

## Statistical Review

### Abbreviations for Insurance Companies

	<b>Insurance Company</b>	<b>Abbreviation</b>
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 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 are 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 Ltd."
3. Janashakthi General Insurance Ltd. was acquired by Allianz Insurance Lanka Ltd. in year 2018 and amalgamated with effect from 28<sup>th</sup> September 2018 and known as "Allianz Insurance Lanka Ltd."
4. Softlogic Life Insurance PLC was known as Asian Alliance Insurance PLC prior to 2016.
5. Asian Alliance General Insurance Limited was acquired by Fairfax Asia Limited in year 2015 and known as "Fairfirst Insurance Limited".
6. Union General Limited was acquired by Fairfirst Insurance Limited and amalgamated with effect from 28<sup>th</sup> February 2017 and known as "Fairfirst Insurance Limited".
7. AIG Insurance Limited has withdrawn the business operation in year 2014 and is in the process of voluntary liquidation. Hence, statistics of AIG was not considered in 2018.
8. Data submitted by NITF with regard to the Risk Based Capital had not been considered in order to maintain the comparability since NITF handles different types of insurance schemes.
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 to previously published figures are due to subsequent revisions.
12. Values indicated within parenthesis are negative values.
13. The terms "life" and long term" are used interchangeably in the report.
14. The following symbols have been used throughout: -
  - (a) = Reinstated and Audited figures
  - (b) = Provisional figures
  - = nil

## **An Overview of the Sri Lankan Insurance Industry**

### **Global Insurance Market at a Glance**

Global insurance industry recorded a steady growth with positive economic momentum by reporting premium growth of around of 3 - 4 % in real terms during the year 2018. Sustained improvement in advanced markets along with the contributions by emerging markets has driven the global insurance premium growth during the year. Nevertheless, profitability of the insurance industry remained under pressure in relatively low interest rate environments.

Among many other factors, trade war between the United States and China, Chinese hard landing, geopolitical uncertainty & tightened monetary policies adopted by all major Central Banks continued to remain significant headwinds for insurers in 2018.

Technology is rapidly transforming the global insurance industry. The number of blockchain applications for fraud prevention, improve efficiency through process simplification, smart underwriting & digital-first policy administration, record keeping, automated codified payouts etc. will reshape the insurance landscape completely. Insurers increasingly invest in data analytics and initiatives to influence behaviors and costs of health providers. Cyber insurance has emerged as a response to growing number of data breaches worldwide which perceived as one of the leading risks to businesses.

The world is in search of more solutions to manage the catastrophe events with greater use of drones, satellite imageries which improve the efficiency in claims management and also risk prevention and assessment. As per Munich Re publications, extreme storms, wildfires and droughts caused heavy Nat Cat losses in 2018 as well. These included the most expensive natural catastrophes occurred such as wildfire in Northern California and hurricane "Michael" in USA, tsunami and earthquake that took place in Indonesia, number of typhoons and two earthquakes that caused billions of losses in Japan etc. 2018 was the fourth costliest year since 1980 for the insurance industry in terms of natural disaster losses. Reinsurers role in managing climate and natural disaster risk is also visible in 2018.

Several insurers are experimenting with connectivity and advanced analysis based on digitally available medical data, drug prescription information and potentially even facial analysis technology that can be used to estimate an applicant's life expectancy and eliminate traditional medical tests. As published by Swiss Re, the incidence of chronic diseases such as cardiovascular disease (CVD), cancer, and diabetes is rising. In India, CVDs, cancer and other chronic diseases caused 53% of total deaths in 2005 and this is forecasted to rise to 67% by 2030. Insurers play a crucial role in increasing awareness and providing attractive medical insurance solutions.

Worldwide mergers & acquisitions activities continue in the insurance sector and up by 9% (approx.) in 2018 compared to previous year. (Source: publications of <https://www.lexology.com>)

### **Sri Lankan Economy at a Glance**

During the year, the country's total Gross Domestic Product (GDP) reported at LKR 14,450 billion. Growth of Sri Lankan economy was highly disturbed with the constitutional crisis, sharp depreciation of the Rupee against major currencies, transitory price pressures due to upward revisions to prices of domestic petroleum products and other administratively determined prices, slowdown in industry related activities etc. which resulted in growth rate declining to 17 years lowest of 3.2% in 2018. Meanwhile, the growth was largely supported by service activities that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%.

Further, poor performance in the Colombo Stock Exchange was evident by the significant decline in share prices, market turnover, market capitalization and Price to Earnings ratios throughout the year.

(Source – Central Bank Annual Report 2018)

### **Sri Lankan Insurance Market**

Sri Lankan insurance industry in 2018 operated with twenty-six registered insurance companies (excluding MBSL which was suspended from 28<sup>th</sup> June 2017 to 2<sup>nd</sup> April 2019). Six insurance companies operated with major shareholding of foreign equity collaborations. Many companies are organized into conglomerates, subsidiaries and associates of groups. Further, nine companies were listed in the Colombo Stock Exchange as at 31st December 2018.

Several acquisitions and mergers were recently experienced specially in the general insurance sector subsequent to the segregation of life and general insurance businesses of composite insurers in the year 2015. Recent trends in acquisitions and mergers have seen a shift in ownership to global insurance firms who are eyeing to diversify their global business models. During the year, one large acquisition took place that has turnaround the general insurance industry. Allianz General which recorded a market share of approximately 6% (in 2017) in Sri Lanka has acquired Janashakthi General which is double in size in terms of market share with the backing of Allianz SE.

The concept of "Micro-insurance" is a main discussion topic in Sri Lanka due to its conceptual importance of simple and affordable insurance products to reach large number of people. The trend in increasing dependency ratio with demographic transition, together with non-availability of sufficient coverage of pension schemes and low penetration levels create more opportunities to insurers and micro-insurers.

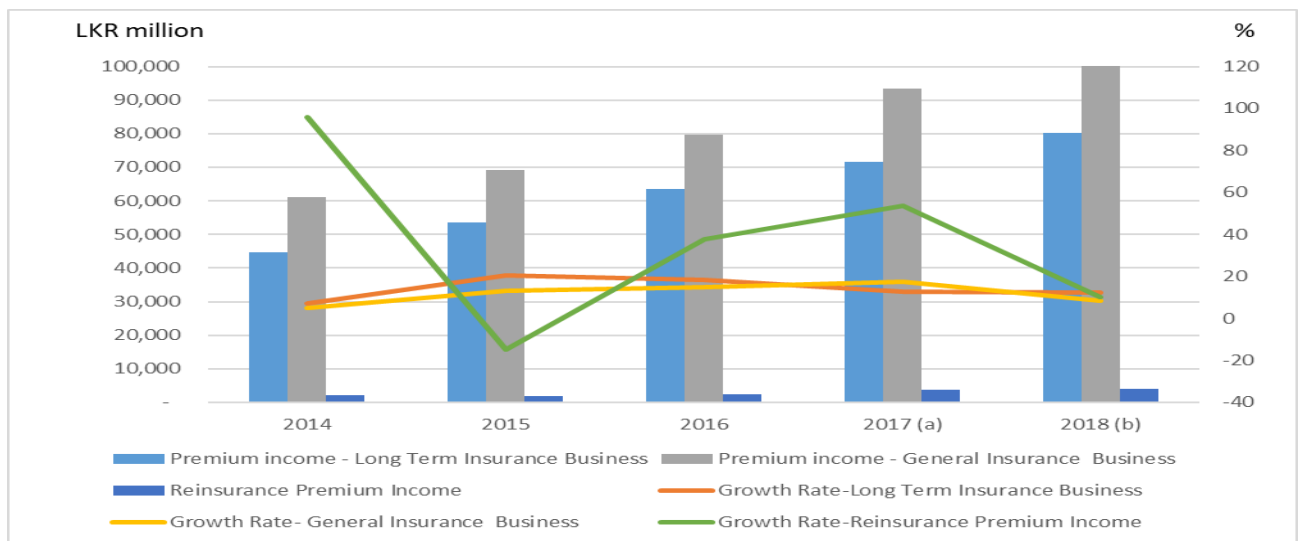
Heavy monsoon rains reported in mid May 2018 caused severe damages due to floods and landslides. Further, in late December heavy thunder storms hit the Northern province in Sri Lanka causing

damages. However, impact on insurance industry due to catastrophe risk event in 2018 was not serious compared to year 2017.

As per the Central Bank Annual report 2018, based on the business surveys conducted by them, delayed implementation of structural reforms and policy uncertainty that prevailed throughout the year together with the heightened political tension prevailed in the latter part of the year had an adverse impact on much-needed business confidence and investor sentiment. Despite these economic and political uncertainties, overall insurance industry reported total Gross Written Premium (GWP) of LKR 181,506 million in 2018 compared to LKR 164,960 million reported in 2017 and has grown at a moderate phase of 10.03% in nominal terms in 2018 compared to 15.30% recorded in 2017. Similar to previous years, motor insurance largely contributed to the GWP. However, general insurance industry grew at a slow phase (8.37%) compared to double digit growth recorded since 2015. Life insurance industry also managed to record premium income of LKR 80,303 million in 2018 with a moderate growth rate of 12.20% year on year. 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**



The contribution of insurance towards country's total GDP remains low as 1.26% (2017: 1.24 %). Level of disposable income has a direct impact on the level of insurance penetration. Certain negative perceptions on insurance and available social security benefits are some of other factors that contribute to the low penetration levels.

Insurance density which is calculated based on the total GWP to country's population amounted to LKR 8,376. In year 2018, Sri Lanka reported 8 million employed persons (Source – Central Bank Annual

Report 2018). Accordingly, total GWP to country's employed persons stood at LKR 22,688. Table 1 provides details on GWP, insurance penetration and insurance density during the last five years.

**Table 1**

**Premium Income & Penetration**

	2014	2015	2016	2017 (a)	2018 (b)
Premium income - Long Term Insurance Business (LKR millions)	44,596	53,691	63,477	71,571	80,303
Premium income - General Insurance Business (LKR millions)	61,202	69,271	79,590	93,389	101,203
Total Premium Income - Insurance Business (LKR millions)	105,798	122,962	143,067	164,960	181,506
Growth Rate in Total Premium Income - Insurance Business (%)	5.84	16.22	16.35	15.30	10.03
Reinsurance Premium Income (LKR millions)**	2,041	1,738	2,397	3,683	4,056
Gross Domestic Product at current market price (LKR billions)*	10,361	10,951	11,996	13,418	14,450
GDP Growth Rate % *	4.90	4.84	4.50	3.40	3.20
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.02	1.12	1.19	1.23	1.26
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.43	0.49	0.53	0.53	0.56
Penetration % (Premium of General Insurance Business as a % of GDP)	0.59	0.63	0.66	0.70	0.70
Insurance Density - (Total Premium Income - Insurance Business/ population) LKR.	5,094	5,865	6,747	7,693	8,376
Population '000 (Mid-Year) *	20,771	20,966	21,203	21,444	21,670

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

: Gross Domestic Product at current market price has been updated from 2014 onwards based on the Annual Report of Central Bank of Sri Lanka 2018.

\*\* Reinsurance premium income represents the compulsory cession of reinsurance premiums of General Insurance Business ceded to NITF.

**Total Assets of Insurance Companies**

The assets held by insurance companies provide the strength to the ultimate security offered to policyholders. Table 2 and Chart 2 present the details relating to total assets of the insurance industry where average growth rate was 11.29% during the last five years. Total assets reported by insurers amounted to LKR 623,477 million as at 31st December 2018. The growth of total assets of industry has adversely impacted due to the increased vulnerability prevailed in the Sri Lankan economy which was discussed earlier in this report. Accordingly, during the year, insurance industry has recorded a declining growth rate of 7.18% in 2018 compared to 10.73% recorded in 2017.

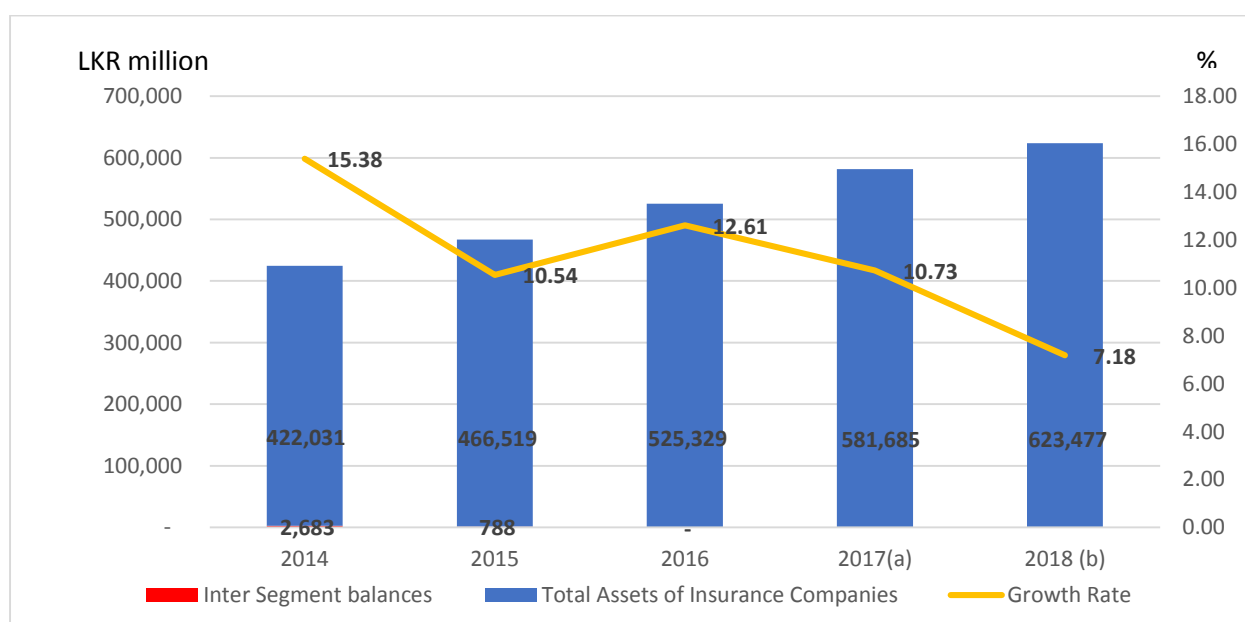
**Table 2****Total Assets of Insurance Companies**

	2014	2015	2016	2017 (a)	2018 (b)
Long Term Insurance (LKR millions)	247,061	312,713	345,589	391,890	429,706
General Insurance (LKR millions)	174,588	151,177	173,985	185,583	190,088
Reinsurance (LKR millions)	3,065	3,417	5,755	4,212	3,683
<b>Total (LKR millions)</b>	<b>*422,031</b>	<b>*466,519</b>	<b>525,329</b>	<b>581,685</b>	<b>623,477</b>
* Inter segment transactions have been eliminated					

Similar to previous years, long term insurance industry has driven the growth of assets by posting a moderate growth rate of 9.65% while general insurance industry showed a drop in asset growth rate of 2.43% in 2018 compared to 2017 (2017: 6.67%). Total assets reported by life and general insurers amounted to LKR 429,706 million and LKR 190,088 million respectively in 2018 (2017: LKR 391,890 million & LKR 185,583 million).

A Composite insurer, SLIC was the main contributor to the asset portfolio followed by long term insurers' namely Ceylinco Life, AIA Life and Union Life. General insurers' namely Allianz General and Ceylinco General also positively contributed to the asset portfolio of general insurance business.

The national reinsurer, NITF reported assets amounting to LKR 3,683 million relating to their reinsurance business and recorded a decrease of 12.54% year on year. Further, there was significant reduction in the financial investments relating to the reinsurance business of NITF.

**Chart 2****Total Assets and Asset Growth Rate of the Insurance Industry**

### Distribution of Total Assets of Major Financial Sectors

The interaction between Financial Intermediaries such as Banks, Finance companies, Insurers, Leasing Companies, Pension Funds etc. has been growing considerably over time. Table 3 and Chart 3 represent total asset distribution between major financial sectors. The overall asset portfolio of the sector recorded a growth of 10.8% at the end of 2018.

Despite sharp depreciation in Rupee against major currencies, financial sector showed moderate performance particularly the Banking sector in 2018. However, according to Central Bank Annual Report 2018, increase in non-performing loans and advances have adversely impacted performance of Banking, Licensed Finance Companies and Specialized Leasing Companies. Further, other factors such as low credit growth, high operational and administration costs and taxes have resulted in deteriorating finance sector profitability during the year.

**Table 3**

### Distribution of Total Assets of Major Financial Sectors

Financial Sectors	2014		2015		2016		2017		2018	
	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%
Banking Sector	8,442.0	70.3	9,503.7	68.7	10,575.8	69.5	11,897.4	69.7	13,708.3	72.4
Other Deposit Taking Financial Institutions	857.0	7.1	1,044.2	7.6	1,246.7	8.2	1,370.4	8.0	1,542.7	8.2
Specialized Financial Institutions	441.0	3.7	557.8	4.0	335.4	2.2	388.9	2.3	240.0	1.3
Contractual Savings Institutions	1,853.6	15.4	2,257.5	16.3	2,536.6	16.7	2,838.0	16.6	2,807.7	14.8
Insurance Companies*	422.0	3.5	466.5	3.4	525.3	3.5	581.7 (a)	3.4	623.5 (b)	3.3
<b>Total</b>	<b>12,015.6</b>	<b>100.0</b>	<b>13,829.6</b>	<b>100.0</b>	<b>15,219.8</b>	<b>100.0</b>	<b>17,076.4</b>	<b>100.0</b>	<b>18,922.2</b>	<b>100.0</b>

Source: Central Bank of Sri Lanka

The Banking sector which comprised of 33 licensed banks continued to expand the asset portfolio in 2018 as well. Total asset portfolio of Banks increased by 15.22% to LKR 13,708 billion including the Central Bank assets worth LKR 1,914.3 billion in 2018. Accordingly, Banking Sector represents 72.4% of total asset portfolio of major financial sector in 2018.

Other Deposit Taking Financial Institutions mainly comprised of Licensed Finance Companies also positively contributed to the economy by expanding the asset portfolio from LKR 1,370.4 billion in 2017



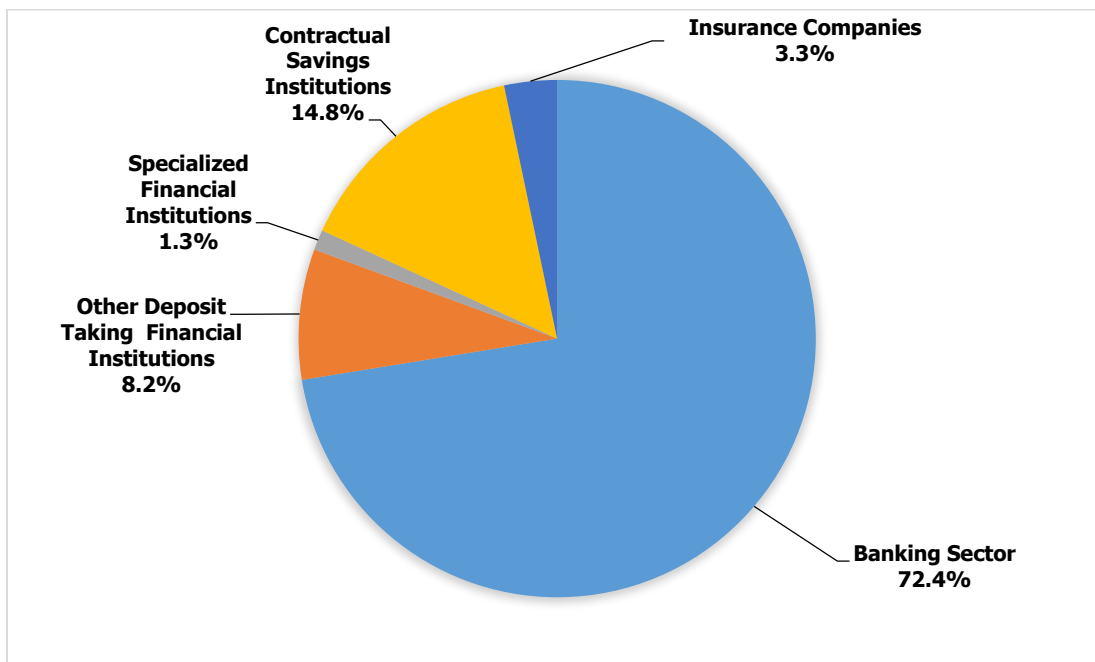
to LKR 1,542.7 billion in 2018. Accordingly, asset base of Other Deposit Taking Financial Institutions increased by 12.57 % in 2018.

Specialized Financial Institutions recorded reduction in assets from LKR 388.9 million in 2017 to LKR 240 million in 2018. Specialized Leasing Companies and Unit Trusts / Unit Trust Management companies have contributed to the reduction in assets of this category.

Contractual Saving Institutions which comprised of Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) and other than the Approved Pension and Provident Funds, assets portfolio represented LKR 2,808 billion in 2018 (2017: LKR 2,838 billion). Though EPF and ETF asset portfolio has shown an improvement, Approved Pension and Provident Funds asset portfolio showed a reduction. The insurance sector plays an important role in the financial services industry by recording assets worth LKR 623.5 billion in 2018 compared to LKR 581.7 billion in 2017. Similar to previous years' insurance companies held 3.3% of the total assets of finance sector in 2018.

### Chart 3

**Distribution of Total Assets of Major Financial Sectors as at 31st December 2018**



### Profitability

The volatility in the interest rate environment and other economic disturbances prevailed during the year impacted the profitability of the insurance industry and reported total profit before tax of LKR

37,017 million (2017: LKR 49,084 million). Total profit of the insurance industry after excluding One-off Surplus amounted to LKR 36,636 million in 2018 compared to LKR 33,217 million reported in 2017.

In 2017, the Commission issued Direction # 16 for the purpose of identification and treatment of One-off Surplus. Accordingly, few major long term insurance companies had transferred the One-off Surplus other than participating business to shareholders' fund for the year ended 31st December 2017 after complying with the requirements stated in the Direction. As a result of One-off Surplus transfer, long term insurers' profitability significantly improved by 67.57 % in 2017 to LKR 39,349 million as depicted in Table 4. In 2018, only HNB Life had transferred the One-off Surplus which amounted to LKR 381 million (2017- Rs. 15,867 million).

Long term insurance business has reported profit before tax of LKR 24,127 million in 2018 mainly driven by Janashakthi Life with the significant profit earned from the disposal of its subsidiary investment of Janashakthi General. Overall profitability of life insurers showed an upward trend in last two years due to the release of reserves other than One-off Surplus. At the end of the year 2018, certain life insurers namely AIA Life, Ceylinco Life, HNB Life, Janashakthi Life, Softlogic Life, SLIC, Union Life have transferred surpluses other than participating business to Shareholders with the recommendations of their Appointed Actuaries.

General insurance industry has reported profits before tax of LKR 11,318 million in 2018 compared to LKR 9,469 million reported in 2017 despite the fierce competition and price pressure prevailed among industry players. Accordingly, profitability of general insurance industry grew by 19.52% year on year. SLIC and Ceylinco General together contributed to 54.19% of the total profits before tax reported by the general insurance industry in 2018.

**Table 4**

**Profitability of Insurance Companies**

Insurer	2017(a)				2018(b)		
	Long Term Insurance (LKR '000)		General Insurance (LKR '000)	Total (LKR '000)	Long Term Insurance (After One-off Surplus transfer) (LKR '000)	General Insurance (LKR '000)	Total (LKR '000)
	Prior to one-off Surplus transfer	After One-off Surplus transfer					
AIA Life	7,597,097	13,677,945		13,677,945	1,616,851		1,616,851
Allianz Gen.			184,346	184,346		573,717	573,717
Allianz Life	104,026	104,026		104,026	95,177		95,177

Amana Gen.			62,722	62,722		22,987	22,987
Amana Life	50,592	50,592		50,592	(61,520)		(61,520)
Arpico	206,013	206,013		206,013	65,694	-	65,694
Ceylinco Gen.			1,702,653	1,702,653		2,335,822	2,335,822
Ceylinco Life	6,351,351	9,807,535		9,807,535	7,157,389		7,157,389
Continental			275,529	275,529		436,349	436,349
Cooperative Gen.			399,111	399,111		417,169	417,169
Cooplife	54,880	54,880		54,880	42,678		42,678
Fairfirst			720,450	720,450		724,809	724,809
HNB Life*	725,665	725,665		725,665	1,297,848		1,297,848
HNB Gen.			201,361	201,361		282,805	282,805
Janashakthi Life	(104,193)	1,691,635		1,691,635	9,378,738		9,378,738
Janashakthi Gen.			1,361,882	1,361,882		-	-
LIC	24,643	24,643		24,643	(68,290)		(68,290)
LOLC Gen.			272,157	272,157		205,466	205,466
LOLC Life	144,595	400,730		400,730	(263,142)		(263,142)
MBSL	-	-	(46,437)	(46,437)	-	(149,232)	(149,232)
NITF**			812,150	1,077,186		1,717,284	3,288,840
Orient			65,874	65,874		94,740	94,740
People's			866,691	866,691		847,016	847,016
Sanasa	2,384	2,384	15,313	17,697	(20,636)	12,280	(8,356)
Softlogic Life	1,106,517	1,904,521		1,904,521	1,094,762		1,094,762
SLIC	3,216,447	3,314,683	2,575,519	5,890,202	1,658,851	3,796,991	5,455,843
Union Life	4,002,194	7,384,128		7,384,128	2,132,392		2,132,392
<b>Total</b>	<b>23,482,211</b>	<b>39,349,380</b>	<b>9,469,323</b>	<b>49,083,739</b>	<b>24,126,794</b>	<b>11,318,204</b>	<b>37,016,554</b>

\*Includes one-off surplus transfer of LKR 381 million in 2018.

\*\*Includes profit before tax of crop and reinsurance amounting to LKR 229 million (2017: LKR 128 million) and LKR 1342 million (LKR 136 million) respectively.

### Shareholders' Funds of Insurance Companies

As illustrated in Table 5, total shareholders' funds reported by insurance companies amounted to LKR 191,273 million and grew by 8.19% year on year. Total reserves reported by the industry amounted to LKR 150,390 million as at 31st December 2018. This represents One-off Surplus amounted to LKR

16,248 million which is maintained as "Restricted Regulatory Reserve" in the shareholders' fund by certain life insurers in terms of the Direction #16. Few life and general insurance companies reported losses during the year which resulted in reporting declined reserve positions at the end of the year.

Despite the slight drop in shareholders' funds due to dividend payments, SLIC reported a very strong position in terms of shareholders' funds by reporting LKR 58,806 million. However, SLIC is yet to segregate general and life insurance businesses. Ceylinco Life also reported healthy reserve position by reporting shareholders' funds of LKR 26,426 million followed by AIA Life and Union Life.

With regard to the general insurance companies, Allianz General's stated capital and reserve position has improved significantly due to the acquisition of Janashakthi General during the year. Ceylinco General has maintained a very healthy reserve position with years of operation in the market by reporting shareholders' funds of LKR 11,145 million as at 31st December 2018.

**Table 5**  
**Total Shareholders' Funds of Insurance Companies**

Insurer	2017(a)		2018(b)				
	Total Shareholders' Funds (LKR '000)	%	Stated Capital (LKR '000)	Restricted regulatory reserve (LKR '000)	Total other Reserves (LKR '000)	Total Shareholders' Funds (LKR '000)	%
AIA Life	17,358,916	9.82	511,922	6,080,848	12,106,094	18,698,864	9.78
Allianz Gen.	1,574,375	0.89	8,079,529		3,315,595	11,395,124	5.96
Allianz Life	883,746	0.50	739,624	-	(21,563)	718,060	0.38
Amana Gen.	1,816,088	1.03	1,950,165		(22,600)	1,927,565	1.01
Amana Life	573,788	0.32	532,051	-	14,694	546,745	0.29
Arpico	933,197	0.53	675,565	-	323,327	998,891	0.52
Ceylinco Gen.	9,774,455	5.53	500,200		10,645,123	11,145,323	5.83
Ceylinco Life	20,646,897	11.68	500,001	3,456,184	22,469,397	26,425,582	13.82
Continental	1,436,494	0.81	750,000		983,311	1,733,311	0.91
Cooperative Gen.	2,080,131	1.18	1,430,195		979,527	2,409,721	1.26
Cooplife	618,715	0.35	544,260	-	97,780	642,040	0.34
Fairfirst	4,530,086	2.56	3,131,949		2,006,139	5,138,088	2.69
HNB Life	3,776,277	2.14	1,171,875	381,156	3,962,849	5,515,880	2.88
HNB Gen.	1,170,220	0.66	1,150,000		228,434	1,378,434	0.72
Janashakthi Life	9,460,877	5.35	4,853,752	1,795,829	2,176,715	8,826,295	4.61

Janashakthi Gen.	7,878,355	4.46	-	-	-	-	-
LIC	652,425	0.37	500,000	-	(5,321)	494,679	0.26
LOLC Gen.	1,251,828	0.71	700,000		641,080	1,341,080	0.70
LOLC Life	984,033	0.56	800,000	256,134	(336,112)	720,022	0.38
MBSL	26,673	0.02	1,080,022	-	(1,202,514)	(122,492)	(0.06)
NITF	7,354,525	4.16	-		6,956,088	6,956,088	3.64
Orient	668,831	0.38	825,000		(56,857)	768,143	0.40
People's	3,057,239	1.73	1,350,000		2,025,147	3,375,147	1.76
Sanasa	789,445	0.45	1,044,979	-	46,748	1,091,726	0.57
Softlogic Life	3,886,129	2.20	1,062,500	798,004	4,810,459	6,670,963	3.49
SLIC	61,642,746	34.87	6,000,000	98,237	52,707,979	58,806,216	30.74
Union Life	11,964,714	6.77	1,000,000	3,381,934	9,289,754	13,671,688	7.15
<b>Total</b>	<b>176,791,205</b>	<b>100.00</b>	<b>40,883,587</b>	<b>16,248,326</b>	<b>134,141,272</b>	<b>191,273,185</b>	<b>100.00</b>

### Analysis of Branches, Employees and Agents of Insurers

As depicted in Table 6 and Chart 4, the insurance sector plays an important role in the financial services industry by creating employment opportunities for 19,437 people in 2018. Accordingly, industry has created around 1,000 new job opportunities during the year compared to previous year. General insurance and long term insurance have generated 9,819 and 6,248 employments respectively while employment of composite companies was 3,370. Similar to previous years, more than 60% of the total employees are located in the Western Province.

Further to employment, 44,904 agents serves the industry and plays an important role in fulfilling customers' insurance needs which is often seen as the key to a company's success and long-term competitiveness. Sales agents continued to play a valuable role in the Western province as number of agents have increased by 7.38% to 19,042 in 2018. Further, agents servicing in the Northern Western province has also increased by 259 to 4,497. However, reduction in agents was mainly seen in the Central Province and Northern Province in 2018. More than 90 percent of the agents are serving in the long term and composite companies.

Sri Lankan insurance industry has expanded services to customers through widespread branch network all over the island. Year on year new branches have been added. Total branches reported in 2018 were 2,147 compared to 2,079 branches reported in 2017. Total branches reported by long term and general insurance companies were 1,159 and 782 respectively. Remaining branches belongs to composite

insurance companies. Branches in Central Province have increased notably during the year. In order to provide better service new branches were located mainly in the provinces of North Western, North Central, Eastern, Southern and Western.

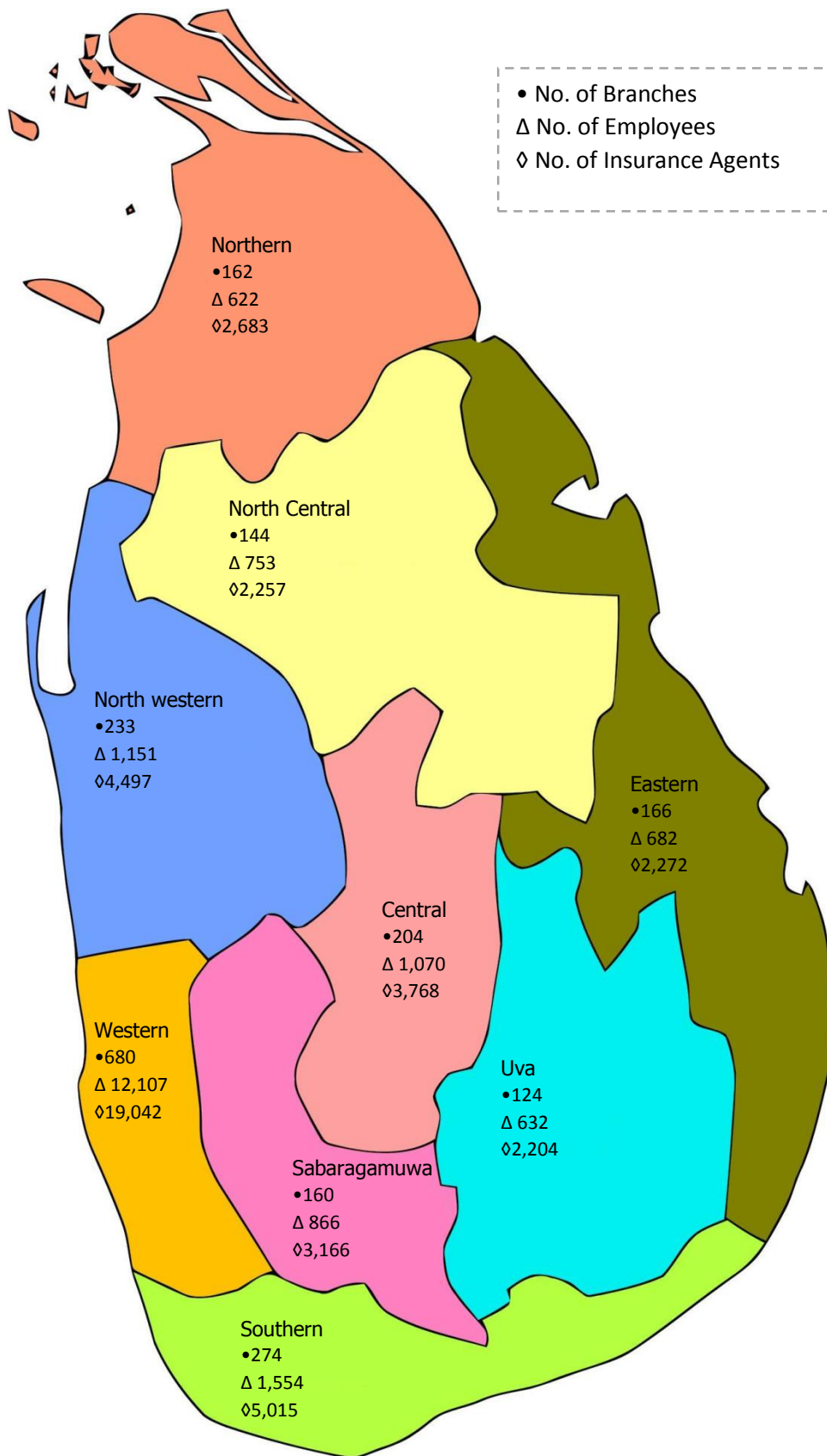
**Table 6**

**Number of Branches, Employees and Agents as at 31st December 2017 and 2018**

	<b>No. of Branches</b>		<b>No. of Employees</b>		<b>No. of Agents</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Central Province	177	204	1,018	1,070	4,418	3,768
Eastern Province	153	166	652	682	2,286	2,272
North Central Province	139	144	724	753	2,468	2,257
North Western Province	224	233	1,116	1,151	4,238	4,497
Northern Province	161	162	547	622	3,171	2,683
Sabaragamuwa Province	161	160	822	866	3,117	3,166
Southern Province	266	274	1,470	1,554	5,000	5,015
Uva Province	121	124	583	632	2,435	2,204
Western Province	677	680	11,535	12,107	17,733	19,042
<b>Total</b>	<b>2,079</b>	<b>2,147</b>	<b>18,467</b>	<b>19,437</b>	<b>44,866</b>	<b>44,904</b>

Chart 4

Number of Branches, Employees and Agents as at 31st December 2018



**Distribution Channels of Insurance Companies**

Today insurers are having multi distribution frameworks which integrates Agents, Marketing Officers, Banking and Other Financial Institutions. Further, value additions were observed with the support of

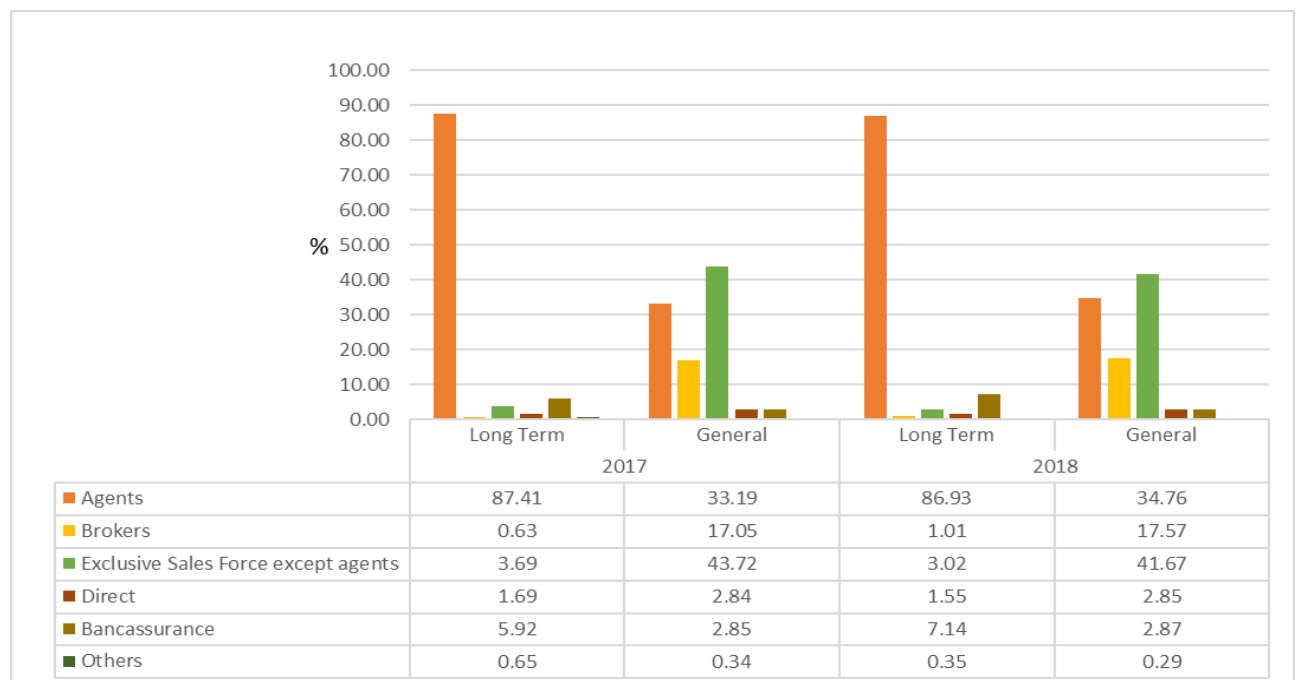
digitalization by providing critical advices, cross-selling and up-selling which further tightened the client relationships. Despite value additions in certain integrated functions such as payments, marketing and claims processing insurance industry is yet to leverage the benefits of the online space as a distribution channel.

Agents continued to dominate the life insurance market by generating 86.93% of the total GWP. The contribution from bancassurance to GWP of long term insurance business slightly improved from 5.92 % in 2017 to 7.14% in 2018. Importance of exclusive sales and marketing officers was visible in general insurance business during the year as total GWP generated by this segment accounted for 41.67%(2017: 43.72%). Institutional agents, finance and leasing companies and group business is also an important source of generating premium income of general insurance business which accounted for 34.76% of the total GWP. Brokering companies also play an important role as a distribution channel which generate 17.57% of premium income. Direct insurance business mainly represents insurance schemes implemented by the government through NITF.

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

**Chart 5**

**Distribution Channels of Insurance Companies**



## Long Term Insurance Business

### Gross Written Premium

Sri Lankan life insurance industry depicts enhanced competition among twelve insurance companies who are registered to carry on only long term insurance business and three composite companies who are handling both general and long term insurance businesses.



Typically, 2018 has been a year with challenging global and local economic conditions such as relatively low economic growth than expected, continued uncertainty in socio-economic policy front resulting in further depreciation in the currency affecting the balance of payments situation and decrease in disposable income coupled with increases in direct & indirect taxes etc.

Regardless of the above challenges, Sri Lanka's life insurance industry continued its growth by recording a premium income of LKR 80,303 million with an outstanding year on year growth of 12.20% (2017:12.75%) in comparison to LKR 71,571 million recorded in year 2017.

The life insurance market sustained its growth momentum as a result of insurers' efforts to improve operational processes to assure quality service to customers, revamping existing products while introducing innovative life insurance products to cater to changing needs of customers, improve customer awareness on insurance and enhanced products on socio economic conditions of the country which in turn increased the demand for life insurance products.

Further, post segregation of insurance companies led all insurance companies to have a strong focus on their line of business and factors such as rising urbanization, customer sophistication levels and overall macrocosmic features in the country were positive factors which led to the growth of life insurance business during 2018.

Accordingly, the GWP of long term insurance business has witnessed a 80.07% improvement during the period 2014 to 2018 despite low penetration levels reported. As depicted below the industry witnessed a double digit GWP growth rate during the last four years though, there was a declining trend in the growth rate recorded from year 2015. Table 7 illustrates the company-wise GWP and Market share of long term insurance companies.

**Table 7**

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

Insurer	2014		2015		2016		2017 (a)		2018 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Life	7,266,574	16.29	8,433,333	15.71	10,103,915	15.92	11,510,581	16.08	12,739,351	15.86
Allianz Life	823,456	1.85	919,144	1.71	1,040,269	1.64	1,178,817	1.65	1,301,254	1.62
Amana Life	679,029	1.52	928,294	1.73	820,727	1.29	792,174	1.11	822,261	1.02
Arpico	297,439	0.67	482,447	0.90	745,386	1.17	1,038,085	1.45	1,391,241	1.73
Ceylinco Life	12,002,524	26.91	13,456,828	25.06	15,027,600	23.67	15,765,484	22.03	17,812,774	22.18
Cooplif	402,046	0.90	494,598	0.92	466,997	0.73	626,972	0.88	624,600	0.78
HNB Life	2,342,867	5.25	2,788,715	5.19	3,554,078	5.60	3,963,642	5.54	4,420,513	5.50
Janashakt hi Life	2,170,419	4.87	2,550,782	4.75	2,943,963	4.64	2,902,873	4.06	3,008,842	3.75

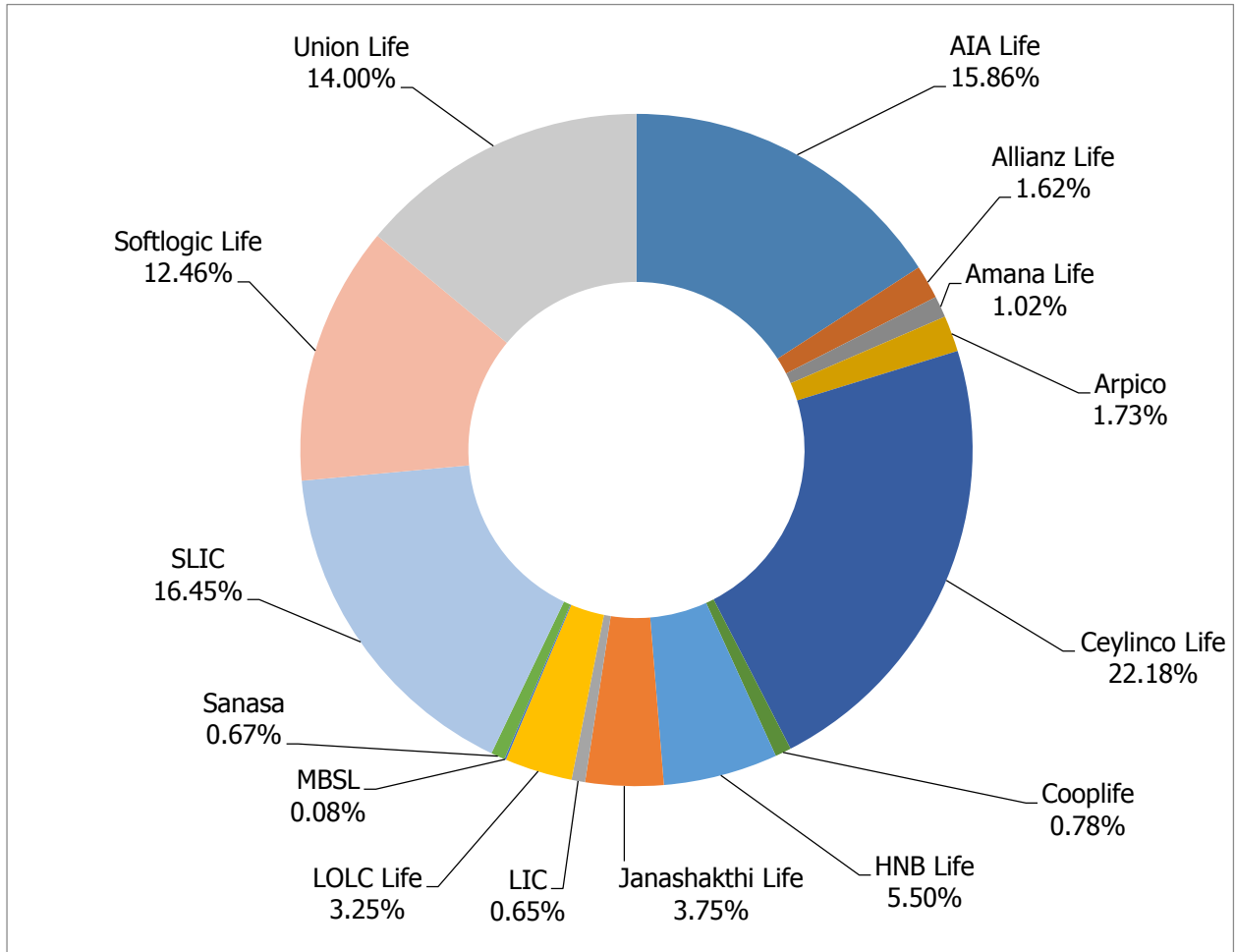
LIC	348,767	0.78	386,885	0.72	473,867	0.75	582,114	0.81	522,698	0.65
LOLC Life	592,422	1.33	1,209,578	2.25	1,896,558	2.99	2,467,166	3.45	2,610,785	3.25
MBSL	294,299	0.66	203,235	0.38	235,533	0.37	123,732	0.17	65,839	0.08
Sanasa	260,867	0.58	311,434	0.58	367,637	0.58	454,056	0.62	526,938	0.67
SLIC	8,121,159	18.21	10,470,079	19.50	11,893,640	18.74	12,517,119	17.49	13,205,802	16.45
Softlogic Life	3,048,148	6.84	4,091,042	7.62	5,635,701	8.88	7,530,935	10.52	10,005,733	12.46
Union Life	5,945,499	13.33	6,964,390	12.97	8,270,751	13.03	10,117,630	14.14	11,243,915	14.00
<b>Total</b>	<b>44,595,516</b>	<b>100</b>	<b>53,690,783</b>	<b>100</b>	<b>63,476,622</b>	<b>100</b>	<b>71,571,380</b>	<b>100</b>	<b>80,302,546</b>	<b>100</b>
<b>Growth Rate(%)</b>	<b>7.01</b>		<b>20.40</b>		<b>18.23</b>		<b>12.75</b>		<b>12.20</b>	

Ceylinco Life has continued to maintain its dominance in the long term insurance market by generating GWP of LKR 17,813 million in 2018 (2017: LKR 15,765 million) and accounted for 22.18% of the total GWP. SLIC and AIA Life claimed the second and third positions in the market in 2018 similar to the previous year by recording GWP worth of LKR 13,206 million (2017: LKR 12,517 million) and LKR 12,739 million (2017: LKR 11,511 million) with market shares of 16.45% and 15.86% respectively. These three companies' contribution towards total GWP has slightly dropped to 54.49% in 2018 compared to 55.60% in 2017.

Union Life and Softlogic Life had earned GWP worth of LKR 11,244 million (2017: LKR 10,118 million) and LKR 10,006 million (2017: LKR 7,531 million) respectively to become the fourth and fifth largest GWP generators in the long term insurance sector similar to the previous year by achieving market shares of 14.00% and 12.46% respectively. All long term insurers' reported marginal reduction in their market shares except for Ceylinco Life, Arpico, Sanasa & Softlogic Life. Further, there was a noticeable growth in GWP of Arpico and Softlogic Life in terms of recording growth rates above 30% in 2018 when compared to 2017. The growth rate of LOLC Life had drastically reduced to 5% in 2018 compared to 30% growth rate recorded in 2017. Further, Cooplife and LIC (excluding MBSL which was suspended from 28<sup>th</sup> June 2017 to 2<sup>nd</sup> April 2019) had reported negative growth rates coupled with decrease in GWP generated in 2018 compared to 2017. Chart 6 illustrates each life insurers performance in terms of GWP for the year ended 31st December 2018.

**Chart 6**

**Company - wise Market Share of Gross Written Premium - Long Term Insurance Business for the year ended 31st December 2018**



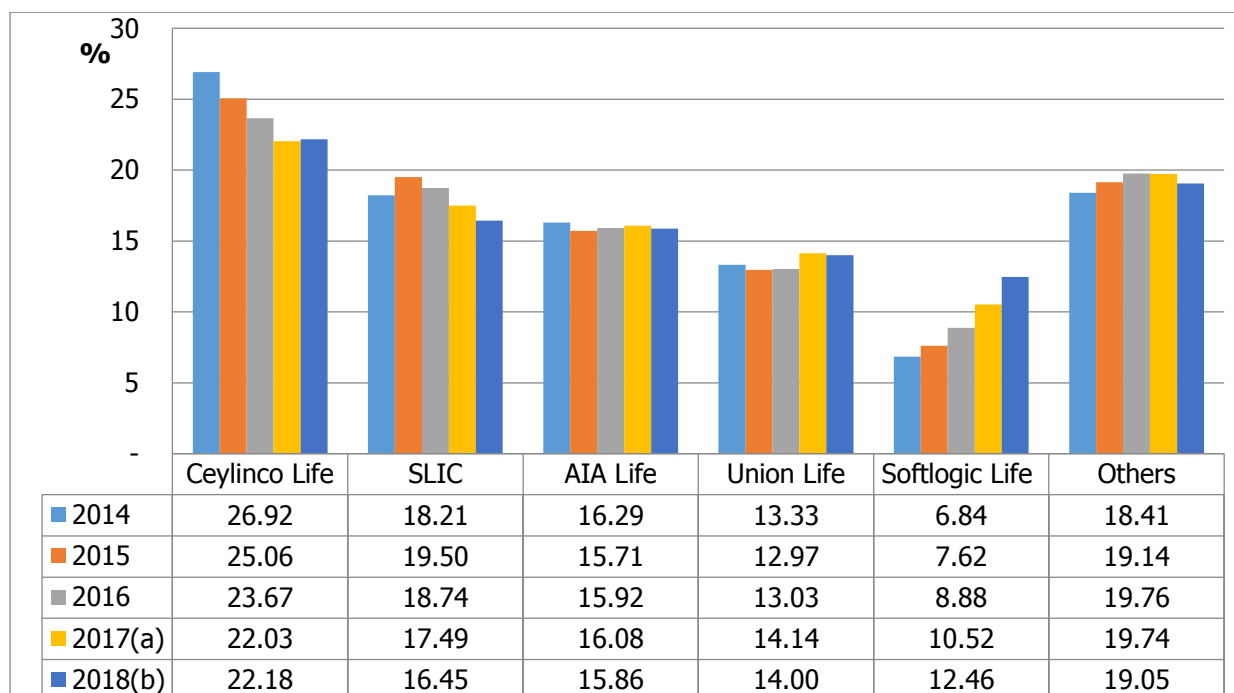
**Top Five Contributors to GWP and Other Insurers – Long Term Insurance Business**

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 achieved the top five market shares in the long term insurance market in 2018. These companies collectively generated GWP of LKR 65,008 million and accounted for 80.95% (2017: 80.26%) of the total GWP in long term insurance business in 2018. As the leader in the long term insurance sector, the market share of Ceylinco Life has slightly improved in year 2018 compared to 2017 and the market shares of major contributors of long term insurance business namely SLIC, AIA Life and Union Life have gradually decreased in 2018 against 2017. Softlogic Life as the fifth contributor has captured 12.46% (2017: 10.52%) of the market and showed a continuous improvement in their market share during last five

years. The other players of the long term insurance market recorded slight decrease of market share and generated 19.05% of the long term insurance GWP in 2018 (2017:19.74%).

### Chart 7

#### Top Five Contributors and Other Insurers for the years 2014 to 2018 - 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 25.64% (2017: 26.81%) and 71.80% (2017: 70.32%) respectively in year 2018. Products which carried participating features have become less in supply since certain insurers have moved away from participating business. However, SLIC owned 45% worth of participating business portfolio out of total GWP reported in 2018. Further, two leading insurers, namely SLIC and Ceylinco Life represented three fourth of GWP reported in participating business.

The contribution from non-participating business portfolio has grown by 14.57% and reported LKR 57,660 million in 2018. The demand for linked long term products in the market is due to low investor confidence and slow performance in the stock market generated a GWP of LKR 2,054 million in 2018.

As depicted in Table 8 overall retention ratio of life insurance business was 95.81% in 2018 (2017: 95.99%). Despite there is a year on year increase of 17% in premium ceded to reinsurers pertaining to non- participating business in 2018, which correspond to the reported GWP growth. The growth reported in premium ceded to reinsurers pertaining to linked long term business was due to enhancement of reinsurance arrangement of an insurer.

**Table 8**

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

	2016			2017 (a)			2018 (b)		
	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)
Participating	18,056,530	178,699	99.01	19,187,271	148,134	99.23	20,588,173	153,520	99.25
Non Participating	43,393,219	2,271,917	94.76	50,327,490	2,661,364	94.71	57,660,445	3,115,590	94.60
Linked Long Term	2,026,873	30,069	98.52	2,056,618	59,872	97.09	2,053,927	98,672	95.20
<b>Total</b>	<b>63,476,622</b>	<b>2,480,685</b>	<b>96.09</b>	<b>71,571,380</b>	<b>2,869,370</b>	<b>95.99</b>	<b>80,302,546</b>	<b>3,367,781</b>	<b>95.81</b>

**Assets of Long Term Insurance Business**

Effective asset liability management is key for insurers, specially life insurers with their long duration liabilities. Table 9 and Chart 8 demonstrate the company wise total assets of long term insurers as at 31st December 2017 and 2018. Total assets of long term insurance business amounted to LKR 429,706 million as at 31st December 2018 (2017: LKR 391,890 million) and recorded an increase of 9.65% compared to total assets as at 31st December 2017.

**Table 9**

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

Insurer	2017 (a)		2018 (b)	
	Amount (LKR '000)	%	Amount (LKR '000)	%
AIA Life	52,576,947	13.42	54,405,489	12.66
Allianz Life	4,015,838	1.02	4,648,594	1.08
Amana Life	2,809,627	0.72	2,844,544	0.66
Arpico	2,104,045	0.54	2,717,868	0.63
Ceylinco Life	106,094,508	27.07	118,059,390	27.47
Cooplif	2,214,565	0.57	2,369,515	0.55
HNB Life	15,419,280	3.93	18,678,274	4.35
Janashakthi Life	20,020,952	5.11	20,919,453	4.87

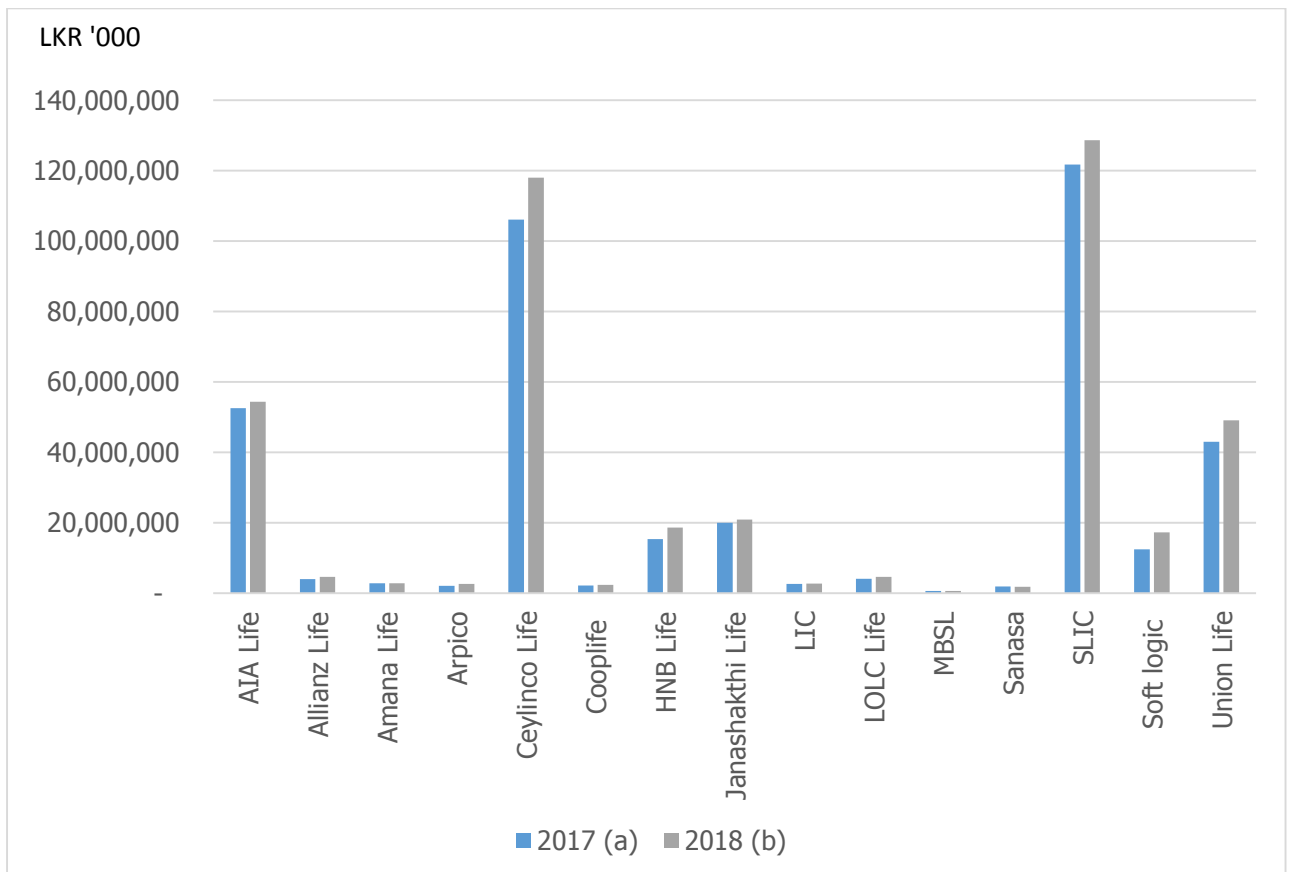
LIC	2,667,267	0.68	2,795,737	0.65
LOLC Life	4,102,317	1.05	4,683,738	1.09
MBSL	634,896	0.16	661,822	0.16
Sanasa	1,944,909	0.50	1,828,952	0.43
SLIC	121,739,739	31.06	128,642,499	29.94
Soft logic	12,478,446	3.18	17,332,967	4.03
Union Life	43,067,007	10.99	49,116,729	11.43
<b>Total</b>	<b>391,890,345</b>	<b>100.00</b>	<b>429,705,570</b>	<b>100.00</b>

Similar to previous years, majority of the assets held by SLIC amounted to LKR 128,642 million and represented 29.94% of the total assets. Ceylinco Life and AIA Life owned 27.47% (LKR 118,059 million) and 12.66% (LKR 54,405 million) worth of assets in the market securing second and third positions respectively. Accordingly, SLIC, Ceylinco Life and AIA Life collectively accounted for more than 70% of the total assets in the long term insurance business.

Union Life, Janashakthi Life and HNB Life were able to increase their asset base and ensure fourth, fifth and sixth places respectively. Similar to previous year, all companies were able to enhance their total assets except Sanasa as at 31st December 2018.

#### Chart 8

#### Company - wise Analysis of Total Assets as at 31st December 2018 & 2017 - Long Term Insurance Business



### Concentration of Assets as at 31st December 2017 & 2018 - Long Term Insurance Business

Concentration of assets of long term insurance business among different asset categories as at 31st December 2018 and as at 31st December 2017 is reflected in Table 10 and Chart 9.

**Table 10**

### Concentration of Assets as at 31st December 2017 and 2018 - Long Term Insurance Business

Type of Asset	2017(a)		2018 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	183,349,981	46.79	176,436,676	41.06
Equities	44,382,861	11.33	35,109,870	8.17
Corporate Debt	72,939,391	18.61	80,776,780	18.80
Land & Buildings	11,077,650	2.83	13,625,448	3.17
Deposits	41,048,688	10.47	66,962,746	15.58
Unit Trusts	6,881,290	1.76	6,884,885	1.60
Policy Loans	6,130,590	1.56	5,833,641	1.36
Other Assets	22,587,408	5.76	40,617,878	9.46
Cash and cash equivalents	3,492,486	0.89	3,457,646	0.80
<b>Total</b>	<b>391,890,345</b>	<b>100</b>	<b>429,705,570</b>	<b>100</b>

Similar to previous year, the life insurers have given priority for investments in government debt securities in order to comply with the regulatory requirements and to minimize the risk involved. Hence, out of the total assets, government debt securities accounted for LKR 176,437 million as at 31st December 2018 representing 41.06% (2017: LKR 183,350 million, 46.79%) and recorded a slight drop of share in year on year.

Corporate debts, bank deposits and equities represented the other main asset categories of long term insurance business and accounted for 18.80%,15.58% and 8.17% of total assets respectively as at 31st December 2018. In the year 2018, there was an increase in Corporate debts up to LKR 80,777 million as at 31st December 2018 and had recorded a growth of 10.75% (2017: LKR 72,939 million).

The investments in equities recorded LKR 35,110 million as at 31st December 2018, a decrease of 20.89% compared to LKR 44,383 million recorded as at 31st December 2017. This reflects negative movement in domestic equity market due to unstable political conditions, inconsistent economic policies

and adverse global developments for emerging markets which unfavorably affected the companies' equity investment portfolios.

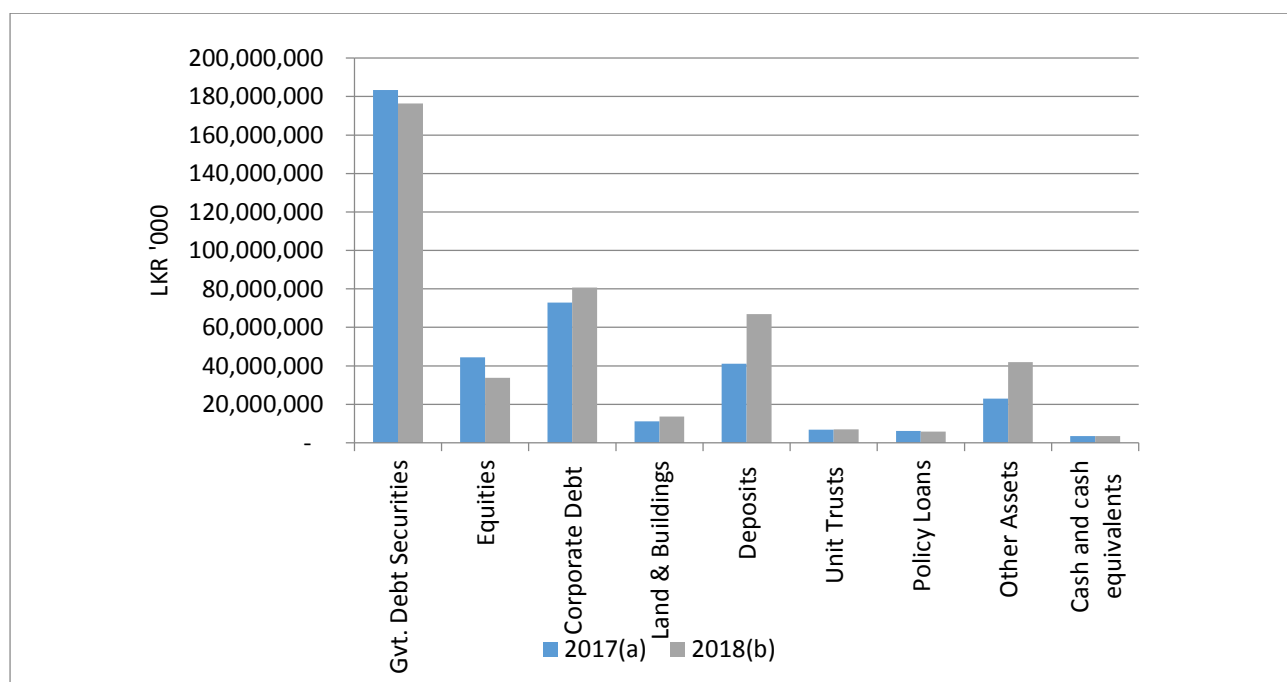
Similar to investments of corporate debts, rising interest rates led the deposits to increase substantially as at 31st December 2018 which amounted to LKR 66,963 million and reported a noticeable increase of 63.13% compared to LKR 41,049 million recorded as at 31st December 2017.

Further, there was a notable increase in other assets as at 31st December 2018 amounted to LKR 40,618 million and represented 9.46% of total asset portfolio. This category reported 79.83% increase compared to the previous year and, mainly comprised of deferred tax assets, accrued investment income, gratuity benefit assets and sundry debtors etc. In 2018 life insurers' have recognized deferred tax assets worth LKR 9,156 million as a result of implementation of amended tax law which can be used to offset future tax payments.

However, the main investment categories namely, government debt securities, corporate debts and deposits have accounted for 75.44% (2017: 75.87%) of the total assets held by long term insurers in 2018 and the balance 24.56% (2017: 24.13%) was held in equities, land & buildings, other assets, policy loans etc.

**Chart 9**

**Concentration of Assets as at 31st December 2017 & 2018 - Long Term Insurance Business**



**Investment Income – Long Term Insurance Business**

Despite increase in interest rates exhibited during 2018, total income generated from investments marginally improved by 8.65% to LKR 37,141 million compared to LKR 34,183 million reported in 2017.



As depicted in Table 11, government treasury bonds, corporate debentures and bank deposits were the most attractive investment options which contributed to 89.76% of the total investment income.

Total investment income generated from government debt securities amounted to LKR 19,509 million in 2018 against average investments of LKR 179,893 million. Accordingly, government debt securities recorded investment yield of 10.84% for the year 2018. Further, interest income from deposits has increased by 44.62% compared to previous year. Corporate debt which represented a significant portion of the investment portfolio had generated investment income of LKR 9,528 million (2017: LKR 8,418 million) and grew by 13.19% year on year. Further, investment yield of corporate debt was 12.40% in 2018 compared to 11.67% reported in 2017. Accordingly, the highest investment yield ratio was reported by corporate debts out of all financial investments.

The overall investment yield was 10.09% in 2018 compared to 10.20% in 2017.

**Table 11**

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

Category	2017(a)			2018(b)		
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)
<b>Government Debt Securities</b>	19,677,088	172,823,351	11.39	19,509,213	179,893,329	10.84
- Treasury Bonds	18,321,109			17,876,498		
- Treasury Bills	108,711			296,332		
- Others (REPO)	1,247,268			1,336,382		
<b>Equity</b>	1,013,995	33,899,535	2.99	1,071,240	31,041,750	3.45
- Capital Gain/Losses	(294,173)			(173,346)		
- Dividend	1,308,167			1,244,586		
<b>Corporate Debts</b>	8,417,610	72,160,137	11.67	9,528,146	76,858,085	12.40
- Debentures	8,324,681			9,450,032		
- Commercial Papers	92,929			78,114		
- Other Similar Financial Instruments	-			-		
<b>Land and Buildings</b>	88,147	10,541,592	0.84	80,109	12,351,549	0.65
<b>Deposits</b>	4,535,278	34,667,120	13.08	6,558,766	54,005,717	12.14
- Bank	4,080,779			6,013,545		
- Finance Companies	454,499			545,221		
<b>Unit Trust</b>	104,828	4,410,341	2.38	235,590	6,883,088	3.42

<b>Policy Loans</b>	288,435	5,927,562	4.87	106,230	5,982,116	1.78
<b>Others</b>	57,868	721,486	8.02	52,091	1,135,697	4.59
<b>Total</b>	<b>34,183,249</b>	<b>335,151,124</b>	<b>10.20</b>	<b>37,141,384</b>	<b>368,151,330</b>	<b>10.09</b>

### Solvency Position of Insurance Companies -Long Term Insurance Business

Table 12 demonstrates details of Total Available Capital (TAC), Risk based Capital Required (RCR) and Capital Adequacy Ratio (CAR) of long term insurance business as at 31st December 2017 and 2018. The average CAR of long term insurance business recorded for the years 2018 and 2017 was at 314% and 355% respectively. All insurance companies had satisfied the minimum CAR requirement of 120% as at 31st December 2018 and all companies except LOLC Life had recorded a CAR exceeding 160% which is the Enforcement Level prescribed by the Commission. Further, insurers are required to maintain a minimum TAC of LKR 500 million in order to comply with the capital adequacy requirement. All life insurers except MBSL, Amana Life and LIC have not complied with the minimum TAC of LKR 500 million as at 31st December 2018. Accordingly, necessary action has been taken for those who had not complied with the minimum capital adequacy requirements in terms of the Solvency Margin (Risk Based Capital) Rules 2015.

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 2018 amounted to LKR 4,895 million and reported a notably reduced amount compared to 2017.

**Table 12**

### Company-wise Analysis of Solvency Position – Long Term Insurance Business as at 31st December 2017 & 2018

Insurer	As at 31st December 2017 (a)				As at 31st December 2018 (b)			
	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)
AIA Life	23,866,513	3,853,018	4,010,591	595	19,221,556	2,934,346	974,079	655
Allianz Life	1,208,658	172,560	79,873	700	1,214,542	293,397	100,329	414
Amana Life	555,105	312,338	-	178	493,210	278,560	-	177
Arpico	1,417,242	163,944	-	864	1,618,804	413,912	406,492	391
Ceylinco Life	52,476,848	13,984,914	-	375	53,627,152	14,983,052	8,129	358
Cooplif	644,898	421,572	-	153	776,624	318,802	-	244
HNB Life	6,038,377	1,689,029	483,048	358	6,636,693	2,082,131	451,835	319
Janashakthi Life	5,178,103	2,151,085	717,405	241	9,663,465	2,915,036	728,421	332

LIC	665,053	253,998	-	262	476,371	248,126	-	192
LOLC Life	1,008,325	442,673	-	228	634,156	455,978	-	139
MBSL	155,065	78,956	-	196	219,364	57,412	-	382
Sanasa	522,525	289,799	54,773	180	594,237	290,923	2,953	204
SLIC	74,563,589	17,278,458	-	432	80,502,789	18,308,338	608,221	440
Softlogic Life	6,084,461	2,921,106	826,001	208	7,933,517	3,961,403	1,450,442	200
Union Life	16,532,023	4,701,641	-	352	14,382,478	5,495,855	164,406	262
<b>Total/Overall</b>	<b>190,916,785</b>	<b>48,715,089</b>	<b>6,171,691</b>	<b>355</b>	<b>197,994,959</b>	<b>53,037,271</b>	<b>4,895,307</b>	<b>314</b>

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

Table 13 depicts the composition of TAC pertaining to long term insurers as at 31st December 2018. TAC of long term insurance companies accumulated to LKR 197,995 million (2017: LKR 190,917 million) as at 31st December 2018 and depicted a marginal growth of 3.71% year on year. Out of which massive improvement was noted in the TAC reported by Janashakthi Life compared to 2017 mainly due to the disposal of inadmissible investments in related parties which was considered as a deduction when determining TAC prior to the disposal. Further, TAC reported by Union Life, AIA Life and LOLC Life had declined drastically by 13%, 19.46% and 37% respectively in 2018 against 2017 as a result of increase in inadmissible assets and significant losses reported by LOLC Life during the year under review coupled with increase in inadmissible assets.

Overall TAC comprised of Tier I, Tier II capital and Deductions. Tier I capital is the capital fully available to cover the losses plus retained earnings and adjustments to retained earnings. Tier I capital amounted to LKR 211,602 million as at 31st December 2018 compared to LKR 209,252 million as at 31st December 2017. Tier II capital which supports to absorb the loss to some extent on going concern basis amounted to LKR 18,660 million as at 31st December 2018 and increased notably compared to LKR 6,947 million reported as at 31st December 2017. As per Direction # 16 issued by the Commission on the identification and treatment of One-off surplus, long term insurers are permitted to transfer the One-Off Surplus, other than participating business to shareholder funds and insurers were directed to maintain this surplus as 'Restricted Regulatory Reserve' in the shareholder funds. As per the requirements stated in the Direction, the 'Restricted Regulatory Reserve' is to be reported under Tier II capital, which resulted in improving the Tier II capital by 168.61% year on year.

The Deductions which mainly comprised of intangible or illiquid assets represented 16.30% of the TAC has grown by 27.63% to LKR 32,267 million compared to LKR 25,283 million in 2017 which is mainly due to the recognition of deferred tax assets of life insurers as a deduction during year 2018.

**Table 13****Total Available Capital (TAC) Requirement of Insurance Companies – Long Term Insurance Business.**

Insurer	As at 31st December 2017 (a)	As at 31st December 2018 (b)			
	TAC (LKR '000)	Tier I (LKR '000)	Tier II (LKR '000)	Deductions (LKR '000)	TAC (LKR '000)
AIA Life	23,866,513	18,475,920	6,548,764	5,803,128	19,221,556
Allianz Life	1,208,658	1,457,677	-	243,135	1,214,542
Amana Life	555,105	516,058	35,482	58,330	493,210
Arpico	1,417,242	1,883,431	-	264,627	1,618,804
Ceylinco Life	52,476,848	58,007,149	3,624,280	8,004,277	53,627,152
Cooplif	644,898	876,538	58,245	158,159	776,624
HNB Life	6,038,377	9,339,704	381,156	3,084,166	6,636,693
Janashakthi Life	5,178,103	9,897,367	1,795,829	2,029,730	9,663,465
LIC	665,053	572,026	9,050	104,704	476,371
LOLC Life	1,008,325	686,896	256,134	308,875	634,156
MBSL	155,065	220,695	-	1,331	219,364
Sanasa	522,525	849,357	1,221	256,341	594,237
SLIC	74,563,589	82,938,158	31,128	2,466,497	80,502,789
Softlogic Life	6,084,461	10,575,915	846,440	3,488,838	7,933,517
Union Life	16,532,023	15,304,859	5,072,672	5,995,053	14,382,478
<b>Total</b>	<b>190,916,785</b>	<b>211,601,749</b>	<b>18,660,402</b>	<b>32,267,190</b>	<b>197,994,959</b>

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

Table 14 illustrates the company wise composition of various capital charges relating to the Risk Capital Required (RCR) as at 31st December 2017 and 2018. 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. In 2018, total risk capital charges after diversification amounted to LKR 53,037 million (2017: LKR 48,715 million) for long term insurance business. Prior to diversification same amounted to LKR 69,079 million in 2018. Similar to prior year, market risk was the main risk amounted to LKR 39,320 million followed by liability risk and concentration risk respectively.

Accordingly, these three risk categories represented 87.86% of total risk capital charges prior to diversification.

**Table 14**

**Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2017 and 2018 – Long Term Insurance Business**

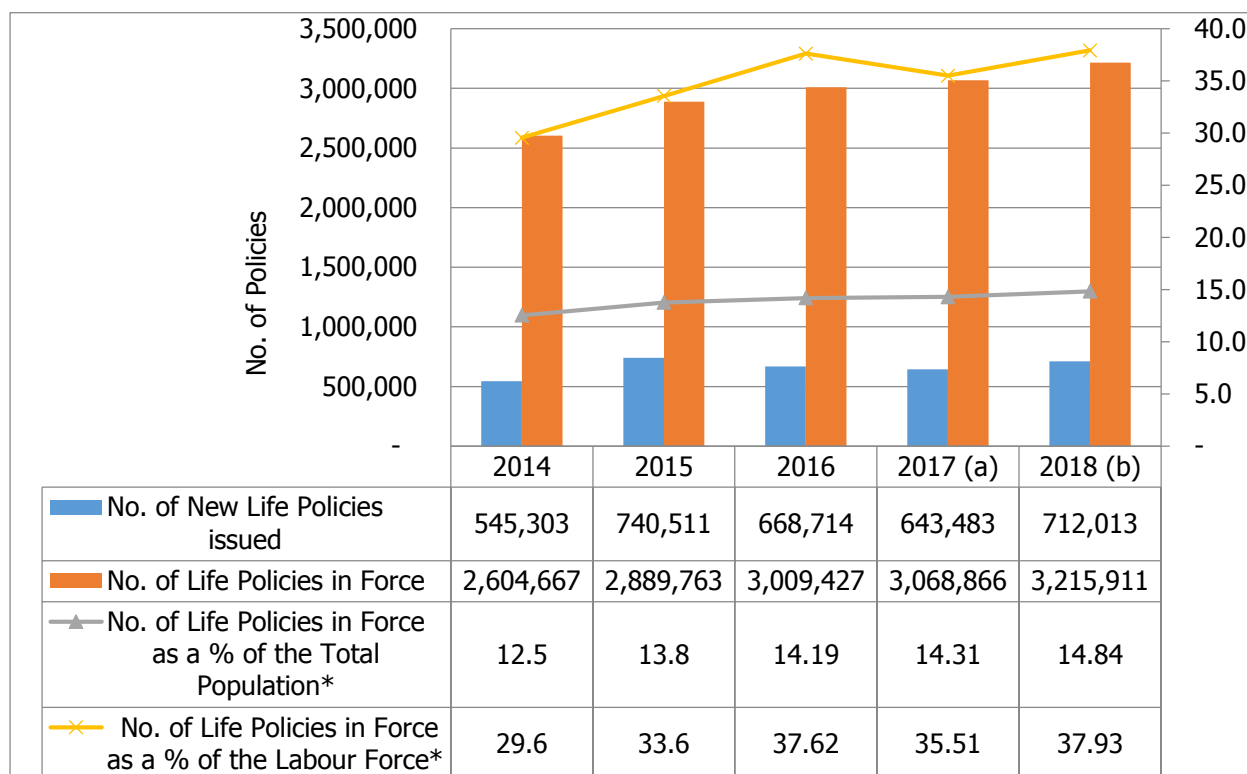
Insurer	As at 31st December 2017 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	544,451	474,348	2,267,270	-	1,941,588	527,000	5,754,658	3,853,018
Allianz Life	2,774	25,188	66,840	470	139,893	33,617	268,782	172,560
Amana Life	28,721	214,431	63,375	529	49,814	28,114	384,984	312,338
Arpico	23,827	54,087	61,596	-	83,571	20,747	243,828	163,944
Ceylinco Life	1,068,870	567,911	12,088,853	4,653	2,430,953	1,071,222	17,232,461	13,984,914
Cooplif	50,641	12,837	300,411	-	211,709	22,063	597,662	421,572
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	44,139	174,420	82	63,257	27,289	335,022	253,998
LOLC Life	1,072	16,189	240,874	4,457	354,006	41,041	657,639	442,673
MBSL	4,428	14,432	47,136	5	42,863	6,357	115,223	78,956
Sanasa	27,824	166,080	84,412	307	77,346	19,275	375,241	289,799
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	123,141	4,241,501	2,921,106
Union Life	196,407	471,272	3,837,662	276	1,270,902	435,499	6,212,016	4,701,641
<b>Total</b>	<b>3,551,764</b>	<b>4,798,642</b>	<b>37,155,187</b>	<b>13,620</b>	<b>14,323,694</b>	<b>3,961,683</b>	<b>63,804,590</b>	<b>48,715,089</b>

Insurer	As at 31st December 2018 (b) (LKR'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	420,637	574,443	1,007,142	-	2,074,536	545,703	4,622,461	2,934,346
Allianz Life	2,380	7,035	215,230	779	184,040	37,356	446,819	293,397
Amana Life	18,882	153,823	102,350	512	28,509	29,076	333,153	278,560
Arpico	33,831	121,978	135,120	264	292,926	26,911	611,030	413,912
Ceylinco Life	1,426,249	733,458	12,532,563	4,393	2,679,805	1,148,284	18,524,753	14,983,052
Cooplif	54,053	41,797	190,285	-	138,573	23,635	448,344	318,802
HNB Life	239,892	405,478	1,352,803	2,235	547,326	184,588	2,732,322	2,082,131
Janashakthi Life	247,969	65,840	2,461,137	2,397	863,013	197,503	3,837,859	2,915,036
LIC	27,673	67,415	143,172	117	63,359	26,978	328,715	248,126
LOLC Life	15,260	26,772	202,240	-	382,183	46,723	673,179	455,978
MBSL	2,342	4,692	43,457	-	26,513	6,622	83,626	57,412
Sanasa	26,723	175,162	85,285	341	40,565	18,103	346,179	290,923
SLIC	1,264,435	2,185,672	14,278,384	-	4,391,860	1,267,836	23,388,188	18,308,338
Softlogic Life	167,517	608,112	2,027,729	-	2,793,684	170,954	5,767,996	3,961,403
Union Life	218,989	603,863	4,542,621	-	1,089,026	479,743	6,934,241	5,495,855
Total	4,166,833	5,775,542	39,319,520	11,038	15,595,920	4,210,013	69,078,865	53,037,271

### Number of Insurance Policies Issued and Policies in force – Long Term Insurance Business

During the year 2018, long term insurers had issued 712,013 new life insurance policies, increasing by 10.65% compared to 643,483 new policies issued in 2017 due to certain creativities and innovations undertaken by life insurers such as offering life insurance through mobile applications, day claim settlements etc. Accordingly, the total life insurance policies in force reached to 3,215,911 as at the end of year 2018 (2017: 3,068,866). As depicted in Chart 10, the total life insurance policies in force has gradually increased over the last five years reflecting that long term insurance business is continuously expanding in the country. Number of life insurance policies as a percentage of the total population was 14.84% in 2018 compared to 14.31% recorded in 2017. Further, number of life insurance policies as a percentage of the labour force has increased to 37.93% in 2018 from 35.51% recorded in 2017.

**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 in force and Sum Insured - Long Term Insurance Business

Table 15 provides details on number of life insurance policies in force and sum insured based on the type of products for year 2017 and 2018. Mainly products were categorized in to endowment, universal life, term, whole and others. In 2018, total sum assured amounted to LKR 2,850,115 million and grew by 22,16% year on year.

Majority of policies in force represented endowment which amounted to 1,270,693 due to its inherent characteristics of maturity lump sum payment. However, endowment policies showed a slight drop during 2018 compared to 1,439,456 policies in 2017 with the changes in consumer demand. The demand towards 'other' include health plans, unit linked, annuity & group life is growing by 71% year on year due to the certain characteristics embedded to such products including health care benefit, investment saving element, flexibility as well as retirement options provided to the policyholder etc.

Further, there was a marginal increase in the business volume from term insurance business in 2018 compared to 2017 resulting an increase in policies in force from 446,307 to 530,885 from 2017 to 2018 with a total sum assured amounted to LKR 922,955 million (2017: LKR 835,316 million) and accounted for 16.51% of the total policies in force.

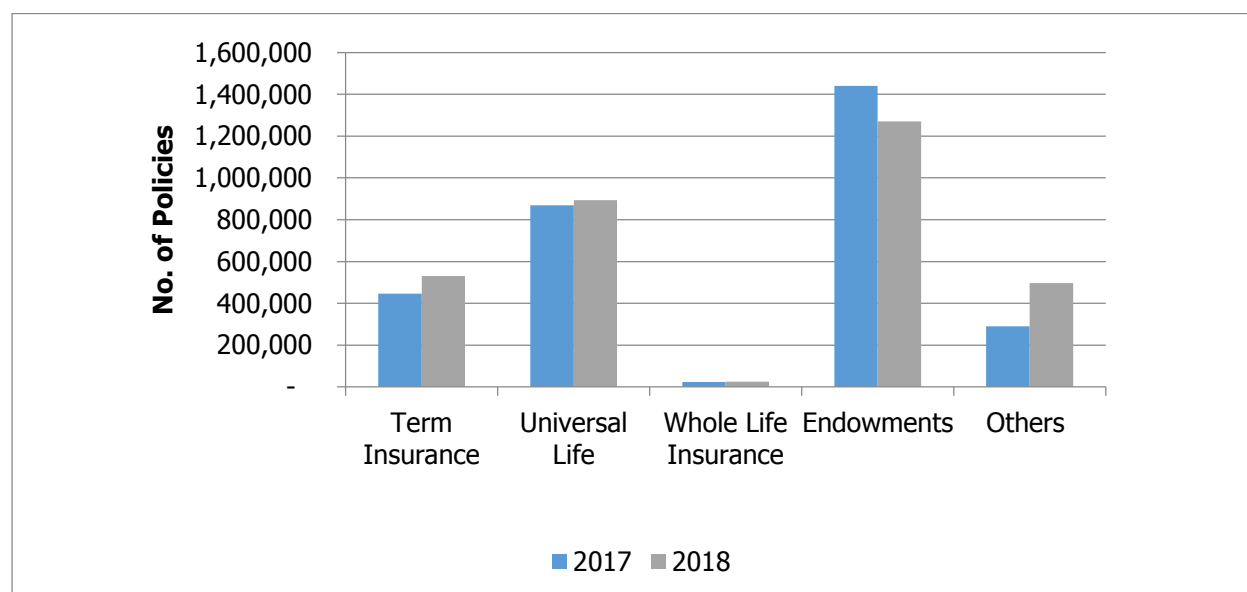
**Table 15**

**Product-wise Policies In force and Sum Insured for 2017 and 2018 - Long Term Insurance Business**

Type of Product	2017		2018	
	No: of Policies in Force	Sum Insured (LKR '000)	No: of Policies in force	Sum Insured (LKR '000)
Term Insurance	446,307	835,316,103	530,885	922,955,498
Universal Life	868,702	281,070,589	893,710	393,408,191
Whole Life Insurance	23,835	1,525,598	24,435	1,635,183
Endowments	1,439,456	372,435,760	1,270,693	417,939,398
Others	290,566	842,829,068	496,188	1,114,176,834
<b>Total</b>	<b>3,068,866</b>	<b>2,333,177,117</b>	<b>3,215,911</b>	<b>2,850,115,104</b>

**Chart 11**

**Product-wise Policies In force for 2017 and 2018 - Long Term Insurance Business**



**Insurance Policy Lapses – Long Term Insurance Business**

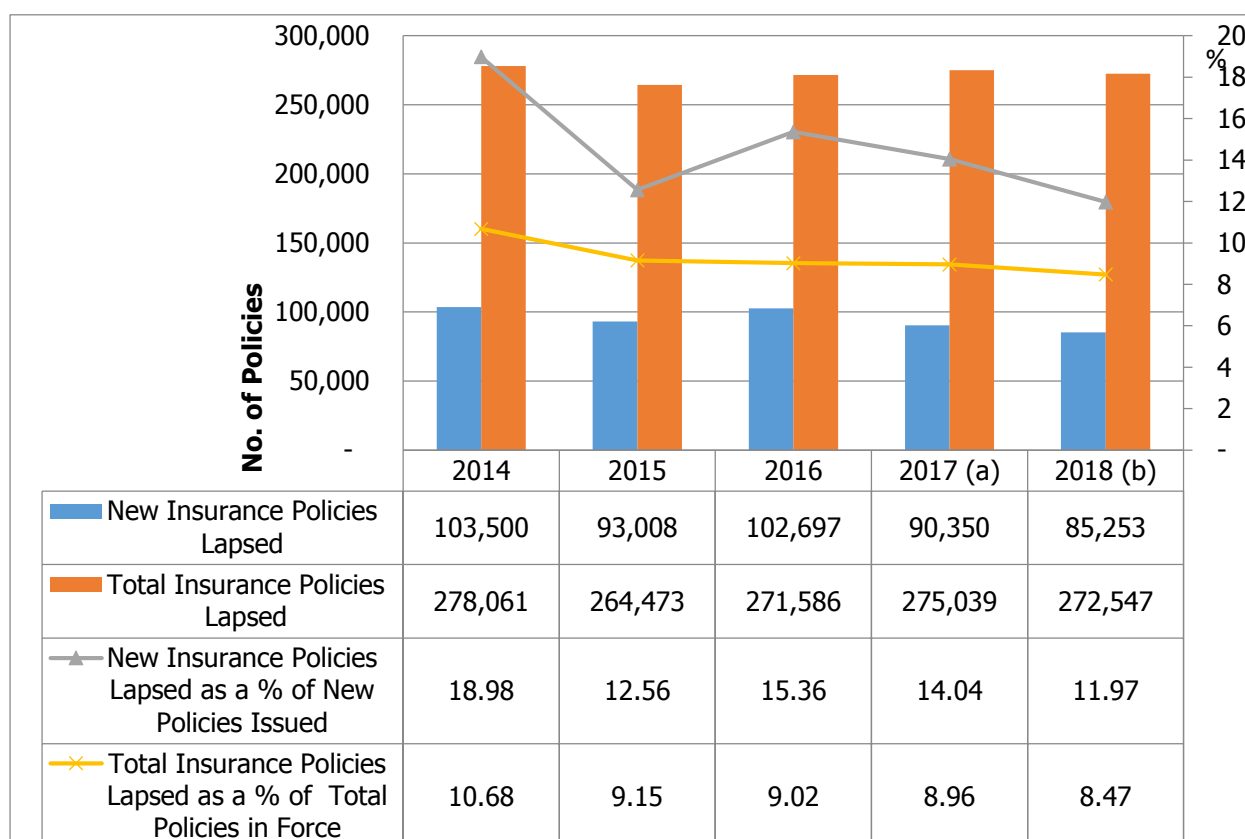
As depicted in Chart 12, total insurance policies lapsed in 2018 has decreased to 272,547 policies from 275,039 policies recorded in 2017 which showed a reduction in lapsed policies by 2492. Therefore, total insurance policies lapsed as a percentage of total insurance policies in force had declined to 8.47% in



2018 compared to 8.96% recorded in 2017. New long term insurance policies lapsed during 2018 amounted to 85,253 and reduced by 5.64% compared to 90,350 lapsed policies reported in 2017. Therefore, new insurance policy lapses as a percentage of new policies issued had declined to 11.97% in 2018 compared to 14.04% recorded in 2017.

**Chart 12**

**Insurance Policy Lapses – Long Term Insurance Business**



*Note: Published figures of total insurance policies lapsed for years 2014, 2015 and 2016 have been revised.*

**Claims incurred by Insurance Companies – Long Term Insurance Business**

Total claims incurred by life insurers increased noticeably in year 2018 which amounted to LKR 34,337 million (2017: LKR 26,371 million) and has grown by 30.21% year on year. Within last five years this was the highest claims incurred by the life insurers in terms of value. As depicted in Chart 13, total claims incurred comprised of disability benefits, death benefits, surrenders, maturity benefits and other benefits paid to policyholders.

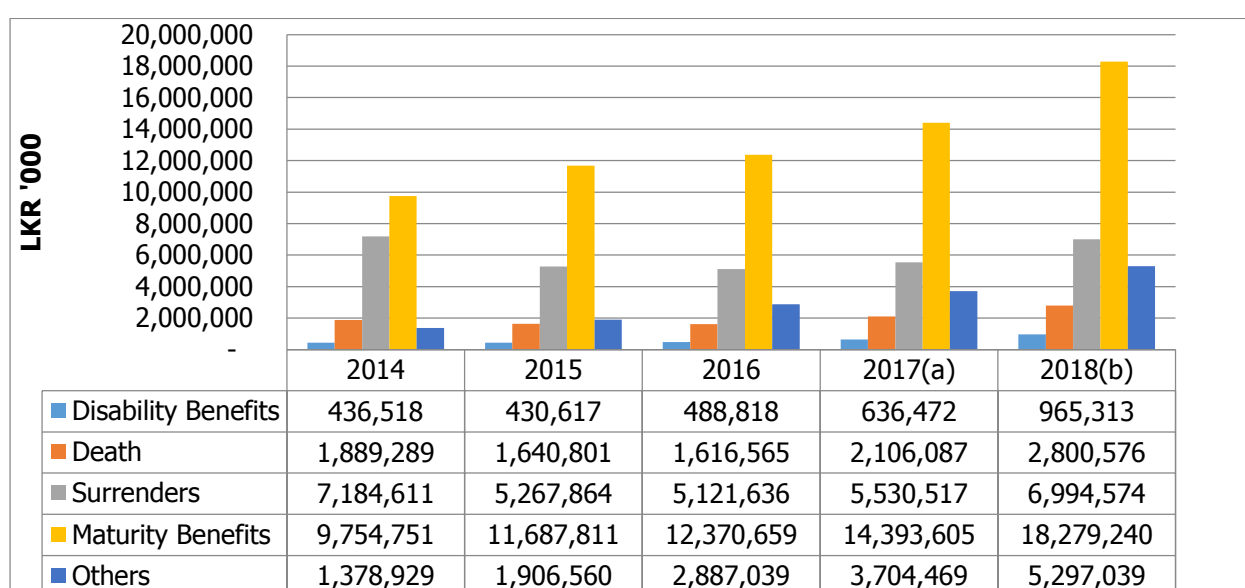
Out of the total claims incurred, maturity benefits represented 53.24% in 2018 (2017:54.58%). However, maturity benefits have risen by 27% in year 2018 compared to year 2017 and this increase is mainly attributed to maturity benefits settled by few large companies. Surrenders also represented a

significant portion of the claims incurred which amounted to LKR 6,995 million and represented 20.37% of the total claims and had grown by 26.47% year on year.

During 2018, disability benefits and death benefits have gone up by 51.67% and 32.98% respectively compared to 2017. Other benefits which include health benefits, advance payments, bonus, cancellations and refunds etc. amounted to LKR 5,297 million which is 15.43% of the total claims and recorded significant growth year on year.

**Chart 13**

**Claims incurred by Insurance Companies – Long Term Insurance Business**



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

Total number of claims for the year 2018 has risen by 15.03% to 394,434 as against improvement of 30.21% noted in value of the claims in 2018. The number of maturity benefit claims was 153,856 (2017: 128,266) and represented 39.01% of the total claims. "Others" which is a combination of miscellaneous claims on health benefits, cancellations, refunds, partial withdrawals etc. had grown by 14.58% to 166,665 year on year. Other benefit claims and maturity claims together accounted for 81.26% of the total claims. Surrenders represented 14.84% of the total number of claims which insurers need to pay attention to minimize the same. The number of death benefits paid has marginally increased by 6.12% in 2018 against 2017. However, it is notable that all types of claims have increased in 2018 except disability claims which had declined significantly in 2018 and this reduction was mainly driven by one life insurer. Table 16 provides details on number of insurance claims for the years 2014 to 2018.

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 (a)</b>	<b>2018 (b)</b>
Disability Benefits	8,120	14,081	9,521	10,749	3,441
Death	5,795	6,747	8,418	11,247	11,935
Surrenders	46,312	42,814	46,484	47,191	58,537
Maturity Benefits	107,353	120,661	108,680	128,266	153,856
Other benefits	84,835	112,337	143,336	145,452	166,665
<b>Total</b>	<b>252,415</b>	<b>296,640</b>	<b>316,439</b>	<b>342,905</b>	<b>394,434</b>

**General Insurance Business****Gross Written Premium**

Sri Lankan general insurance industry comprised of fifteen insurance companies in 2018, of which eleven insurers solely operating in general insurance, three composite insurers handling both general and long term insurance businesses and an insurer handling both general insurance and reinsurance businesses. These market players were expected to create competitive, coherent, transparent and regulated environment for the insurance industry in Sri Lanka.

Typically, the year was more competitive among the general insurers due to the opportunities and challenges in the industry such as declined construction business, increase in vehicle registration which was largely witnessed in motor cars mainly due to favorable duty structure applicable to small engine capacity vehicles through the 2018 Budget etc. However, the industry experienced less adverse effects on unfavorable weather conditions in 2018 compared to previous years. Amalgamation of Allianz General and Janashakthi General further enhanced the competition in the industry while creating notable changes in top market share holders.

General insurance business generated GWP amounted to LKR 101,204 million in 2018 compared to LKR 93,389 million recorded in the year 2017 and reported a single digit growth of 8.37% as depicted in Table 19. This growth is attributable to factors driven by the industry such as technology, new methods of marketing, distribution and payments which helped to boost the general insurance industry. However, the growth rate of GWP was at a slow pace compared to previous year growth rate of 17.34%. This is mainly due to lower GWP growth rate experienced in fire, motor, miscellaneous insurance businesses and negative growth recorded in the health insurance business.

With the amalgamation of Janashakthi General, Allianz General has gained the leadership in the general insurance market by surpassing SLIC. As illustrated in Chart 16 and Table 19, Allianz General achieved

a market share of 18.39% and recorded a premium income of LKR 18,610 million for the year 2018. Ceylinco General remained in the second position of the general insurance market by recording premium income of LKR 18,138 million (2017: LKR 17,012 million) with a market share of 17.92% (2017:18.22%).

SLIC achieved the third position in general insurance market by recording premium income of LKR 17,905 million (2017: LKR 18,355 million). SLIC's market share reported as 17.69% in 2018 (2017: 19.65%) shows a decrease of 1.96% compared to year 2017. Fairfirst remained in the fourth position with a market share of 10.82% (2017: 10.29%) by recording premium income of LKR 10,947 million in 2018 (2017: LKR 9,611 million).

NITF has improved its performance by generating premium income of LKR 9,645 million in 2018 (2017: LKR 8,114 million) and achieved the fifth largest market share of 9.53% (2018: 8.69%). Accordingly, NITF's premium income has grown by 18.87% year on year.

Only Sanasa and Cooperative General have recorded a growth rate above 20% compared to GWP recorded in the year 2017, except the growth recorded by Allianz General which is due to the amalgamation. The market position of all general insurance companies has slightly increased in 2018 except SLIC, Ceylinco General and MBSL.

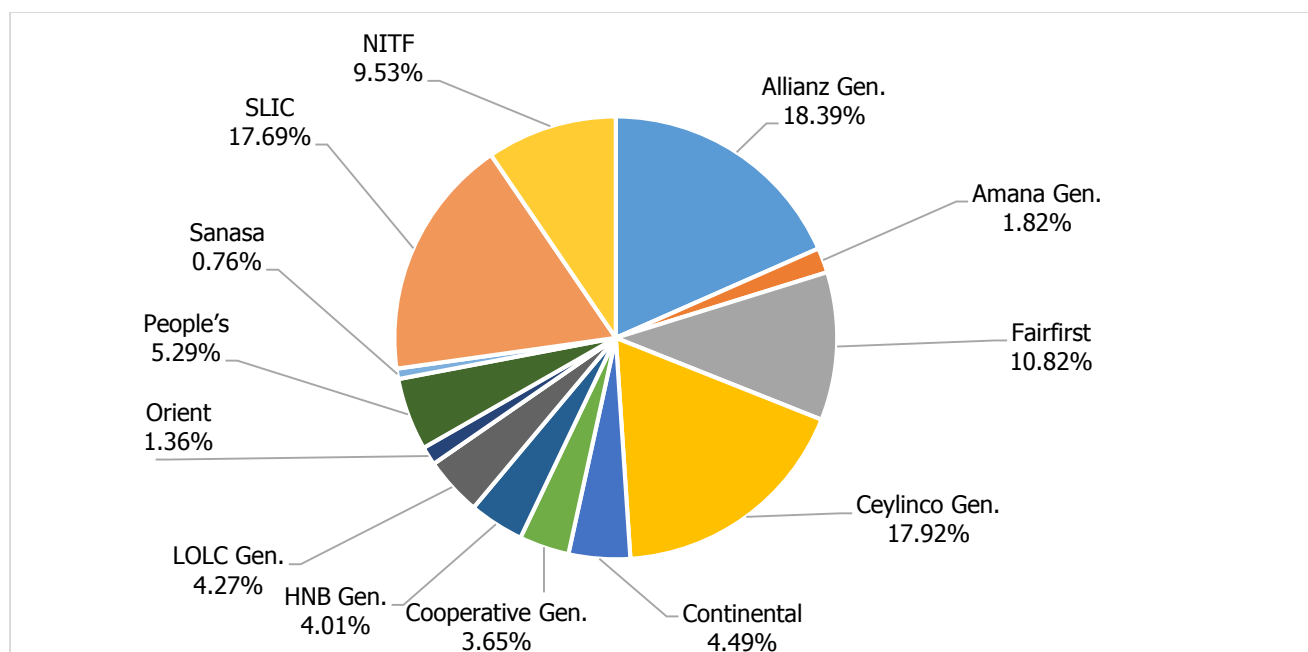
**Table 17**

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

Insurer	2014		2015		2016		2017 (a)		2018 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Gen.	2,655,577	4.34	3,297,840	4.76						
AIG	414,805	0.68	3,141	0.00						
Allianz Gen.	2,723,406	4.45	3,244,844	4.68	4,247,691	5.34	5,956,142	6.38	18,610,471	18.39
Amana Gen.	1,285,418	2.10	1,438,732	2.08	1,474,186	1.85	1,686,270	1.81	1,841,067	1.82
Ceylinco Gen.	11,431,680	18.68	12,921,561	18.65	15,265,433	19.18	17,012,087	18.22	18,137,933	17.92
Continental	1,761,747	2.88	2,309,413	3.33	3,088,064	3.88	3,892,780	4.17	4,545,405	4.49
Cooperative Gen.	1,358,932	2.22	1,691,705	2.44	2,420,130	3.04	2,966,679	3.18	3,692,397	3.65
Fairfirst	1,638,126	2.68	1,908,901	2.76	2,361,614	2.97	9,610,990	10.29	10,946,602	10.82
HNB Gen.	2,182,915	3.57	2,577,224	3.72	2,982,385	3.75	3,662,008	3.92	4,062,172	4.01
Janashakthi Gen.	6,491,556	10.61	7,406,160	10.69	10,137,864	12.74	11,740,185	12.57	-	0.00
LOLC Gen.	1,815,486	2.97	2,476,961	3.58	3,096,834	3.89	3,795,106	4.06	4,318,721	4.27
MBSL	961,225	1.57	1,159,208	1.67	972,976	1.22	260,806	0.28	(512)	0.00
NITF	5,295,759	8.65	4,961,413	7.16	6,420,822	8.07	8,114,412	8.69	9,644,901	9.53
Orient	491,127	0.80	746,935	1.08	810,728	1.02	1,179,000	1.26	1,376,398	1.36
People's	3,286,063	5.37	3,637,404	5.25	4,166,727	5.24	4,587,432	4.91	5,354,367	5.29
Sanasa	344,041	0.56	349,527	0.50	384,481	0.48	569,509	0.61	768,120	0.76
SLIC	12,113,994	19.79	13,583,222	19.61	15,198,381	19.10	18,355,361	19.65	17,905,523	17.69
Union Gen.	4,950,741	8.09	5,557,189	8.02	6,561,571	8.23				
<b>Total</b>	<b>61,202,599</b>	<b>100</b>	<b>69,271,380</b>	<b>100</b>	<b>79,589,887</b>	<b>100</b>	<b>93,388,766</b>	<b>100</b>	<b>101,203,564</b>	<b>100</b>
<b>Growth Rate (%)</b>	<b>5.01</b>		<b>13.18</b>		<b>14.90</b>		<b>17.34</b>		<b>8.37</b>	

**Chart 14**

**Company –wise Market Share of Gross Written Premium- General Insurance Business for the year ended 31st December 2018**



**Market Share of Top Five Contributors to Gross Written Premium and Other Insurance – General Insurance Business**

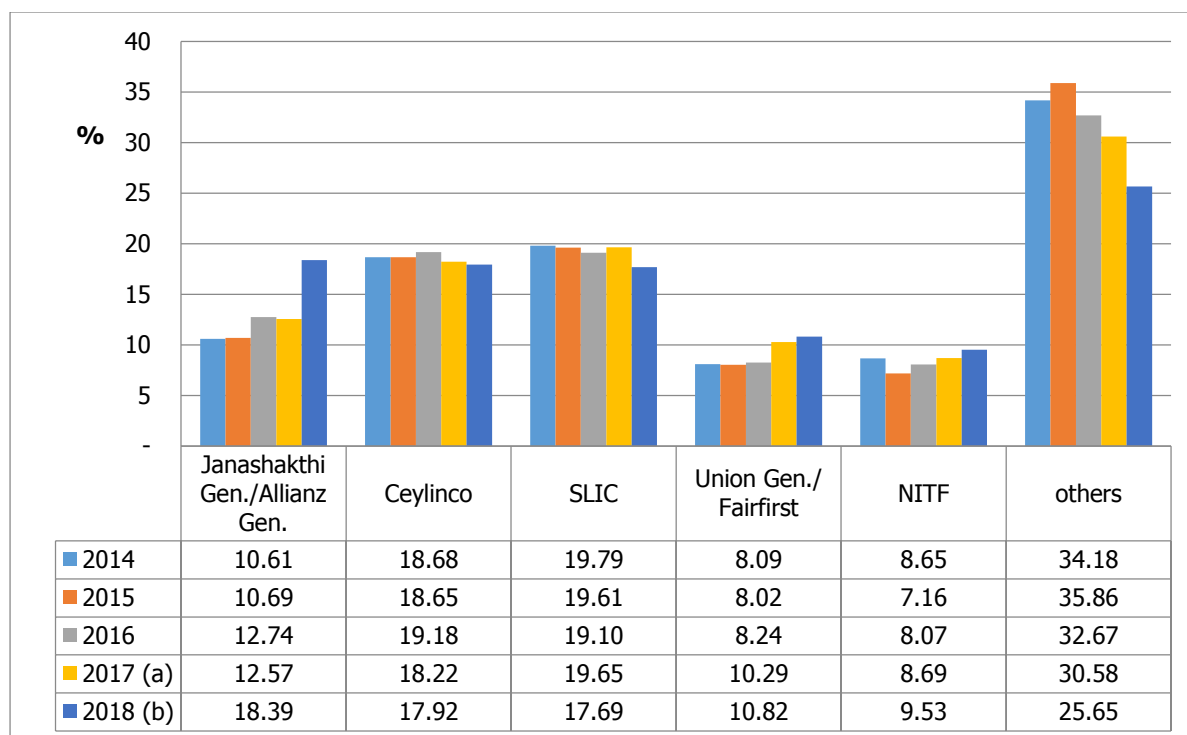
Chart 15 illustrates the details of market share of five main contributors and other insurers during the last five years. Despite the competition among general insurance market players, Allianz General, Ceylinco General and SLIC lead the market with an aggregate market share of 54% in 2018 (2017:50.44%).

Allianz General has expanded their market share with the amalgamation of Janashakthi General and their combined strength has been able to secure the market leadership by recording 18.39% market share in 2018. Even though the premium income has increased by 6.62%, the market share of Ceylinco General has dropped to 17.92% in 2018 from 18.22% recorded in the year 2017. SLIC achieved the third position in the general insurance business by holding a market share of 17.69% in 2018 (2017: 19.65%). However, SLIC's premium income decreased from LKR 18,355 million recorded in 2017 to LKR 17,905 million in 2018. Fairfirst and NITF remained the fourth and fifth position in the general insurance market by achieving market shares of 10.82% (2017:10.29%) and 9.53% (2017:8.69%) respectively. These five players together contributed 74.35% (2017: 69.42%) of the total GWP and recorded a growth of 4.93% year on year.

Similar to previous years, the remaining companies' aggregated market share has further decreased to 25.65% in 2018 from 30.58% recorded in the year 2017. This reduction is also due to amalgamation of Janashakthi General with Allianz General with effect from 28<sup>th</sup> September 2018.

**Chart 15**

**Market share of Top Five Contributors to GWP and Other Insurers for the Years 2014 to 2018- General Insurance Business**



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

Table 18 and Chart 16 depict gross written premium generated from the main sub-classes of general insurance business along with their growth rates and percentage share from the total GWP for the years 2014 to 2018. Fire, marine, motor, health and miscellaneous insurance business constituted the main sub classes of general insurance business including premiums pertaining to SRCC & T.

As reflected in Table 18, motor insurance had dominated the general insurance market by generating GWP amounted to LKR 62,479 million in 2018 (2017: LKR 56,048 million) which represented 61.74% of total GWP (2017: 60.02%). Similar to previous year, there is a further drop in the growth rate of motor insurance business to 11.47% compared to the growth rate of 13.61% recorded in 2017 as a result of prevailing tight monetary conditions imposed during the year 2018.

Health insurance recorded 14.02% share of the total GWP by posting GWP worth of LKR 14,185 million (2017: LKR 14,649 million) and recorded negative growth of 3.17% compared to year 2017 (2017: 45.96%). This is mainly due to Suraksha free medical and personal accident cover introduced by the Education Ministry for all Sri Lankan school children in October 2017 being expired in October 2018 and delay in reissuing for 2018/2019.

GWP of fire insurance business amounted to LKR 9,275 million in 2018 (2017: LKR 8,597 million) and recorded 9.16% (2017: 9.21%) share of the total GWP by indicating a growth of 7.88% (2017:

14.94%). Low construction volume in 2018 compared to 2017 mainly driven the decrease growth rate recorded for fire insurance business.

Miscellaneous business excluding health insurance generated premium income of LKR 8,280 million (2017: LKR 7,866 million) and represented 8.18% of the total GWP. Growth rate of miscellaneous insurance has decreased to 5.26% compared to 10.47% recorded in the year 2017. Marine insurance recorded GWP amounted to LKR 2,403 million (2017: LKR 2,192 million) and accounted 2.37% (2017: 2.35%) of the total GWP, by recording a growth rate of 9.65% compared to 2017 (2017: 5.05%).

Premiums collected to cover the risk from Strike, Riot, Civil Commotion and Terrorism (SRCC & T) of NITF amounted to LKR 4,582 million (2017: 4,036 million) and represented 4.53% of the total GWP while recording a growth rate of 13.51% in year 2018 (2017: 14.23%).

**Table 18**

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

Class	Gross Written Premium (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	6,353,292	6,604,074	7,479,910	8,597,489	9,274,723
Marine	1,911,944	1,996,862	2,086,394	2,191,654	2,403,187
Motor	35,786,941	42,622,205	49,333,000	56,047,640	62,478,575
Health	7,593,386	8,534,364	10,036,518	14,649,440	14,185,167
Miscellaneous	6,721,836	6,495,454	7,120,742	7,866,260	8,280,272
<b>Sub Total</b>	<b>58,367,399</b>	<b>66,252,959</b>	<b>76,056,564</b>	<b>89,352,484</b>	<b>96,621,924</b>
SRCC & T	2,835,200	3,018,421	3,533,324	4,036,283	4,581,641
<b>Total</b>	<b>61,202,599</b>	<b>69,271,380</b>	<b>79,589,888</b>	<b>93,388,766</b>	<b>101,203,564</b>

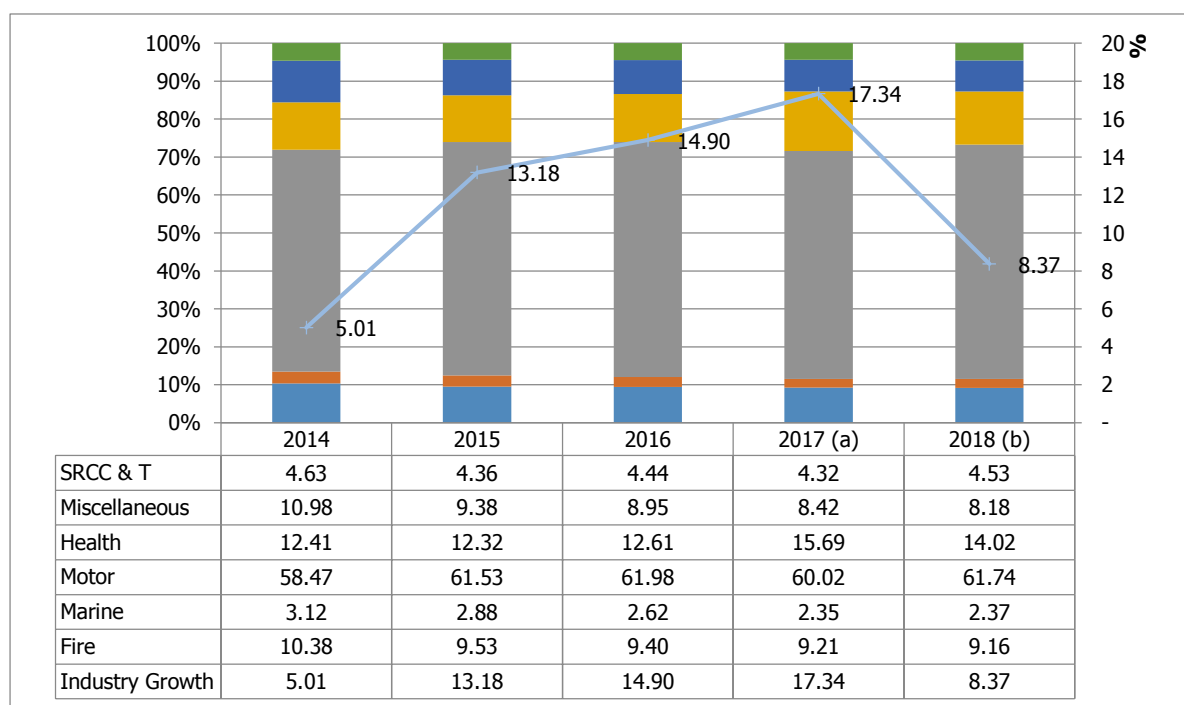
Class	Growth (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	0.79	3.95	13.26	14.94	7.88
Marine	6.40	4.44	4.48	5.05	9.65
Motor	7.37	19.10	15.74	13.61	11.47
Health	4.13	12.39	17.60	45.96	(3.17)
Miscellaneous	(4.19)	(3.37)	9.63	10.47	5.26
<b>Sub Total</b>	<b>4.71</b>	<b>13.51</b>	<b>14.80</b>	<b>17.48</b>	<b>8.14</b>

SRCC & T	11.46	6.46	17.06	14.23	13.51
<b>Total</b>	<b>5.01</b>	<b>13.18</b>	<b>14.90</b>	<b>17.34</b>	<b>8.37</b>

Class	Percentage Share (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	10.38	9.53	9.40	9.21	9.16
Marine	3.12	2.88	2.62	2.35	2.37
Motor	58.47	61.53	61.98	60.02	61.74
Health	12.41	12.32	12.61	15.69	14.02
Miscellaneous	10.98	9.38	8.95	8.42	8.18
<b>Sub Total</b>	<b>95.37</b>	<b>95.64</b>	<b>95.56</b>	<b>95.68</b>	<b>95.47</b>
SRCC & T	4.63	4.36	4.44	4.32	4.53
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Chart 16**

**Class-wise Analysis of GWP from 2014 to 2018 – General Insurance Business**



**Category –wise Analysis of GWP of Miscellaneous Insurance Business**

Table 19 depicts the GWP generated from different insurance segments categorized under miscellaneous insurance business during the years 2017 and 2018. Main categories of miscellaneous insurance business include Personal Accident, Aircraft Hull, Other and Workmen’s Compensation Insurance, Travel Insurance etc. Total GWP generated from miscellaneous insurance excluding SRCC & T and coinsurance recorded LKR 8,280 million (2017: LKR 7,866 million) by reporting 5.26% (2017: 10.47%) growth compared to previous year.



All categories of miscellaneous insurance business recorded positive growth during the year 2018 except categories such as Title insurance, Goods in transit, workmen's compensation insurance and Other category. Personal accident and Aircraft hull were the segments which generated the highest GWP under miscellaneous insurance business which amounted to LKR 1,667 million (2017: LKR 1,435 million) and LKR 1,051 million (2017: LKR 850 million) respectively.

Other category of miscellaneous insurance business became third largest business category and recorded GWP amounted to LKR 903 million in 2018 showing a decrease of 23.21 % compared to GWP worth of LKR 1,176 million generated in 2017 and mainly comprised of performance bonds, bid bonds etc.

**Table 19**

**Category-wise Analysis of GWP of Miscellaneous Insurance Premium for 2017 & 2018**

Category	GWP LKR'000	
	2017 (a)	2018 (b)
Title	502,357	487,470
Personal Accident	1,434,805	1,666,986
Contractors' All Risk	281,601	467,916
Professional Indemnity	275,178	334,498
Travel Insurance	497,729	531,208
Fidelity Guarantee	100,207	117,688
Burglary	374,946	407,106
Cash in transit including cash in safe	411,776	436,336
Goods in Transit	133,885	125,159
Products Liability	141,741	149,555
Public Liability	395,893	447,877
Bankers' Indemnity	396,087	397,635
Air Craft Hull	849,838	1,051,199
Workman Compensation Insurance	734,274	717,806
National Natural Disaster Insurance Scheme	500,000	500,000
Others	1,176,498	903,390
<b>Subtotal</b>	<b>8,206,814</b>	<b>8,741,830</b>

Less: Total of SRCC & TC due to NITF	(320,564)	(433,731)
Coinsurance Premium	(19,990)	(27,827)
<b>Total</b>	<b>7,866,260</b>	<b>8,280,271</b>

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

Table 20 and Chart 17 illustrate details of GWP generated by insurance companies, reinsurance premium ceded to reinsurers and retention levels of the main classes of general insurance business from 2014 to 2018. As indicated in Table 20, general insurance business has ceded reinsurance premium amounting to LKR 18,497 million, excluding SRCC & T in 2018 (2017: LKR 16,801 million) from total GWP of LKR 96,622 million, which had resulted in an overall retention ratio of 80.86% (excluding SRCC & T) (2017: 81.20%).

Similar to previous years, the highest retention ratio of 93.20% (2017: 96.16%) has been reported by the motor insurance business. However, the retention ratio shows a slight reduction compared to last year since the premiums ceded to reinsurers have increased from LKR 2,152 million to LKR 4,251 million in 2018 posting a growth rate of 97.53%. This was mainly due to the enhancement of reinsurance programs to address the risks associated with adverse weather conditions experienced in last few years in the country.

Health insurance recorded the second highest retention ratio of 88.18% in 2018 (2017: 81.69%) and indicated an increase of 6.49%. Accordingly, premium ceded to reinsurance for health insurance has decreased to LKR 1,677 million in 2018 from LKR 2,683 million recorded in 2017 by 37.50%.

The retention ratio of marine insurance had marginally increased by 1.35% compared to 46.28% recorded in 2017 by reporting premium ceded to reinsurers amounting to LKR 1,259 million in the year 2018 (2017: LKR 1,177 million).

Miscellaneous insurance indicated retention ratio of 42.89% and decreased by 8.29% compared to 51.18% recorded in the year 2017. Similar to previous years, fire insurance recorded the lowest retention ratio in 2018 which amounted to 29.04 % and increased compared to the retention ratio of 19.19% recorded in 2017.

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

Class	GWP (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	6,353,292	6,604,074	7,479,910	8,597,489	9,274,723
Marine	1,911,944	1,996,862	2,086,394	2,191,654	2,403,187
Motor	35,786,941	42,622,205	49,333,000	56,047,640	62,478,575
Health	7,593,386	8,534,364	10,036,518	14,649,440	14,185,167
Miscellaneous	6,721,836	6,495,454	7,120,742	7,866,260	8,280,272
<b>Sub Total</b>	<b>58,367,399</b>	<b>66,252,959</b>	<b>76,056,563</b>	<b>89,352,484</b>	<b>96,621,924</b>
SRCC & T	2,835,200	3,018,421	3,533,324	4,036,283	4,581,641
<b>Total</b>	<b>61,202,599</b>	<b>69,271,380</b>	<b>79,589,888</b>	<b>93,388,766</b>	<b>101,203,564</b>

Class	Reinsurance Premium (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	5,075,545	5,137,042	5,959,242	6,947,675	6,581,382
Marine	1,171,768	1,154,511	1,174,266	1,177,400	1,258,650
Motor	636,603	1,115,036	1,233,466	2,152,508	4,250,943
Health			486,984	2,682,617	1,676,719
Miscellaneous	2,634,795	3,012,362	3,213,645	3,840,459	4,728,932
<b>Sub Total</b>	<b>9,518,711</b>	<b>10,418,951</b>	<b>12,067,604</b>	<b>16,800,660</b>	<b>18,496,626</b>
SRCC & T	-	-	-	108,750	81,656
<b>Total Reinsurance Premium</b>	<b>9,518,711</b>	<b>10,418,951</b>	<b>12,067,604</b>	<b>16,909,410</b>	<b>18,578,282</b>

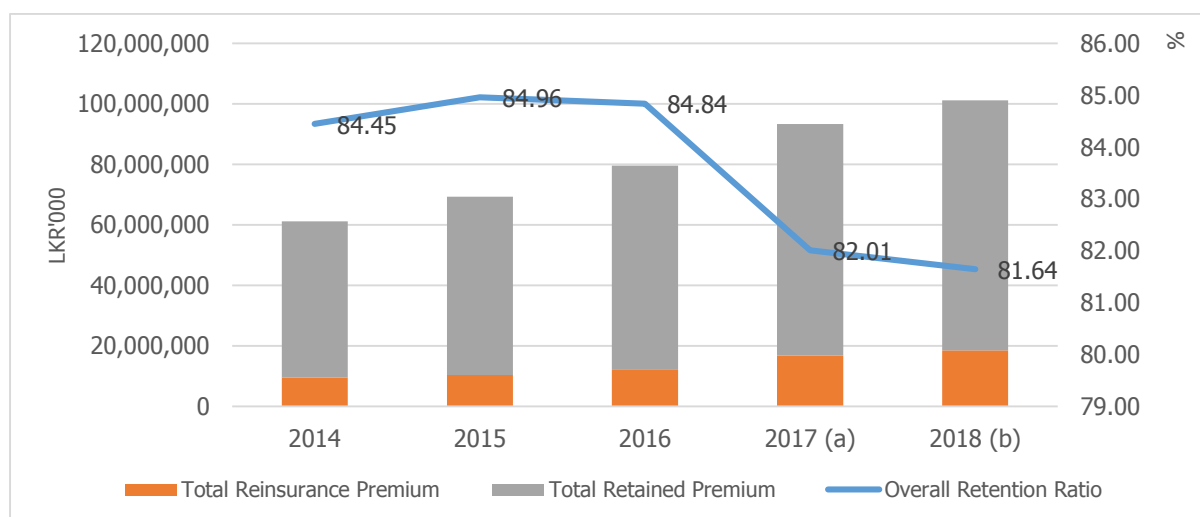
Class	Retention (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	1,277,747	1,467,033	1,520,667	1,649,814	2,693,341
Marine	740,176	842,351	912,129	1,014,254	1,144,536
Motor	35,150,338	41,507,169	48,099,534	53,895,132	58,227,632
Health	11,680,427	12,017,456	9,549,533	11,966,823	12,508,448

Miscellaneous			3,907,097	4,025,800	3,551,340
<b>Sub Total</b>	<b>48,848,688</b>	<b>55,834,008</b>	<b>63,988,960</b>	<b>72,551,823</b>	<b>78,125,298</b>
SRCC & T	2,835,200	3,018,421	3,533,324	3,927,533	4,499,984
<b>Total Net Written Premium</b>	<b>51,683,888</b>	<b>58,852,429</b>	<b>67,522,284</b>	<b>76,479,356</b>	<b>82,625,282</b>

Class	Retention as a Percentage of GWP (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	20.11	22.21	20.33	19.19	29.04
Marine	38.71	42.18	43.72	46.28	47.63
Motor	98.22	97.38	97.50	96.16	93.20
Health			95.15	81.69	88.18
Miscellaneous	81.59	79.96	54.87	51.18	42.89
<b>Sub Total</b>	<b>83.69</b>	<b>84.27</b>	<b>84.13</b>	<b>81.20</b>	<b>80.86</b>
SRCC & T	100.00	100.00	100.00	97.31	98.22
<b>Overall Retention Ratio</b>	<b>84.45</b>	<b>84.96</b>	<b>84.84</b>	<b>81.89</b>	<b>81.64</b>

**Chart 17**

**Reinsurance Premium and Retention by Insurers- General Insurance Business**



**Company wise Analysis of Total Asset- General Insurance Business**

Table 21 & Chart 18 depict the distribution of assets among general insurance companies as at 31st December 2018. Total assets of general insurance business reported as LKR 190,088 million and marginally increased by 2.43% compared to total assets recorded at the end of the year 2017 amounting to LKR 185,583 million.

Similar to previous years, the largest portion of assets in the general insurance business was held by SLIC amounting to LKR 68,025 million (2017: LKR 69,155 million) and represent 35.79% (2017:37.26%) of total industry assets, though their share of the assets had reduced by 1.47% compared to previous year.

Allianz General reported assets worth of LKR 31,203 million (2017: LKR 6,954 million) as at 31st December 2018 recording an increase of LKR 24,249 million compared to previous year due to amalgamation with Janashakthi General during the 2018 and achieved second position in terms of asset share of the industry.

Ceylinco General, Fairfirst and NITF represented 14.68% (2017: 13.77%), 7.85% (2017: 8.61%) and 6.27% (2017: 7.09%) of total assets and claimed third, fourth and fifth positions respectively in the year 2018. However, reduction in assets of NITF is visible in 2018 compared to 2017. As depicted in the Table 21, it is noted that 81.01% of total assets of general insurance companies are concentrated among top five companies and balance 18.99% is owned by other ten insurance companies.

**Table: 21**

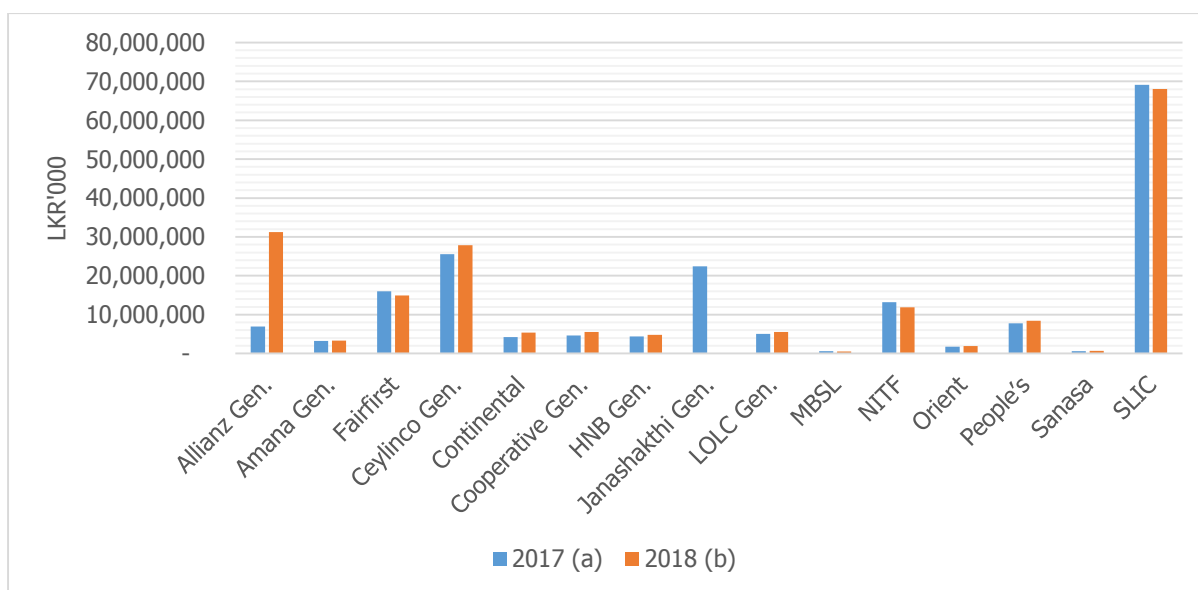
**Company wise Analysis of Total Assets –General Insurance Business**

Insurer	2017 (a)		2018 (b)	
	(LKR'000)	%	(LKR'000)	%
Allianz Gen.	6,954,152	3.75	31,203,197	16.42
Amana Gen.	3,201,348	1.73	3,309,045	1.74
Ceylinco Gen.	25,551,645	13.77	27,899,029	14.68
Continental	4,262,314	2.30	5,381,550	2.83
Cooperative Gen.	4,667,558	2.52	5,510,538	2.90
Fairfirst	15,975,791	8.61	14,917,948	7.85
HNB Gen.	4,385,775	2.36	4,773,910	2.51
Janashakthi Gen.	22,457,907	12.10	-	0.00
LOLC Gen.	5,077,102	2.74	5,531,511	2.91
MBSL	618,234	0.33	550,469	0.29
NITF	13,165,645	7.09	11,909,582	6.27
Orient	1,731,256	0.93	1,943,480	1.02
People's	7,745,115	4.17	8,417,568	4.43

Sanasa	633,678	0.34	715,143	0.38
SLIC	69,155,434	37.26	68,024,988	35.79
<b>Total</b>	<b>185,582,954</b>	<b>100</b>	<b>190,087,958</b>	<b>100</b>

**Chart 18**

**Company wise Analysis of Total Assets- General Insurance Business**



**Concentration of Assets of General Insurance Business**

Table 22 and Chart 19 demonstrate the concentration of assets of general insurance business as at 31st December 2017 & 2018. Total assets of general insurance business amounted to LKR 190,088 million (2017: LKR 185,583 million) and recorded a growth of 2.43% compared to total asset as at 31st December 2017. The majority of assets was invested in Government Debt Securities as the main investment category in the general insurance sector and recorded LKR 53,188 million (2017: LKR 41,880 million) investments representing 27.98% of the total assets. This was mainly due to minimum risk associated with government debt securities and to comply with regulatory requirements. As stipulated by the section 25(1) of the Act, every insurer is required to invest at least 20% of Technical Reserves in government securities. Accordingly, the Commission ensures that insurance companies comply with the same and remaining assets are invested in accordance with Determination 1.

Equity market in year 2018 has not performed due to various factors such as unstable political condition, inconsistent economic policies and adverse global developments etc. However, investments in Equities represented the second largest asset category in general insurance business and accounted for 18.02% of total asset as at 31st December 2018 (2017: 20.67%) while recording a negative growth of 10.7%

from LKR 38,556 million recorded in the year 2017 to LKR 34,250 million recorded in 2018. Meanwhile, 58% of equity investment represents the investments in subsidiaries recorded by SLIC.

Premium receivable from policyholders and intermediaries amounted LKR 23,256 million (2017: LKR 21,130 million) as at 31st December 2018 and represented third largest asset category and increased by 10.06% compared to the year 2017. Deposits in Bank and Finance companies represented 10.78% of total assets and accounted for LKR 20,491 million (2017: LKR 18,322 million) while recording a growth of 11.84% compared to 2017 due to favorable interest rates prevailed. Corporate debts were the other main asset category of general insurance business which represented 7.11% (2017: 6.87%) from total assets in 2018. There was a notable decreased around 23% in reinsurance receivables compared to previous year. This was mainly due to recovery of reinsurance receivables reported in previous year based on the adverse weather conditions prevailed in the country.

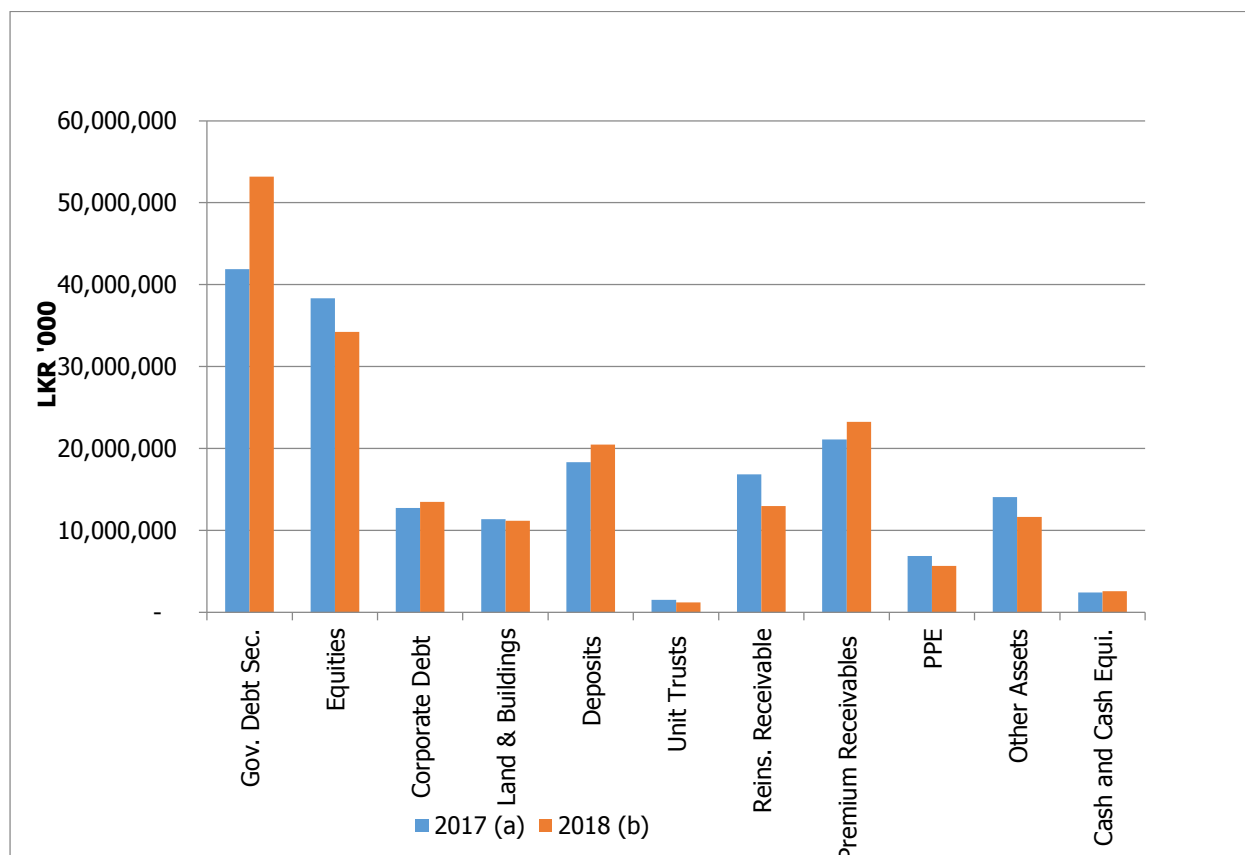
**Table: 22**

**Concentration of Assets as at 31st December 2017 & 2018 – General Insurance Business**

Type of Asset	2017 (a)		2018 (b)	
	LKR'000	%	LKR'000	%
Government Debt Securities	41,879,803	22.57	53,188,206	27.98
Equities	38,355,540	20.67	34,249,739	18.02
Corporate Debts	12,755,297	6.87	13,506,161	7.11
Land & Buildings	11,369,560	6.13	11,206,996	5.90
Deposits	18,322,254	9.87	20,491,247	10.78
Unit Trusts	1,528,271	0.82	1,228,957	0.65
Reinsurance receivables	16,840,965	9.07	12,982,985	6.83
Premium receivable from policyholders and intermediaries	21,129,985	11.39	23,256,352	12.23
Property Plant and Equipment	6,907,186	3.72	5,693,812	3.00
Other Assets	14,069,946	7.58	11,672,189	6.14
Cash and cash equivalents	2,424,146	1.31	2,611,312	1.37
<b>Total</b>	<b>185,582,953</b>	<b>100</b>	<b>190,087,956</b>	<b>100</b>

**Chart 19**

**Concentration of Assets as at 31st December 2017 & 2018- General Insurance Business**



**Investment Income –General Insurance Business**

Table 23 depicts the investment income, average investment and investment yield ratios of different asset categories of general insurance business for the year 2017 and 2018. The average investment of general insurance business amounted to LKR 129,464 million, an increase of 8.22% compared to LKR 119,633 million recorded in the year 2017. The total investment income generated by general insurance business amounted to LKR 10,078 million in 2018 (2017: LKR 8,382 million) and resulted in an overall investment yield of 7.78% which is slightly higher than the 7.01% recorded in 2017.

Government securities were the largest investment category of the general insurance business with an average investment of LKR 47,534 million (2017: LKR 40,990 million) and generated an investment yield of 10.13% decreasing slightly from 10.31% recorded in 2017.

Average investments in deposits in Banks and Finance companies amounted to LKR 19,407 million and increased noticeably compared to LKR 14,863 million recorded in 2017. Deposits generated an investment income of LKR 2,187 million (2017: LKR 1,605 million) recording a growth of 36.26% year on year and recorded an investment yield of 11.27% in 2018 (2017:10.80%).



Corporate debt which represented a significant portion of the investment portfolio and recorded average investment LKR 13,131 million in 2018 (2017: LKR 12,207 million) grew by 7.57% year on year while recording an investment yield ratio of 11.75% in 2018 (2017:10.88%).

Further, during year 2018 Equity and Unit Trusts recorded investment yield ratios of 2.39% and 4.60% respectively.

**Table: 23**

**Breakup of Investment Income and Average Investments –General Insurance Business**

Category	2017 (a)			2018 (b)		
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)
<b>Government Debt Securities</b>	4,226,868	40,990,441	10.31	4,817,017	47,534,004	10.13
- Treasury Bonds	2,749,548			2,714,401		
- Treasury Bills	634,201			1,322,853		
- Others (REPO)	843,119			779,763		
<b>Equity</b>	659,143	38,075,279	1.73	868,543	36,302,639	2.39
- Capital Gain/Losses	104,187			312,784		
- Dividend	554,956			555,759		
<b>Corporate Debts</b>	1,328,170	12,207,157	10.88	1,542,497	13,130,729	11.75
- Debentures	1,267,731			1,484,651		
- Commercial Papers	60,439			57,846		
<b>Land and Buildings</b>	1,425	11,471,351	0.01	(4,425)	11,288,278	(0.04)
<b>Deposits</b>	1,604,995	14,863,562	10.80	2,186,962	19,406,751	11.27
- Banks	1,193,953			1,579,012		
- Finance Companies	411,041			607,950		
<b>Unit Trusts</b>	97,978	1,335,332	7.34	63,388	1,378,614	4.60
<b>Gold</b>	-	1,353	-	-	-	
<b>Others</b>	463,315	688,493			422,698	
<b>Total</b>	<b>8,381,895</b>	<b>119,632,968</b>	<b>7.01</b>	<b>10,078,210</b>	<b>129,463,713</b>	<b>7.78</b>

**Solvency Position of Insurance Companies –General Insurance Business**

Table 24 demonstrates details of Total Available Capital (TAC), Risk-based Capital Required (RBC) and Capital Adequacy Ratio (CAR) of general insurance business as at 31st December 2017 and 2018. Average CAR of industry recorded 171% as at 31st December 2018 which marginally decreased by 4% compared to 175% recorded in 2017. However, all general insurance companies except two insurers

had complied with the minimum CAR requirement of 120% and minimum TAC requirement of LKR 500 million as at 31st December 2018. Accordingly, the Commission has taken appropriate actions against the companies who did not comply with Solvency Margin (Risk Based Capital) Rules 2015. Further, the companies who had reported CAR below the enforcement level of 160% were closely monitored in terms of the Enforcement Strategy on RBC issued by the Commission.

**Table: 24**

**Company –wise Analysis of Solvency Position- General Insurance Business as at 31st December 2017 & 2018**

Insurer	As at 31st December 2017 (a)			As at 31st December 2018 (b)		
	TAC (LKR'000)	RCR (LKR'000)	CAR (%)	TAC (LKR'000)	RCR (LKR'000)	CAR (%)
Allianz Gen.	1,263,160	883,784	143	9,608,042	4,086,855	235
Amana Gen.	686,816	366,596	187	514,583	276,025	186
Ceylinco Gen.	5,131,721	2,703,494	190	5,896,112	3,026,609	195
Continental	1,232,481	481,157	256	1,559,089	623,990	250
Cooperative Gen.	1,299,737	720,873	180	1,385,751	768,938	180
Fairfirst	2,785,001	1,714,025	162	3,188,311	1,723,550	185
HNB Gen.	945,419	530,948	178	1,171,520	585,201	200
Janashakthi Gen.	7,018,573	2,878,464	244			
LOLC Gen.	1,129,774	538,281	210	1,109,301	628,555	176
MBSL	(186,561)	148,193	-126	(249,255)	132,371	-188
Orient	565,891	311,104	182	627,959	241,239	260
People's	2,825,709	884,552	319	3,151,752	1,230,620	256
Sanasa	134,330	108,377	124	119,535	150,344	80
SLIC	27,050,916	13,501,434	200	24,404,446	11,733,987	208
<b>Total</b>	<b>51,882,966</b>	<b>25,771,281</b>	<b>175</b>	<b>52,487,146</b>	<b>25,208,285</b>	<b>171</b>

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

Table 25 illustrates Tier 1 capital, Tier 2 capital, Deductions and TAC recorded by individual general insurance companies as at 31st December 2018. Total TAC of the general insurance business amounted to LKR 52,487 million as at 31st December 2018 and marginally increased by 1.16% compared to LKR 51,883 million recorded as at 31st December 2017. Tier 1 capital which represented companies' issued and fully paid-up ordinary shares, capital reserves and other adjustments for retained earnings amounted to LKR 77,217 million. As per the Solvency Margin (RBC) Rules, Tier 2 capital cannot exceed

50% of Tier 1 capital which amounted to LKR 8,604 million as at 31st December 2018. Deduction from TAC amounted to LKR 33,334 million which comprised of inadmissible assets such as loans and advances, prepayments, inventory, pledged assets, deferred income tax etc.

**Table: 25**

**Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2017 and 2018 – General Insurance Business**

Insurer	TAC as at 31st December 2017 (a) (LKR'000)	As at 31st December 2018 (b)			
		Tier 1 (LKR'000)	Tier II (LKR'000)	Deductions (%)	TAC (Rs'000)
Allianz Gen.	1,263,160	10,803,392	-	1,195,350	9,608,042
Amana Gen.	686,816	1,768,692	120,495	1,374,603	514,583
Ceylinco Gen.	5,131,721	11,126,093	-	5,229,981	5,896,112
Continental	1,232,481	1,668,558	-	109,469	1,559,089
Cooperative Gen.	1,299,737	2,039,863	348,510	1,002,622	1,385,751
Fairfirst	2,785,001	5,068,134	-	1,879,823	3,188,311
HNB Gen.	945,419	1,323,636	-	152,115	1,171,520
Janashakthi Gen.	7,018,573				
LOLC Gen.	1,129,774	1,507,285	-	397,984	1,109,301
MBSL	(186,561)	(156,494)	(8,058)	84,704	(249,255)
Orient	565,891	747,926	-	119,967	627,959
People's	2,825,709	3,382,020	-	230,267	3,151,752
Sanasa	134,330	232,948	2,839	116,252	119,535
SLIC	27,050,916	37,704,829	8,140,049	21,440,431	24,404,446
<b>Total</b>	<b>51,882,966</b>	<b>77,216,881</b>	<b>8,603,835</b>	<b>33,333,568</b>	<b>52,487,146</b>

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

Table 26 depicts the company wise composition of various risk charges relating to the Risk Based Capital requirement as at 31st December 2017 & 2018. Total RCR recorded by general insurance companies after diversification amounted to LKR 25,208 million in 2018, decreased by 2% compared to LKR 25,771

million recorded in 2017. Liability risk which comprises of premium and claim liabilities were the main risk category and represented 31.39% (2017:29.94%) of the total risk capital charges before diversification in year 2018. Concentration risk charge was the second largest risk category of the industry, amounted to LKR 10,774 million in year 2018 and increased by 6.81% compared to LKR 10,087 million recorded in 2017. Market risk represented 27.87% (2017:31.83%) of the total risk capital charges before diversification and became third largest risk category. However, market risk declined by 12.33% compared to 2017.

Operational risk, credit risk and reinsurance risk capital charges comparatively low in the general insurance business and recorded as 4.73%, 3.09% and 1.73% respectively out of the total risk capital charge before diversification as at 31st December 2018.

**Table: 26**

**Company –wise Analysis of Risk Capital Required (RCR) as at 31st December 2017 and 2018 – General Insurance Business**

Insurer	As at 31st December 2017 (a) (LKR'000)							RCR before diversification	RCR after diversification
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk			
Allianz Gen.	3,424	482,833	118,166	21,050	621,642	58,455	1,305,571	883,784	
Amana Gen.	24,375	266,822	43,262	5,366	134,244	29,837	503,906	366,596	
Ceylinco Gen.	132,556	1,042,265	783,950	156,653	1,669,237	217,977	4,002,637	2,703,494	
Continental	51,046	79,230	180,917	21,024	345,945	38,281	716,443	481,157	
Cooperative Gen.	81,205	241,016	281,280	9,477	376,738	44,537	1,034,253	720,873	
Fairfirst	36,803	799,580	413,767	102,860	1,046,642	108,549	2,508,202	1,714,025	
HNB Gen.	42,774	198,031	73,910	18,212	411,933	37,108	781,968	530,948	
Janashakthi Gen.	263,078	600,783	1,577,542	77,880	1,379,390	189,864	4,088,538	2,878,464	
LOLC Gen.	2,519	94,195	124,446	24,104	476,997	45,443	767,705	538,281	
MBSL	3,255	84,309	24,758	6,259	88,705	5,573	212,860	148,193	
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	71,025	1,291,421	884,552	
Sanasa	3,170	43,930	53,022	1,718	36,620	5,755	144,216	108,377	
SLIC	172,360	5,796,802	7,069,453	138,351	2,860,164	689,716	16,726,847	13,501,434	
<b>Total</b>	<b>959,172</b>	<b>10,086,665</b>	<b>10,988,293</b>	<b>594,078</b>	<b>10,336,306</b>	<b>1,558,168</b>	<b>34,522,685</b>	<b>25,771,281</b>	

Insurer	As at 31st December 2018 (b) (LKR'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	173,595	2,307,441	875,598	58,380	2,226,419	288,308	5,929,741	4,086,855
Amana Gen.	19,073	156,677	35,724	11,204	160,367	29,784	412,829	276,025
Ceylinco Gen.	235,220	1,268,380	763,755	168,351	1,780,155	242,373	4,458,234	3,026,609
Continental	111,429	70,679	240,595	23,111	434,004	47,477	927,295	623,990
Cooperative Gen.	102,980	216,716	296,849	19,332	429,092	52,975	1,117,944	768,938
Fairfirst	44,858	736,958	542,124	172,824	847,586	109,183	2,453,533	1,723,550
HNB Gen.	49,594	201,164	103,698	13,447	453,106	42,457	863,466	585,201
LOLC Gen.	12,200	120,281	185,426	21,123	526,920	49,947	915,898	628,555
MBSL	4,814	76,751	26,363	4,666	69,387	5,472	187,454	132,371
Orient	24,016	122,900	32,290	3,758	156,201	17,944	357,108	241,239
People's	139,493	498,126	285,793	6,239	802,455	79,001	1,811,106	1,230,620
Sanasa	5,969	90,275	42,690	1,855	52,300	6,839	199,927	150,344
SLIC	144,615	4,907,392	6,202,261	93,748	2,910,140	663,389	14,921,544	11,733,987
<b>Total</b>	<b>1,067,856</b>	<b>10,773,739</b>	<b>9,633,167</b>	<b>598,038</b>	<b>10,848,133</b>	<b>1,635,149</b>	<b>34,556,079</b>	<b>25,208,285</b>

### 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 20, total net earned premium of main sub-classes of general insurance business including SRCC & T amounted to LKR 80,549 million which recorded a growth of 11.33% compared to LKR 72,354 million recorded in year 2017. The growth rate in GWP favorably influenced the growth rate recorded in the net earned premium.

Total net claims incurred during year 2018 amounted to LKR 52,390 million excluding SRCC & T which increased by 9.56% compared to LKR 47,818 million recorded in year 2017. Net claims incurred by all sub classes of general insurance business has increased in year 2018 compared to previous year except for Miscellaneous and Fire insurance business.

Similar to previous years, Motor insurance business as the driving force of the general insurance business has recorded the highest net earned premium excluding SRCC & T, which amounted to LKR 56,541 million and represented 73.89% (2017:73.71%) of the sub total of net earned premium while indicating an increase of 11.79% compared to same recorded in 2017 amounted to LKR 50,580 million. Further, Motor insurance business recorded the highest net claims incurred amounted to LKR 34,652

million (2017: LKR 31,134 million) which represented 66.05% (2017: 65.12%) of the total claims incurred including SRCC & T in 2018 which resulted in net claims ratio of 61.29% (2017: 61.55%).

Health insurance business has recorded second highest net earned premium excluding SRCC & T amounted to LKR 12,683 million (2017: LKR 11,435 million) and recorded a growth of 10.91% compared to the previous year. Moreover, health insurance business has recorded second highest net claims incurred amounted to LKR 12,098 million (2017: LKR 10,511 million) representing 23.06% (2017: 21.99%) of the total net claims incurred including SRCC & T. High cost of Health insurance business is also a challenge for all insurance companies and recorded highest net claim ratio of 95.39% in 2018 (2017:91.92%).

Miscellaneous insurance business recorded net earned premium of LKR 4,238 million and increased by 8.92% compared to LKR 3,892 million recorded in year 2017. This class of business has recorded net claims ratio of 86.35% in 2018 which decreased by 21.24% compared to claims ratio of 107.59% recorded in year 2017. In 2017 NITF reported significant claims incurred amounted to LKR 2,368 million under NNDIS which was introduced by the Sri Lankan government since 1<sup>st</sup> April 2016 as a protection scheme to cover damage 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. This figure has reduced to LKR 1,358 million in 2018 which resulted to decrease claims ratio of Miscellaneous insurance business in year 2018.

Net earned premium of fire insurance business has increased to LKR 1,927 million in year 2018 from LKR 1,721 million recorded in year 2017 by 11.93%. Net claims incurred for fire insurance business amounted to LKR 1,561 million which shows a reduction of 4.81% compared to LKR 1,640 million recorded in year 2017 and recorded a net claim ratio of 81.03% (2017:95.28%).

Similar to previous years, marine insurance recorded the lowest net claims incurred amounting to LKR 419 million (2017: LKR 345 million) and lowest claims ratio 37.13% (2017:34.83%) which slightly increased by 2.3% compared to year 2017.

As reflected in Table 27 and Chart 20, general insurance companies have reported the highest expenses (including SRCC & T) amount in the year 2018 when compared to last five years. It amounted to LKR 29,170 million and shows an increase of 15.64% compared to LKR 25,225 million recorded in year 2017. Net expenses which considered for SRCC & T by NITF have increased to LKR 843 million in 2018 from LKR 733 million recorded in year 2017.

Net combined ratio which reflects the aggregate of net claims ratio and net expenses ratio has slightly increased to 101.35% in 2018 from 100.94% recorded in year 2017. However, the combined ratio which reflects the total claims and expenses incurred by the general insurance business recorded above 100% in the years 2017 & 2018.

**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 (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	1,241,985	1,283,463	1,213,542	1,721,160	1,926,656
Marine	753,643	797,026	903,170	991,573	1,127,969
Motor	33,826,829	37,958,834	44,593,900	50,580,010	56,540,998
Health	7,079,162	8,071,777	9,349,093	11,435,476	12,683,442
Miscellaneous	4,402,900	3,270,599	3,306,901	3,891,564	4,238,484
<b>Sub Total</b>	<b>47,304,518</b>	<b>51,381,699</b>	<b>59,366,606</b>	<b>68,619,783</b>	<b>76,517,549</b>
SRCC & T	2,692,730	2,914,630	3,274,297	3,734,321	4,031,846
<b>Total</b>	<b>49,997,248</b>	<b>54,296,329</b>	<b>62,640,903</b>	<b>72,354,104</b>	<b>80,549,396</b>

Class	Net Claims Incurred (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	717,626	645,231	1,024,290	1,640,062	1,561,223
Marine	266,560	295,624	266,057	345,331	418,810
Motor	20,281,109	24,274,415	28,966,019	31,134,209	34,651,820
Health	6,252,704	6,958,816	8,065,476	10,511,212	12,098,234
Miscellaneous	1,522,689	1,677,736	2,121,221	4,186,860	3,659,804
<b>Sub Total</b>	<b>29,040,687</b>	<b>33,851,822</b>	<b>40,443,063</b>	<b>47,817,674</b>	<b>52,389,891</b>
SRCC & T	56,897	780	33,677	(10,519)	76,068
<b>Total</b>	<b>29,097,585</b>	<b>33,852,602</b>	<b>40,476,740</b>	<b>47,807,154</b>	<b>52,465,959</b>

Class	Net Claims Ratio (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	57.78	50.27	84.40	95.28	81.03
Marine	35.37	37.09	29.46	34.83	37.13
Motor	59.96	63.95	64.96	61.55	61.29
Health	88.33	86.21	86.27	91.92	95.39

Miscellaneous	34.58	51.30	64.15	107.59	86.35
<b>Sub Total</b>	<b>61.39</b>	<b>65.88</b>	<b>68.12</b>	<b>69.68</b>	<b>68.47</b>
SRCC & T	2.11	0.03	1.03	(0.28)	1.89
<b>Total</b>	<b>58.20</b>	<b>62.35</b>	<b>64.62</b>	<b>66.07</b>	<b>65.14</b>

Description	Net Expenses (LKR'000)				
	2014	2015	2016	2017 (a)	2018 (b)
Net Expenses for all classes of General Insurance Business except SRCC & T	19,524,543	19,134,713	21,421,928	24,491,746	28,328,017
SRCC & T	466,435	486,985	653,706	732,786	842,515
<b>Total</b>	<b>19,990,978</b>	<b>19,621,698</b>	<b>22,075,634</b>	<b>25,224,532</b>	<b>29,170,531</b>

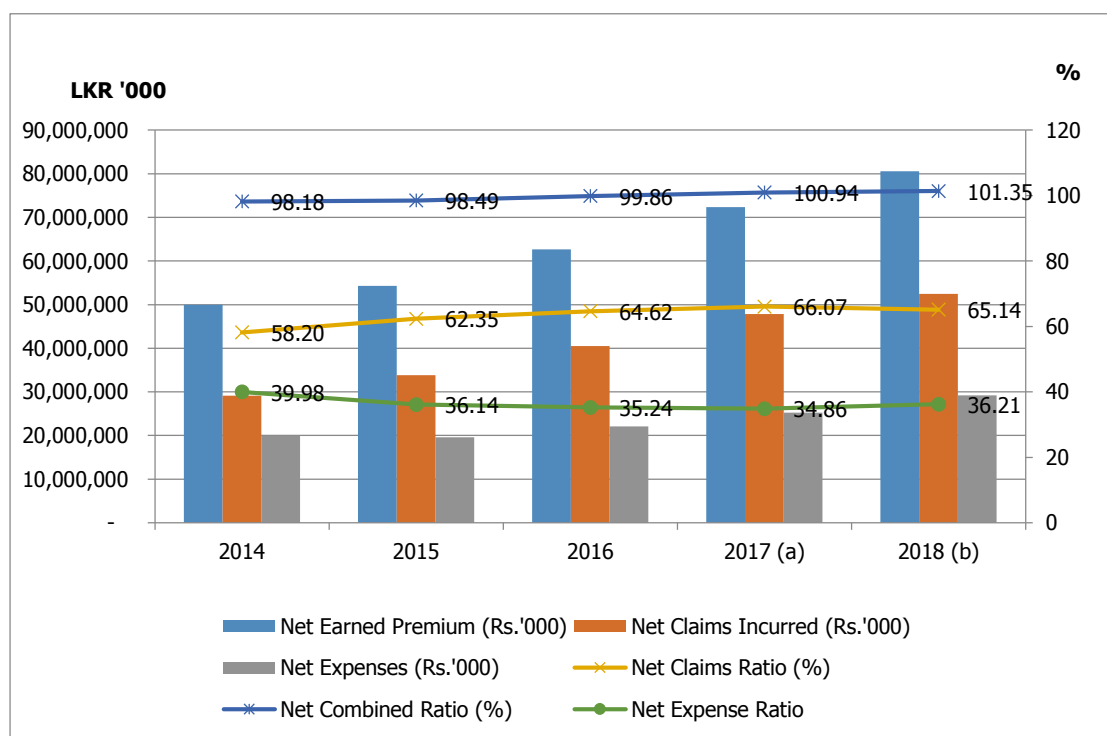
Description	Net Expense Ratio (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	41.27	37.24	36.08	35.69	37.02
Net Expense Ratio of General Insurance Business	39.98	36.14	35.24	34.86	36.21

Description	Net Combined Ratio (%)				
	2014	2015	2016	2017 (a)	2018 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	102.67	103.12	104.21	105.38	105.49
Net Combined Ratio of General Insurance Business	98.18	98.49	99.86	100.94	101.35



**Chart 20**

**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 illustrates the total number of insurance policies which had contributed to generate GWP of different sub classes of general insurance business during the period from 2014 to 2018. The total number of insurance policies related to all sub classes of general insurance business has increased by 5.94% to 6,492,003 in 2018 compared to insurance policies of 6,127,816 recorded in 2017. The total number of policies of general insurance business had increased gradually during the past five years. Similar to previous years’ motor insurance business accounted for the largest number of policies representing 86.49% (2017:87.96%) which comprised of third party insurance policies of 3,190,988 (2017: 2,784,920) and comprehensive insurance policies of 2,423,913 (2017: 2,605,302). From the significant number of third party policies it appears that insurance is obtained to fulfill the compulsory requirement rather than to cover total risks. Further, comprehensive insurance policies have decreased by 6.96% compared to 2017.

Insurance policies for Miscellaneous and Health insurance business have significantly increased by 37.41% and 45.19% respectively in 2018 compared to insurance policies recorded in 2017. Further other sub classes, such as Marine and Fire insurance businesses also slightly increased in 2018 compared to 2017.

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

	No. of policies				
	2014	2015	2016	2017 (a)	2018 (b)
Fire	188,578	227,800	246,058	241,884	245,027
Marine	186,447	190,720	191,966	172,733	187,338
Motor	4,004,162	4,531,187	5,075,622	5,390,222	5,614,901
3rd Party Only	2,229,153	2,460,596	2,628,255	2,784,920	3,190,988
Comprehensive	1,775,009	2,070,591	2,447,367	2,605,302	2,423,913
Health	13,716	15,053	16,040	11,893	17,267
Miscellaneous	204,285	202,038	238,921	311,084	427,470
<b>Total</b>	<b>4,597,188</b>	<b>5,166,798</b>	<b>5,768,607</b>	<b>6,127,816</b>	<b>6,492,003</b>

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

Table 29 and Chart 21 depict the details of new insurance policies, renewed policies and policies in force for years 2017 and 2018 for all sub classes of general insurance business. The total number of policies in force of general insurance were 6,324,587 in year 2018 and increased by 4.43% compared to 6,056,474 insurance policies recorded in 2017. In 2018 motor insurance policies represented 87.10% (2017:88.28%) of the total policies in force and comprised of 3,188,605 third party policies (2017: 2,775,671) and 2,320,407 comprehensive policies (2017: 2,571,050). During the year, policies in force of all sub classes had marginally increased compared to 2017 except comprehensive motor insurance policies and fire insurance policies. In the year 2018, insurance companies had underwritten 3,067,031 new policies by recording 7% increase compared to previous year. Total renewed policies stood at 3,394,775 an increase of around 4% compared to 3,253,683 policies renewed in year 2017.

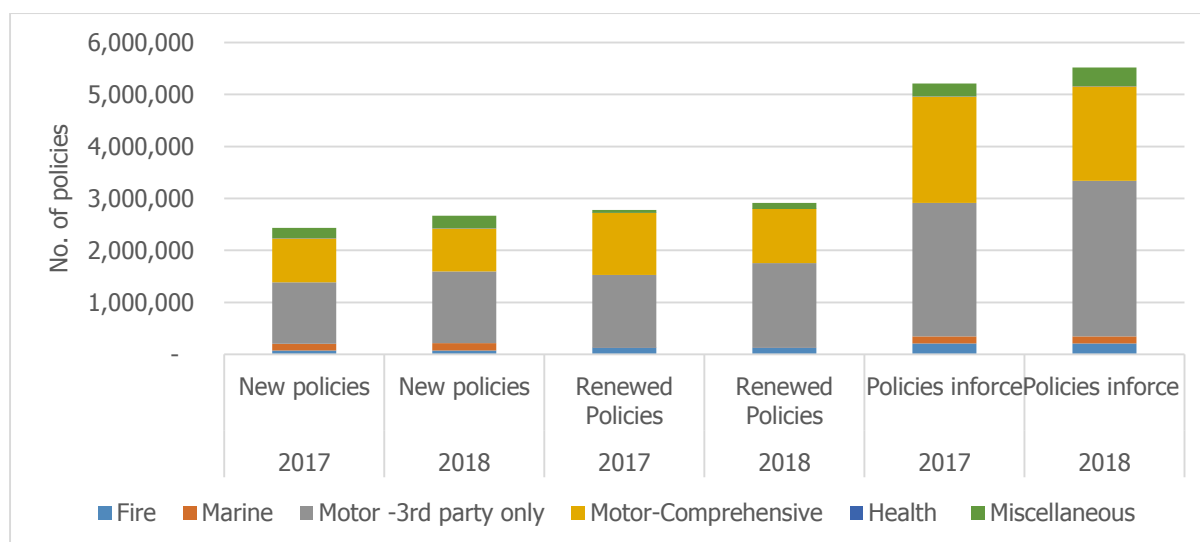
**Table: 29****Details of New, Renewed and Policies in Force- General Insurance Business**

	2017			2018		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	87,600	154,895	242,495	87,735	157,142	241,794
Marine	169,993	4,176	170,321	183,594	4,256	177,671
Motor	2,373,578	3,025,591	5,346,721	2,523,101	3,100,420	5,509,012

3rd party only	1,289,174	1,484,083	2,775,671	1,483,047	1,708,415	3,188,605
Comprehensive	1,084,404	1,541,508	2,571,050	1,040,054	1,392,005	2,320,407
Health	4,589	6,211	10,300	9,790	7,465	16,554
Miscellaneous	230,571	62,810	286,637	262,811	125,492	379,556
<b>Total</b>	<b>2,866,331</b>	<b>3,253,683</b>	<b>6,056,474</b>	<b>3,067,031</b>	<b>3,394,775</b>	<b>6,324,587</b>

**Chart 21**

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



**Reinsurance Business**

Reinsurance business of NITF was established with the purpose of develop a 'National Reinsurer'. Accordingly, all primary insurers are required to cede thirty percent of their total liability arising out of every general reinsurance to NITF since 2013 in terms of the Government Gazette Notification No. 1791/4 of 31st December 2012.

In 2018, reinsurance premium income generated by the NITF amounted to LKR 4,056 million which grew by 10.13 percent year on year. In terms of retrocession arrangement, the NITF has ceded premium income of LKR 578 million during the year which significantly increased compared to LKR 175 million reported in 2017.

The NITF has incurred claims amounted to LKR 1,505 million in 2018 compared to LKR 2,326 million in 2017. However, effectiveness of retrocession arrangement of NITF needs to be revisited since no claims had been ceded to reinsurers in 2018.

Reinsurance operation showed a reduction in total assets by 12.54% to LKR 3,683 million in 2018 compared to 2017. Out of same long due reinsurance receivables represented 35.87% in 2018. Further, no adequate financial investments to support the reinsurance business of NITF.

### **Insurance Brokering Companies**

During 2018, sixty-five insurance brokering companies operated in the market and generated a Gross Written Premium (GWP) amounted to LKR 25,063 million. Accordingly, total GWP generated through insurance brokering business recorded a growth of 16.69% in 2018 when compared to LKR 21,479 million recorded in 2017. Further, total GWP consists of premium income generated through long term insurance business and general insurance business which accounted for LKR 655 million and LKR 24,408 million respectively.

Similar to previous years, the contribution of insurance brokering companies towards long term insurance business was insignificant. As per the details provided by the brokering companies, only 0.82% of the total GWP of long term insurance business (LKR 80,303 million) was generated through insurance brokering companies. However, insurance brokering companies have generated 24.12% of the total GWP of general insurance business amounted to LKR 101,204 million (including SRCC & T premium).

In 2018, twenty-eight insurance brokering companies procured GWP exceeding LKR 100 million each and these insurance brokering companies collectively generated GWP amounted to LKR 23,566 million. The remaining thirty-seven insurance brokering companies generated LKR 1,497 million GWP as depicted in Table 30.

**Table 30**

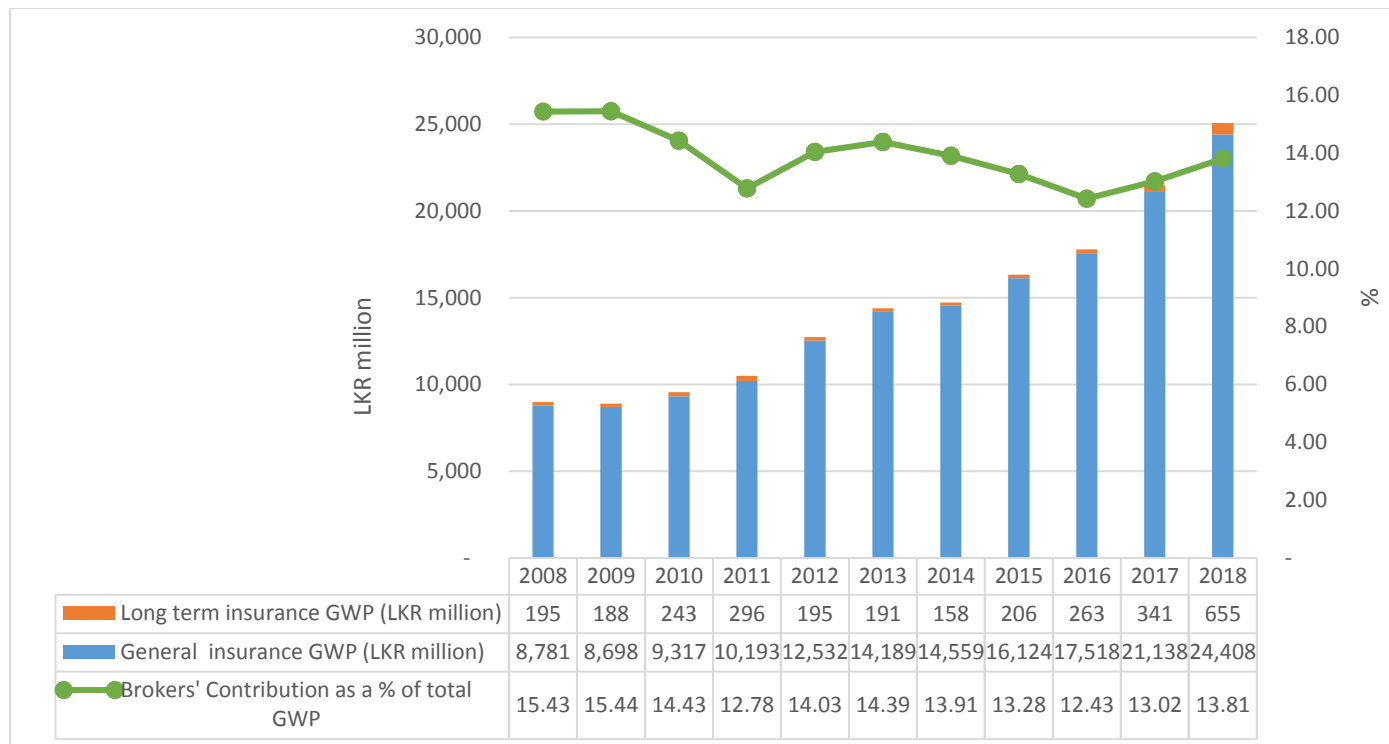
#### **Gross Written Premium generated through Insurance Brokering Companies - 2018**

No.	Name of the Brokering Company	Gross Written Premium 2018					
		Long Term Insurance Business		General Insurance Business		Total	
		LKR '000	Market Share (%)	LKR '000	Market Share (%)	LKR '000	Market Share (%)
1	ADZ Insurance Brokers (Pvt) Limited	21,514	3.28	775,992	3.18	797,506	3.18
2	Aitken Spence Insurance Brokers (Pvt) Ltd.	4,388	0.67	645,412	2.64	649,800	2.59

3	Alfinco Insurance Brokers (Pvt) Limited	1,158	0.18	935,254	3.83	936,411	3.74
4	Allion Insurance Brokers (Pvt) Ltd.	31,637	4.83	96,121	0.39	127,758	0.51
5	AMTRUST Insurance Brokers (Pvt) Ltd.	1,585	0.24	150,183	0.62	151,768	0.61
6	Assetline Insurance Brokers Limited	24,829	3.79	2,078,907	8.52	2,103,735	8.39
7	Ceynergy Insurance Brokers (Pvt) Ltd.	6,265	0.96	137,744	0.56	144,009	0.57
8	CF Insurance Brokers (Pvt) Limited	2,246	0.34	3,112,256	12.75	3,114,502	12.43
9	Colombore Insurance Brokers (Pvt) Ltd.	6,333	0.97	285,613	1.17	291,946	1.16
10	Commercial Insurance Brokers (Pvt) Ltd.	20,621	3.15	2,725,715	11.17	2,746,337	10.96
11	Delmege Insurance Brokers (Pvt) Limited	135,901	20.75	1,270,081	5.20	1,405,982	5.61
12	Equity Insurance (Pvt) Limited	54	0.01	126,929	0.52	126,983	0.51
13	Essajee Carimjee Insurance Brokers (Pvt) Limited	11,148	1.70	564,448	2.31	575,596	2.30
14	Find My Insurance & Reinsurance Brokers (Pvt) Ltd.	17,390	2.65	134,625	0.55	152,015	0.61
15	Finlay Insurance Brokers (pvt) Ltd.	13,082	2.00	1,092,635	4.48	1,105,717	4.41
16	George Steuart Insurance Brokers (Pvt) Limited	7,951	1.21	244,469	1.00	252,421	1.01
17	Global Insurance Brokers and Services (Pvt) Ltd.	14,556	2.22	169,576	0.69	184,132	0.73
18	InsureMe Insurance Brokers (Pvt) Ltd.	72,556	11.08	214,194	0.88	286,749	1.14
19	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	5,488	0.84	156,305	0.64	161,794	0.65
20	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	1,292	0.20	540,628	2.21	541,920	2.16
21	Mercantile Insurance Brokers (Pvt) Ltd.	4,466	0.68	345,266	1.41	349,732	1.40
22	Nations Insurance Brokers Limited	97,467	14.88	1,963,049	8.04	2,060,516	8.22
23	Procare Insurance Brokers (Pvt) Limited	7,025	1.07	361,978	1.48	369,003	1.47
24	Protection & Assurance Ins. Brokers (Pvt) Ltd.	885	0.14	1,296,616	5.31	1,297,501	5.18
25	Reliance Insurance Brokers (Pvt) Ltd.	33,836	5.17	868,568	3.56	902,404	3.60
26	Senaratne Insurance Brokers (Pvt) Ltd	33,248	5.08	1,298,179	5.32	1,331,427	5.31
27	Senkadagala Insurance Brokers (Private) Ltd.	-	-	1,147,463	4.70	1,147,463	4.58
28	Zenith Insurance Brokers (Pvt) Limited	960	0.15	249,765	1.02	250,724	1.00
	<b>Sub Total</b>	<b>577,880</b>	<b>88.23</b>	<b>22,987,971</b>	<b>94.18</b>	<b>23,565,851</b>	<b>94.03</b>
	<b>Other Insurance Brokering Companies (37)</b>	<b>77,124</b>	<b>11.77</b>	<b>1,419,672</b>	<b>5.82</b>	<b>1,496,797</b>	<b>5.97</b>
	<b>Grand Total</b>	<b>655,005</b>	<b>100.00</b>	<b>24,407,643</b>	<b>100.00</b>	<b>25,062,648</b>	<b>100.00</b>

**Chart 22**

**Gross Written Premium generated through insurance brokering companies from 2008 to 2018**



\*GWP has been reinstated in year 2017.

Further to that in 2018, reinsurance premium income generated by insurance brokering companies was reported as LKR 2,025 million. Strategic Insurance Brokers is the main contributor to the reinsurance business of insurance brokering companies followed by Find My Insurance & Reinsurance Brokers and AX Insurance Brokers.

## **Glossary**

### **Accumulation**

A situation where a significant number of risks insured or reinsured with the same company is affected simultaneously by a loss event.

### **Acquisition Expenses**

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts. e.g. commissions

### **Actuary**

An Actuary is a professional trained in evaluating the financial implications of contingency events. Actuaries require understanding of the stochastic nature of insurance and other financial services, the risks inherent in assets and the use of statistical models. In the context of insurance, these skills are, for example, often used in establishing premiums, technical provisions and capital levels.

### **Administrative Expenses**

Costs of an administrative nature including those arising from premium collection, portfolio administration including staff costs and depreciation provisions in respect of property, plant and equipment.

### **Admissible Assets**

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the Rules made under the Regulation of Insurance Industry Act, No.43 of 2000.

### **Annuity**

A long term insurance product that pays periodic income benefits for a specific period of time or over the course of the annuitant's lifetime. Deferred annuity – If the payments start at some point in the future, it is a deferred annuity. Immediate annuity – if the payments start at the outset of the contract, it is an immediate annuity.

### **Bancassurance**

An arrangement whereby insurers sell insurance products to bank customers.

### **Beneficiary**

A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

### **Capital Adequacy Ratio (CAR)**

Measures adequacy of Total Available Capital (TAC) to support the Risk Capital Required (RCR).

$$\text{CAR} = (\text{TAC}/\text{RCR}) \times 100$$

### **Cedent**

Client of a reinsurance company (primary insurance company).

Cession - Portion of risk that is passed on to reinsurers by ceding companies.

### **Claims**

The amount payable under a contract of insurance arising from the occurrence of an insured event: such as the destruction or damage of property and related death or injuries, the incurring of hospital or medical costs, death or disability of the insured, maturity of an endowment policy, the attainment of pensionable age, the amount payable on the surrender of a policy.

### **Claims Incurred**

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by claims outstanding provisions at the beginning and end of the accounting period.

### **Claims Incurred But Not Reported (IBNR)**

At the end of the period of account a reserve in respect of property, liability and pecuniary insurance to cover the expected cost of losses that have occurred but not yet been reported to the insurer.

### **Claims Outstanding Reserve – General Insurance Business**

The amount provided to cover the estimated cost of settling claims arising out of events which have occurred by the Balance Sheet date, including Incurred But Not Reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

### **Co-insurance**

An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportion at a specified premium.

### **Commission**

A payment made to a broker or an insurance agent in return for selling and servicing an insurer's products.

### **Concentration Risk**

Additional credit risk that exists if an insurer's assets are not sufficiently diversified to provide appropriate mitigation of the inherent credit risk.



**Credit Risk**

The risk of financial loss resulting from default or movements in the credit rating assignment of issuers of securities (in the insurer's investment portfolio), debtors (e.g. mortgagors), or counterparties (e.g. on reinsurance contracts, derivative contracts or deposits) and intermediaries, to whom the company has an exposure. Credit risk includes default risk, downgrade or migration risk, indirect credit or spread risk, concentration risk and correlation risk. Sources of credit risk include investment counterparties, policyholders (through outstanding premiums), reinsurers, intermediaries and derivative counterparties.

**Deferred Acquisition Cost – General Insurance Business**

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the Balance Sheet date which are carried from one accounting period to subsequent accounting periods.

**Discontinued Operation**

Operations of an entire division, subsidiary or segment of a company where a formal plan exists to eliminate it from the company.

**Earned Premiums**

Written premiums adjusted by the unearned premium provisions at the beginning and end of the accounting period.

**Endowments**

Life insurance contract that only cover the individual's life in case of an unfortunate event, but also offer maturity benefits at the end of the term.

(a life **insurance** contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.)

**General Insurance Business**

Fire, marine, motor or miscellaneous insurance business carried on singly or in combination with one or more of them. Total premium received or due from all sources, including premiums for reinsurance assumed in respect of general insurance business, during an accounting period.

**Gross Premium**

The premium after deduction of discounts, refunds and rebates, but before the deduction therefrom of any premium paid or payable by an insurer for reinsurance ceded.

**Insurer**

A company incorporated as a public company under the Companies Act, No. 7 of 2007 and registered as an insurer under the Regulation of Insurance Industry Act, No. 43 of 2000.

### **Insurtech solutions**

Insurtech refers to the use of technology innovations designed to squeeze out savings and efficiency from the current insurance industry model. Insurtech is a portmanteau of “insurance” and “technology” that was inspired by the term fintech.

### **Lapsed Policy**

A policy terminated at the end of the grace period because of nonpayment of premium.

### **Liability Adequacy Test (LAT)**

Assessment at the end of each reporting period whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

### **Liability Risk**

The risk that the technical provisions and policyholder liabilities established by the insurer will be insufficient to pay the future claims and expenses on the policies currently in force.

### **Long Term Insurance Business**

The business of entering into or maintaining contracts of assurance on human lives, such contracts including contracts whereby the payment of money is assured on death or on the happening of any contingency dependent on human life and contracts which are subject to payment of premiums for a term dependent on human life.

### **Market Risk**

The risk of decreases in the market value of the insurer’s assets.

### **Maturity**

The time at which payment of the sum assured under a long term insurance policy falls due at the end of its term.

### **Mortality**

The ratio of death to the entire population or to a particular age group. It is globally expressed in numbers of rates and set out in mortality tables.

### **Net Earned Premium – General Insurance Business**

Gross written premium adjusted for reinsurance premium and for the increase or decrease in unearned premium

### **Net Claims Ratio or Net Loss Ratio**

A formula used by insurers to relate net claims expenses to net earned premium (i.e. after deducting relevant reinsurance).

$$\frac{\text{Net claims incurred}}{\text{Net earned premium}} \times 100$$

### **Net Combined Ratio – General Insurance Business**

This indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

$$\frac{\text{Net claims incurred}}{\text{Net earned premium}} \times 100 + \frac{\text{Expenses}}{\text{Net earned premium}} \times 100$$

### **Net Expense Ratio – General Insurance Business**

A formula used by insurance companies to relate net earned premium to acquisition and administrative expenses (e.g. commission, taxes, staff, selling and operating expenses).

### **Non – Participating Policy – Long term Insurance Business**

Long Term insurance business where policyholders are not contractually entitled to share in the surplus of the relevant life fund.

### **One off Surplus**

Excess of total policy liabilities under the NPV regime as at 31st December 2015 over the total policy liabilities under the RBC regime as at 1 January 2016. (Surplus created due to change in valuation method of policy liabilities from Net Premium Valuation to Gross Premium Valuation).

### **One off Surplus transfer**

Transfer of surplus created due to the change in valuation method of policy liabilities from Net Premium Valuation(NPV) to Gross Premium Valuation(GPV) to shareholder fund.

### **Operating Profit**

The profit generated by transacting general insurance business after taking into account the investment income, net capital gains and other income.

**Operational Risk**

The risk arising from the inadequacy or failure of internal systems, personnel, procedures or controls leading to financial loss. Operational risk also includes custody risk.

**Policy**

A document setting out the terms and conditions of a contract of insurance.

**Policyholder**

The person who for the time being is the legal holder of the policy for securing the contract with the insurer.

**Policy Loan**

A loan from the insurer to a policyholder on the security of the surrender value of a long term insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

**Primary Insurer**

An Insurance Company that assumes risks in return for insurance premium and has direct contractual relationship with the holder of the insurance policy (private individual, firm or organization).

**Reinsurance**

An insurance contract between one insurer or reinsurer (the reinsurer) and another insurer (the cedant) to indemnify against losses on one or more contracts issued by the cedant in exchange for a consideration (the premium).

**Reinsurance Commission**

Commission received or receivable in respect of premiums paid or payable to a reinsurer.

**Reinsurance Inwards**

The acceptance of risks under contract of reinsurance.

**Reinsurance outwards**

The placing of risks under contract of reinsurance.

**Reinsurance Profit Commission**

Commission received or receivable by the cedent (reinsured primary insurer) from the reinsurer based on the net profit (as defined in the reinsurance treaty) made by the reinsurer on the reinsurance treaty.

**Retention**

The part of the risk assumed which the insurer/reinsurer does not reinsure/retrocede, i.e. retained net for own account.

**Retrocession**

A transaction in which a reinsurer transfers risks it has reinsured to another reinsurer.

**Risk Capital Required (RCR)**

Risk Capital Required is the aggregate of the capital required to address all relevant and material categories of risks prescribed in terms of Solvency Margin (Risk Based Capital) Rules 2015.

RCR is calculated separately for general and long term insurance and includes both insurance and shareholder fund.

(a) for general insurance business:

$$RCR = \sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]}$$
; and

(b) for long term insurance business:

$$RCR = \max \{ (SVCC, \sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]} \}$$

**Solvency Margin (Risk Based Capital)**

Regulatory capital requirement set out for the determination of amount of unencumbered capital that an insurer must have in addition to technical provision for insurance liabilities and the standard for capital adequacy including an absolute minimum as well as a risk-based requirement as defined in Solvency Margin (Risk Based Capital) Rules 2015 made under Section 105 read with Section 26(1) of the Regulation of Insurance Industry Act, No. 43 of 2000.

**Surplus transfers**

Transfer of excess amount of assets over the policy liabilities from life fund to shareholders' fund based on the recommendation of the Actuary.

**Surrender Value**

The amount payable by an insurer to a policyholder in respect of long term insurance on termination of an insurance policy before the expiry of its term. A policy will acquire a surrender value, if premium has been paid continuously for a period of at least three years.

**Surrender Value Capital Charge (SVCC)**

Risk of an extreme adverse scenario where all life insurance contracts are surrendered simultaneously.

**Term Insurance**

Type of life insurance policy that provides coverage for a certain period of time, or a specified "term" of years. If the insured dies during the time period specified in the policy and the policy is active - or in force - then a death benefit will be paid

**Technical Provision**

The amount that an insurer sets aside to fulfil its insurance obligations and settle all commitments to policyholders and other beneficiaries arising over the lifetime of the portfolio, including the expenses of administering the policies, reinsurance and of the capital required to cover the remaining risks.

**Tier 1 capital**

Permanent capital that is fully available to cover the losses of an insurer at all times on both a going concern and a winding up basis.

**Tier 2 capital**

Capital that lacks some of the absorbency characteristics of the Tier 1 Capital, but nevertheless provides some loss absorbency during ongoing operations or on winding up.

**Total Available Capital (TAC)**

Total available capital is determined as the sum of Tier I capital and Tier II capital less any prescribed deductions in terms of Solvency Margin (Risk Based Capital) Rules 2015.

**Underwriting Profit**

The technical profit generated by transacting general insurance business without taking into account the investment income and other income.

**Unearned Premium**

The portion of premiums already entered into the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

**Unearned Premium Reserve**

A fund kept by a general insurer to provide for claims that may arise in the future under the insurance policies that are still in force.

**Unexpired Risk Reserve**

The excess of estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

**Universal Life**

Permanent life insurance with an investment savings element and low premiums like term life insurance. Most universal life insurance policies contain a flexible premium option. However, some require a single premium (single lump-sum premium) or fixed premiums (scheduled fixed premiums)

**Whole Life Insurance**

Whole life insurance provides coverage for the life of the insured. In addition to providing a death benefit, whole life also contains a savings component where cash value may accumulate. These policies are also known as permanent or traditional life insurance.