	89,424	565,891
People's	2,782,250	3,054,156	-	228,448	2,825,708
Sanasa	126,492	216,900	2,666	88,552	131,015
SLIC	25,791,641	40,247,281	8,140,049	21,336,414	27,050,916
Union Gen.	1,923,728	-	-	-	-
Total	47,160,499	74,745,700	8,794,369	31,397,604	52,142,466

Comparison of Risk Capital Required (RCR) by Insurance Companies – General Insurance Business

Table 26 illustrates the company wise composition of various risk charges relating to the Risk Based Capital requirement as at 31st December 2016 and 2017. Total RCR recorded by general insurance companies amounted to Rs. 25,902 million (2016: Rs. 25,921 million) after diversification. Prior to diversification same amounted to Rs. 34,663 million. Market risk was the main risk category and represented 31.41% (2016: 32.47%) of the total risk capital charges before diversification in year 2017. Liability risk charge which consists of premium and claims liability represented 29.88% of the total risk charge which increased by 3.06% in year 2017 compared to 26.82% recorded in year 2016. Concentration risk applies to the value of assets that are not admissible and not required to be deducted from TAC, amounted to Rs. 10,305 million in year 2017 and decreased by 6.82% compared to Rs. 11,059 million recorded as at 31st December 2016.

Operational risk, credit risk and reinsurance risk were comparatively low in the general insurance business by representing 4.49%, 2.75% and 1.75% of total risk capital charge before diversification as at 31st December 2017 respectively.

Table 26

Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2016 and 2017 - General Insurance Business

Insurer	As at 31st December 2016 (a) (Rs'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	2,180	237,304	124,417	20,458	407,160	39,437	830,957	561,308
Amana Gen.	21,957	192,716	27,660	7,621	129,781	27,354	407,089	282,964
Ceylinco Gen.	91,744	1,236,712	933,655	160,111	1,580,436	192,073	4,194,731	2,898,591
Continental	30,840	82,511	120,790	25,043	251,418	30,039	540,641	362,339
Cooperative Gen.	41,868	287,050	257,654	7,504	303,897	37,511	935,485	668,347
Fairfirst	-	312,810	26,518	2,586	361,380	28,922	732,217	498,335
HNB Gen.	32,197	147,137	123,060	12,596	312,514	29,638	657,142	444,704
Janashakthi Gen.	221,028	742,781	1,593,990	90,617	1,314,322	157,305	4,120,044	2,960,794
LOLC Gen.	5,119	116,844	249,236	17,900	357,167	35,976	782,243	529,397
MBSL	7,643	319,052	21,438	19,040	147,104	10,870	525,146	395,693
Orient	20,370	130,676	39,334	10,125	88,783	14,058	303,347	219,733
People's	92,857	73,973	377,322	7,178	603,036	63,976	1,218,342	819,580
Sanasa	3,347	24,298	44,659	3,149	25,803	4,700	105,955	79,881
SLIC	129,353	6,754,211	6,640,757	100,841	2,485,869	675,194	16,786,224	13,866,523
Union Gen.	29,950	400,858	485,341	165,000	773,589	89,577	1,944,315	1,332,421
Total	730,453	11,058,934	11,065,831	649,769	9,142,259	1,436,630	34,083,878	25,920,610

Insurer	As at 31st December 2017 (b) (Rs'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	3,424	452,847	118,166	21,050	621,642	57,957	1,275,087	862,788
Amana Gen.	24,535	253,239	59,175	5,421	134,244	29,764	506,378	368,950
Ceylinco Gen.	132,763	1,000,487	790,817	155,445	1,680,795	221,894	3,982,201	2,683,035
Continental	51,223	78,492	111,412	21,073	345,841	37,968	646,009	435,656
Cooperative Gen.	81,205	237,695	265,311	12,193	377,975	45,177	1,019,556	707,534
Fairfirst	36,684	1,084,791	414,418	23,577	1,044,536	103,739	2,707,745	1,879,831
HNB Gen.	36,572	198,031	73,910	23,870	411,933	37,108	781,425	530,608
Janashakthi Gen.	263,296	626,577	1,538,642	161,096	1,389,150	188,889	4,167,651	2,944,742
LOLC Gen.	2,519	93,170	124,446	24,104	476,997	45,289	766,525	537,801
MBSL	3,255	82,679	24,758	6,259	88,708	5,645	211,303	146,896
Orient	24,077	217,405	27,829	2,783	149,976	16,047	438,118	311,104
People's	118,529	139,463	215,990	8,342	738,073	71,151	1,291,548	884,562
Sanasa	3,204	43,318	52,022	1,677	36,620	5,770	142,612	106,859
SLIC	172,360	5,796,802	7,069,453	138,351	2,860,164	689,716	16,726,847	13,501,434
Total	953,646	10,304,996	10,886,349	605,241	10,356,654	1,556,114	34,663,005	25,901,800

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

As depicted in Table 27 and Chart 19 net earned premium generated from main sub-classes of general insurance business including SRCC & T was Rs. 72,379 million which recorded a growth of 15.55% compared to Rs. 62,641 million recorded in year 2016. The growth experienced in GWP during 2017 favorably influenced the aforesaid growth recorded in net earned premium.

Table 27

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

Class	Net Earned Premium (Rs.'000)				
	2013	2014	2015	2016(a)	2017(b)
Fire	1,405,887	1,241,985	1,283,463	1,213,542	1,727,872
Marine	806,277	753,643	797,026	903,170	991,961
Motor	31,346,284	33,826,829	37,958,834	44,593,900	50,558,538
Health	5,204,603	7,079,162	8,071,777	9,349,093	11,496,828
Miscellaneous	5,640,974	4,402,900	3,270,599	3,306,901	3,869,039
Sub Total	44,404,025	47,304,518	51,381,699	59,366,606	68,644,238
SRCC & T	2,406,477	2,692,730	2,914,630	3,274,297	3,734,322
Total	46,810,502	49,997,248	54,296,329	62,640,903	72,378,560

Class	Net Claims Incurred (Rs.'000)				
	2013	2014	2015	2016(a)	2017(b)
Fire	810,281	717,626	645,231	1,024,290	1,604,152
Marine	432,748	266,560	295,624	266,057	343,612
Motor	19,514,319	20,281,109	24,274,415	28,966,019	31,189,912
Health	4,029,410	6,252,704	6,958,816	8,065,476	10,470,746
Miscellaneous	2,133,310	1,522,689	1,677,736	2,121,221	4,312,451
Sub Total	26,920,068	29,040,688	33,851,822	40,443,063	47,920,873
SRCC & T	-	56,897	780	33,677	(10,519)
Total	26,920,068	29,097,585	33,852,602	40,476,740	47,910,354

Class	Net Claims Ratio (%)				
	2013	2014	2015	2016(a)	2017(b)
Fire	57.63	57.78	50.27	84.40	92.84
Marine	53.67	35.37	37.09	29.46	34.64
Motor	62.25	59.96	63.95	64.96	61.69
Health	77.42	88.33	86.21	86.27	91.08
Miscellaneous	37.82	34.58	51.30	64.15	111.46
Sub Total	60.63	61.39	65.88	68.12	69.81
SRCC & T	-	2.11	0.03	1.03	(0.28)
Total	57.51	58.20	62.35	64.62	66.19

Description	Net Expenses (Rs.'000)				
	2013	2014	2015	2016(a)	2017(b)
Net Expenses for all classes of General Insurance Business except SRCC & T	17,359,623	19,524,543	19,134,713	21,421,928	24,262,663
SRCC & T	414,422	466,435	486,985	653,706	703,970
Total	17,774,045	19,990,978	19,621,698	22,075,634	24,966,633

Description	Net Expense Ratio (%)				
	2013	2014	2015	2016(a)	2017(b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	39.09	41.27	37.24	36.08	35.35
Net Expense Ratio of General Insurance Business	37.97	39.98	36.14	35.24	34.49

Description	Net Combined Ratio (%)				
	2013	2014	2015	2016(a)	2017(b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	99.72	102.67	103.12	104.21	105.16
Net Combined Ratio of General Insurance Business	95.48	98.18	98.49	99.86	100.69

Total net claims incurred increased during the last five years and in 2017 increased by 18.49% (2016: 21.01%). Total net claims incurred amounted to Rs. 47,921 million excluding SRCC & T compared to Rs. 40,443 million recorded in 2016. The increase was largely due to adverse weather conditions prevailed in the country affecting a large number of people and property, and increased number of dengue cases reported which resulted in increase in claims in all the classes of general insurance business. Therefore, change in weather patterns, increase in the frequency and severity of rainfall have increased the risks for insurers, thus highlighting the need for efficient pricing and assessment of such risks in an effective manner by insurers.

Motor insurance business has recorded net earned premium amounting to Rs. 50,559 million (2016: Rs. 44,594 million) representing 69.85% of total net earned premium including SRCC & T in year 2017. Motor insurance class recorded the highest net claims incurred amounting to Rs. 31,190 million (2016: Rs. 28,966 million) which represented 65.10% of the total claims incurred including SRCC & T in 2017 resulted in recording a net claims ratio of 61.69% (2016: 64.96%)

Health insurance business has recorded net earned premium amounting to Rs. 11,497 million (2016: Rs. 9,349) representing 15.88% of total net earned premium (including SRCC & T) for the year 2017. This class of business recorded the second highest net claims incurred reporting Rs. 10,470 million (2016: Rs. 8,065

million) and representing 21.85% (2016: 19.94%) of the total net claim incurred (excluding SRCC & T) in year 2017. High net claim ratio of 91.08% (2016: 86.27%) is a challenge for general insurance market.

Miscellaneous insurance business recorded net earned premium of Rs. 3,870 million an increase by 17% compared to Rs. 3,306 million recorded in year 2016. This sub-class recorded the highest net claims ratio of 111.46% in 2017 which significantly increased from claim ratio of 64.15% recorded in year 2016. This was mainly due to National Natural Disaster Insurance Scheme (NNDIS) introduced by the Sri Lankan government since 01st April 2016 as a protection scheme to cover damages caused to uninsured lives and properties, households and small business establishments due to cyclone, storm, tempest, flood, land slide, hurricane, earthquake, tsunami and any other similar natural perils, excluding drought. The total coverage of the above scheme was increased to Rs. 15 billion for 2017/2018 from Rs. 10 billion. NITF reported total claims incurred of Rs. 3.5 billion and Rs. 4.7 billion for the years ended 2016 and 2017 respectively. NNDIS was backed by reinsurance cover in 2016 and plans to recover Rs. 2.2 billion from reinsurers. However, for 2017/2018, the reinsurance cover came into effect after the May flood and claim payments were within the retention limits, which lead NITF to bear the total claim liability.

Net claims incurred for fire insurance business has increased to Rs. 1,604 million in year 2017 from Rs. 1,024 million recorded in year 2016 by 56.64% and recorded a net claim ratio of 92.84% which was higher than the 84.40% recorded in the year 2016 due to flood claims.

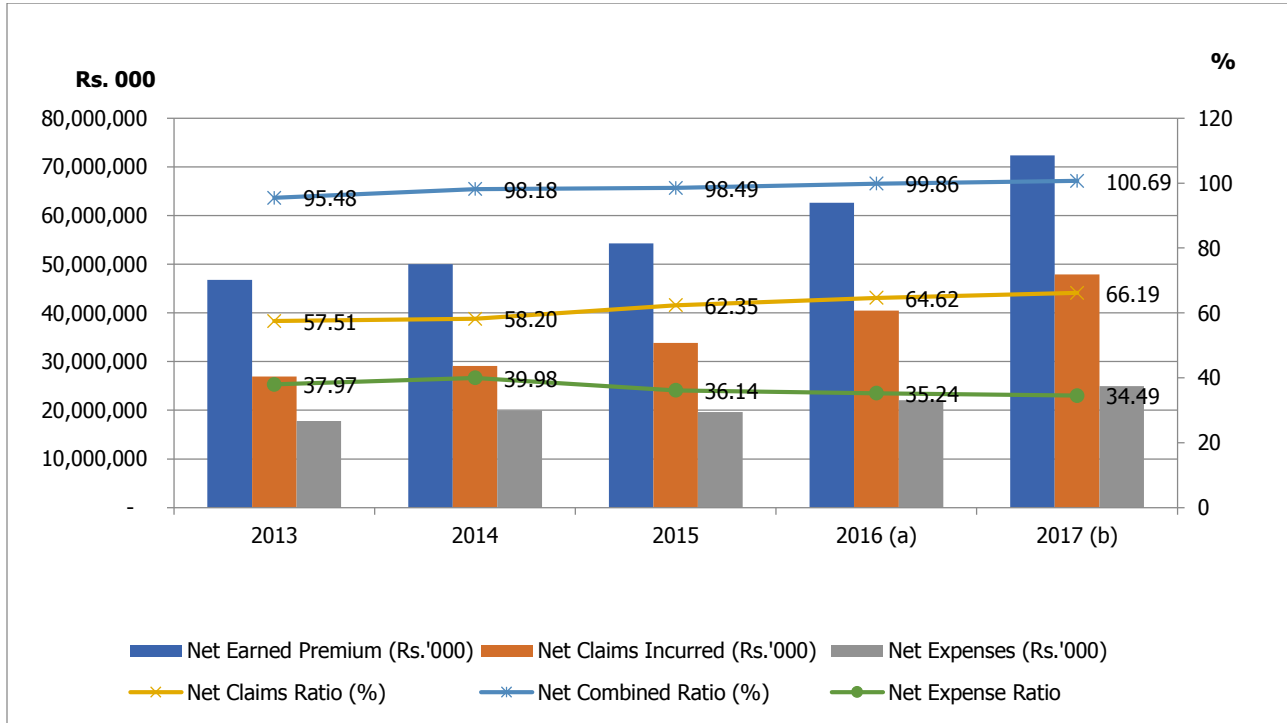
Similar to previous year, marine insurance recorded a low claims ratio of 34.64% which was slightly increased by 5.18% compared to the claim ratio of 29.46% recorded in year 2016.

As reflected in Table 27 and Chart 19 net expenses (including SRCC & T) incurred by general insurance sector amounted to Rs. 24,967 million in 2017 (2016: Rs. 22,076 million) which increased by 13.10%. Net expenses recorded for SRCC & T by NITF has continuously increased over the last five years and recorded Rs. 704 million in 2017 (2016: Rs. 654 million).

Net combined ratio which reflects the aggregate of net claims ratio and net expense ratio increased to 100.69% from 99.86% recorded in 2016. The combined ratio exceeding 100% reflects that the total claims and expenses incurred by the general insurance business above the earned premium.

Chart 19

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



Number of Policies Representing Gross Written Premium- General Insurance Business

Table 28 reflects the number of insurance policies pertaining to different sub-classes of general insurance business which had contributed to generate GWP from 2013 to 2017. The total number of insurance policies related to all sub-classes of general insurance business has significantly increased to 6,171,573 in 2017 from 5,768,607 policies reported in 2016.

Similar to previous year motor insurance business accounted for the largest number of policies from a single sub-class of general insurance business in the year 2017 and represented 87.96% (2016: 87.98%) of total policies in year 2017. Out of total motor insurance policies issued, majority was third party insurance indicating that people tend to look for a minimum level of protection for low premium to fulfil only the legal requirement. Insurance policies for all sub-classes had increased in 2017 compared to 2016 except fire and health insurance policies.

Table 28
Number of Policies representing Gross Written Premium - General Insurance Business

	No. of policies				
	2013	2014	2015	2016 (a)	2017 (b)
Fire	177,749	188,578	227,800	246,058	242,184
Marine	158,893	186,447	190,720	191,966	196,293
Motor	3,795,059	4,004,162	4,531,187	5,075,622	5,428,618
3rd Party Only	2,126,037	2,229,153	2,460,596	2,628,255	2,785,000
Comprehensive	1,669,022	1,775,009	2,070,591	2,447,367	2,643,618
Health	11,609	13,716	15,053	16,040	14,121
Miscellaneous	186,131	204,285	202,038	238,921	290,357
Total	4,329,441	4,597,188	5,166,798	5,768,607	6,171,573

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

Table 29 and Chart 20 illustrate the details of new insurance policies, renewed policies and policies in force for years 2016 and 2017. The total number of policies in force pertaining to all sub-classes of general insurance business amounted to 6,051,867 in 2017 (2016: 5,909,818) and increased by 2.40% compared to 2016. Similar to previous years, motor insurance represented the largest number of insurance policies in force as at end of the year 2017 by recording 5,354,234 policies (2016: 5,053,554) comprising of 2,780,940 third party policies (2016: 2,657,337) and 2,573,294 comprehensive policies (2016: 2,396,217). During the year policies in force for marine insurance & fire insurance have decreased by 29.98% and 29.62% respectively compared to previous year. Miscellaneous policies in force have marginally increased by 6.89% in 2017 compared to 2016.

Table 29

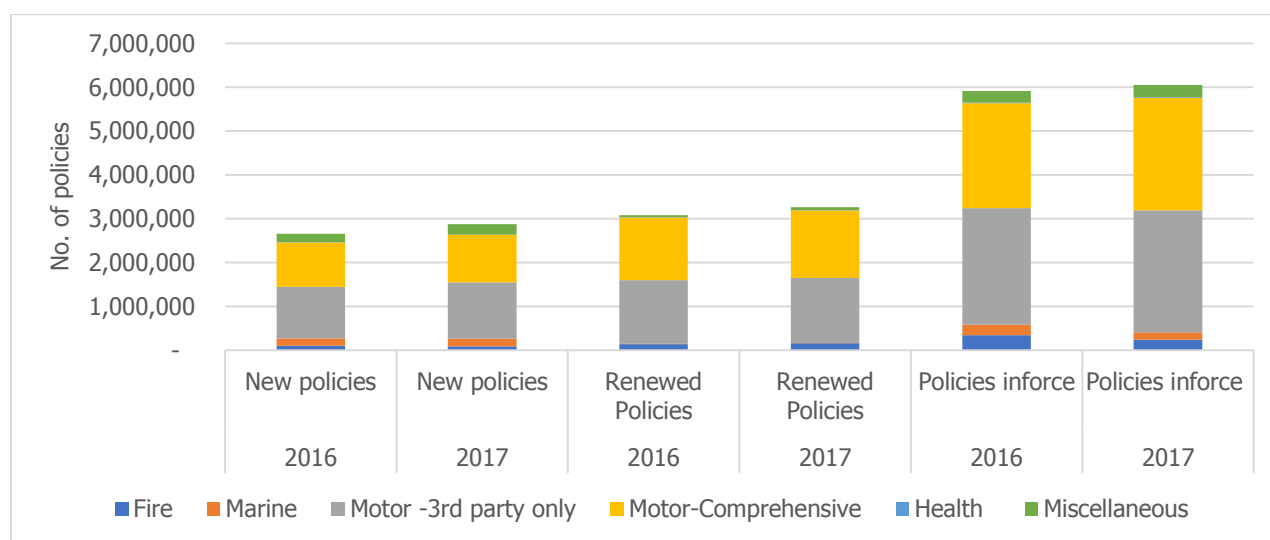
Details of New, Renewed and Policies in Force - General Insurance Business

	2016			2017		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	103,969	136,976	344,682	88,247	156,266	242,602
Marine	165,619	5,180	237,873	170,330	5,669	166,547
Motor	2,191,720	2,886,731	5,053,554	2,380,751	3,029,136	5,354,234
3rd party only	1,178,712	1,453,258	2,657,337	1,289,099	1,484,081	2,780,940
Comprehensive	1,013,008	1,433,473	2,396,217	1,091,652	1,545,055	2,573,294

Health	8,826	6,235	14,649	5,043	7,716	11,563
Miscellaneous	183,772	47,437	259,060	229,380	63,799	276,921
Total	2,653,906	3,082,559	5,909,818	2,873,751	3,262,586	6,051,867

Chart 20

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



Reinsurance Business

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 No. 1791/4 of 31st December 2012.

During the year 2017, NITF has recorded Rs. 3,683 million as reinsurance premium income, increasing by 53.64% compared to Rs. 2,397 million recorded in 2016.

In 2017, Rs. 175 million had been ceded to reinsurers as retrocession premium by NITF (2016: Rs. 252 million) which resulted in recording a retention ratio of 95.25% (2016: 89.50%). NITF reported net earned premium of Rs. 3,058 million (2016: Rs. 1,929 million) reflecting a positive increase of 58.53%.

Net claims incurred during 2017 amounted to Rs. 2,326 million (2016: Rs. 2,868 million) which resulted in a claims ratio of 76.06% (2016: 148.68%). Reinsurance business of NITF reported expense amounted to Rs.765 million during 2017 recording an increase of 31.22% over Rs.583 million incurred in 2016 and resulted in an expense ratio of 25.02% in 2017 (2016: 30.22%). Accordingly, the combined ratio which is the

aggregate of claim ratio and expense ratio amounted to 101.08% decreasing significantly by 77.82% over 178.90% recorded in 2016.

Total assets held by the reinsurance business of NITF amounted to Rs. 4,250 million as at 31st December 2017 decreasing by 26.15% compared to assets worth of Rs. 5,755 million recorded as at 31st December 2016. Investments in government securities reported under NITF's Reinsurance business has significantly deteriorated by 78.65% to Rs. 347 million as at 31st December 2017 against Rs. 1,625 million reported as at 31st December 2016.

Reinsurance receivables accounted for Rs. 2,194 million (2016: Rs. 2,880 million) and represented 51.62% of total assets as at 31st December 2017, the main category of assets in the reinsurance business. The said balance remained unchanged since 2016. Accordingly, Reinsurance business of NITF does not have sufficient approved investments to meet insurance contract liabilities as at 31st December 2017.

Insurance Brokering Companies

During 2017, sixty insurance brokering companies operated and generated Gross Written Premium (GWP) amounting to Rs. 22,423 million. Accordingly, total GWP generated through insurance brokering business recorded a growth of 26.11% in 2017 when compared to Rs. 17,781 million generated in the year 2016. This total GWP consisted of premium income generated through long term insurance business and general insurance business which amounted to Rs. 341 million (1.52%) and Rs. 22,083 million (98.48%) respectively.

Similar to previous years, the contribution of insurance brokering companies towards long term insurance business was insignificant in 2017. As per the details provided by the brokering companies, only 0.48% of the total GWP of long term insurance business (Rs. 71,504 million) was generated through them. However, insurance brokering companies have generated 23.72% of the total GWP of general insurance business which amounted to Rs. 93,119 million (including SRCC & T premium).

In 2017, 27 insurance brokering companies procured GWP exceeding Rs. 100 million each and these companies collectively generated GWP amounting to Rs. 21,264 million. The remaining 33 insurance brokering companies generated Rs. 1,159 million as depicted in Table 30.

Table 30

Gross Written Premium generated through Insurance Brokering Companies – 2017

Name of the Broker		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.	14,725	4.32	692,419	3.14	707,144	3.15
2	Aitken Spence Insurance Brokers (Pvt) Ltd.	3,745	1.10	627,123	2.84	630,868	2.81
3	Alfinco Insurance Brokers (Pvt) Limited	882	0.26	684,235	3.10	685,117	3.06
4	Allion Insurance Brokers (Pvt) Ltd.	6,671	1.96	120,540	0.55	127,211	0.57
5	Assetline Insurance Brokers (Pvt) Ltd.	403	0.12	1,829,565	8.29	1,829,968	8.16
6	Ceynergy Insurance Brokers (Pvt) Ltd.	510	0.15	131,486	0.60	131,996	0.59
7	CF Insurance Brokers (Pvt) Ltd.	79	0.02	2,704,243	12.25	2,704,322	12.06
8	Colombore Insurance Brokers (Pvt) Ltd.	6,445	1.89	272,431	1.23	278,876	1.24
9	Commercial Insurance Brokers (Pvt) Ltd.	35,560	10.44	2,527,181	11.44	2,562,741	11.43
10	Delmege Insurance Brokers (Pvt) Limited	73,091	21.45	967,461	4.38	1,040,552	4.64
11	Equity Insurance Brokers (Pvt) Ltd.	-	-	158,195	0.72	158,195	0.71
12	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	23,806	6.99	462,280	2.09	486,087	2.17
13	Finlay Insurance Brokers (Pvt) Ltd.	20,006	5.87	1,251,088	5.67	1,271,094	5.67
14	Foresight Insurance & Re Insurance Brokers (Pvt) Ltd.	-	-	143,942	0.65	143,942	0.64
15	Global Insurance Brokers and Services (Pvt) Ltd.	5,307	1.56	115,258	0.52	120,565	0.54
16	InsureMe Insurance Brokers (Pvt) Ltd.	23,898	7.01	130,859	0.59	154,758	0.69
17	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	2,169	0.64	157,476	0.71	159,645	0.71
18	Mercantile Insurance Brokers (Pvt) Ltd.	159	0.05	326,290	1.48	326,449	1.46
19	Nations Insurance Brokers Ltd.	7,194	2.11	1,612,609	7.30	1,619,803	7.22
20	Procure Insurance Brokers (Pvt) Ltd.	5,995	1.76	350,873	1.59	356,868	1.59
21	Protection & Assurance Ins. Brokers (Pvt) Ltd.	-	-	1,301,599	5.89	1,301,599	5.80
22	R M S Insurance Brokers (Pvt) Ltd.	-	-	106,778	0.48	106,778	0.48
23	Reliance Insurance Brokers (Pvt) Ltd.	26,383	7.74	579,623	2.62	606,006	2.70
24	Senaratne Insurance Brokers (Pvt) Ltd	18,092	5.31	1,469,745	6.66	1,487,837	6.64
25	Senkadagala Insurance Brokers (Private) Ltd.	-	-	1,082,045	4.90	1,082,045	4.83
26	Strategic Insurance Brokers (Pvt) Ltd.	8,676	2.55	954,691	4.32	963,367	4.30
27	Zenith Insurance Brokers (Pvt) Ltd.	923	0.27	219,709	0.99	220,632	0.98
	Sub total	284,719	83.56	20,979,745	95.01	21,264,464	94.83
	Other Insurance Brokering Companies(33)	55,998	16.44	1,103,022	4.99	1,159,020	5.17
	Grand Total	340,717	100	22,082,767	100.00	22,423,484	100.00

Chart 21

Gross Written Premium generated through Insurance Brokering Companies from 2008 to 2017

