

Statistical Review

Abbreviations for Insurance Companies

	Insurance Company Full Name	Abbreviation
1	AIA Insurance Lanka Limited	AIA Life
2	Allianz Insurance Lanka Ltd.	Allianz Gen.
3	Allianz Life Insurance Lanka Ltd.	Allianz Life
4	Amana Takaful PLC	Amana Gen.
5	Amana Takaful Life PLC	Amana Life
6	Arpico Insurance PLC	Arpico
7	Ceylinco General Insurance Ltd.	Ceylinco Gen.
8	Ceylinco Life Insurance Ltd.	Ceylinco Life
9	Continental Insurance Lanka Ltd.	Continental
10	Cooperative Insurance Company Ltd.	Cooperative Gen.
11	Cooplife Insurance Ltd.	Cooplife
12	Fairfirst Insurance Ltd.	Fairfirst
13	HNB Assurance PLC	HNB Life
14	HNB General Insurance Ltd.	HNB Gen.
15	Janashakthi Insurance PLC	Janashakthi Life
16	Janashakthi General Insurance Ltd.	Janashakthi Gen.
17	Life Insurance Corporation (Lanka) Ltd.	LIC
18	LOLC General Insurance Ltd.	LOLC Gen.
19	LOLC Life Assurance Ltd.	LOLC Life
20	MBSL Insurance Company Ltd.	MBSL
21	National Insurance Trust Fund	NITF
22	Orient Insurance Ltd.	Orient
23	People's Insurance PLC	People's
24	Sanasa Life Insurance Company Limited	Sanasa Life
25	Sanasa General Insurance Company Limited	Sanasa Gen.
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 were based on the statistics provided by the Insurance Companies and Insurance Brokering Companies.
2. AIA General Insurance Lanka Limited and Janashakthi General Insurance Limited have been amalgamated in 2016 and known as "Janashakthi General Insurance Ltd."
3. Janashakthi General Insurance Ltd. was acquired by Allianz Insurance Lanka Ltd. in year 2018 and amalgamated with effect from 28th 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. Union General Limited has been amalgamated with Fairfirst Insurance Limited with effect from 28th February 2017 and known as "Fairfirst Insurance Limited".
6. AIG Insurance Limited has withdrawn the business operation in year 2014 and is in the process of withdrawing from Sri Lanka.
7. Seemasahitha Sanasa Rakshana Samagama has segregated its long term insurance business and general insurance business with effect from 01st July 2019. Accordingly, "Sanasa Life Insurance Company Limited" and "Sanasa General Insurance Company Limited" continue to carry on long term and general insurance businesses respectively.
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 both reinsurance and insurance business.
9. Financial data of crop & loan protection scheme of NITF has been eliminated from statistics from 2014 onwards since the said operation has not been considered as 'Insurance'.
10. Figures in some tables have been rounded off to the nearest final digit. Hence, there may be a slight discrepancy between the total as shown and the sum of its components.
11. Differences as compared with previously published figures are due to subsequent revisions.
12. Values indicated within parenthesis are negative values.
13. The following symbols have been used throughout: -
 - (a) = Reinstated and Audited figures
 - (b) = Provisional figures
 - = nil

Overview of Sri Lankan Insurance Industry

Global Insurance Market at a Glance

The global insurance industry was heavily affected by the impacts of COVID-19 pandemic which spread across the globe rapidly during 2020. As many governments were urged to take preventive measures such as strict lockdowns and travel restrictions in order to control the spread of the virus, these circumstances have dramatically changed the routine activities of the people and businesses, thus influencing the insurance industry in many different ways. Along with the disruptions created by the pandemic, opportunities have emerged for insurers to reinvent themselves and provide insurance services fulfilling new social requirements and market needs.

Increased unemployment, business closures, hindered premium distribution, restricted travel and tourism have created unfavorable effects to the insurance premium growth across the world. As per Swiss Re publications, global insurance premiums were estimated to fall around 4% during the year 2020. In many markets in Europe and USA, long term premiums were largely affected by the decline in new business written and increasing lapses. Certain general insurance classes such as Travel Insurance, Marine Insurance, Aviation Insurance and Motor Insurance experienced larger drops. However, the emerging markets, especially in Asia are expected to maintain growth momentum backed by the increasing risk awareness and developments in distribution channels.

Financial market volatility and low interest rate environment continued to dampen the investment revenues of insurers. With the outbreak of pandemic and country lockdowns, equity prices fell sharply in the first half of 2020. Even though many markets have recovered subsequently, volatilities remain going forward due to uncertainty about the duration and impact of COVID-19 crisis. Low interest rates put pressure on the profitability of insurance companies, in particular long term insurers with policy guarantees to cover, like guaranteed annuity rates and guaranteed investment returns. General insurers have also hit hard who rely heavily on investment returns to cover claims.

Claim experience relating to COVID-19 impacts could vary between countries and regions given that the number of cases and deaths reported and depending on the policy conditions and coverage differences. Hospital and medical benefits have increased in many developed markets, along with enlarged claim exposure from business lines such as event cancellation, business interruption, travel insurance, credit insurance, workmen compensation etc. In contrast, claims payment for motor insurance reported widespread decline as a result of reduced vehicle accidents due to restricted mobility.

In response to these unprecedented challenges, global insurance sector has demonstrated both operational and financial resilience, aided by supervisory measures providing operational relief and by monetary and fiscal support measures in financial markets in certain regions. Regulators in many jurisdictions have taken measures to limit or delay dividend payments of insurers. In addition, number of actions have been taken to ensure the fair treatment of customers (Source: Global Insurance Market Report – IAIS). Insurers have increased their focus on digitalizing the operations and customer services, and the requirement for sound IT infrastructures became vital in facilitating most of these transformations such as implementing remote working environment. Further, steps have been taken to adopt digital channels in lieu of face-to-face sales and accelerate product developments to better align with public demand for protection, as the interest of younger generations in life, health and other protections products has notably increased with the outbreak of the pandemic.

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

Sri Lankan Economy at a Glance

As the world is experiencing one of the deepest economic recessions driven by the COVID-19 pandemic, the Sri Lankan economy contracted by 3.6% in 2020, reporting the worst growth performance since independence. Control measures taken by the Government like suspending tourist arrivals and island-wide curfew hindered the economic activities in many sectors like tourism, manufacturing, construction and transportation. This is evident by the sharp declines observed in Industry activities and Services activities during the year by 6.9% and 1.5% respectively. Meanwhile, Agriculture sector also displayed a contraction of 2.4% due to the pandemic related disruptions, though the government policies supported the continuation of most agricultural activities even during the lockdown periods.

Due to the uncertainties surrounding the pandemic, many businesses and firms have permanently or temporarily shut down and as a result of loss of family incomes, the unemployment rate increased to 5.5% in 2020 (2019: 4.8%). A considerable drop was observed in female labour force participation alongside a sharp decline in departures for foreign employment. The contraction in Gross Domestic Product (GDP) at current market prices coupled with weakening of Sri Lankan rupee against the US dollar declined the GDP per capita to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year.

(Source – Central Bank Annual Report 2020)

Sri Lankan Insurance Market

A total of twenty-seven insurance companies operated in Sri Lankan insurance sector by the end of 2020 with thirteen companies providing long term insurance, twelve general insurance companies and two composite insurers who provide both long term and general insurance services. Eight companies are listed in Colombo Stock Exchange and six companies function with major foreign shareholdings. During the year, one prospective company applied for license to carryout long term insurance business.

As is the case in many countries, the economic and social impacts of the COVID-19 pandemic created numerous challenges and opportunities to Sri Lankan Insurance market. Lockdowns and other containment measures imposed by the Government subdued the demand for most general insurance products. In particular, insurance classes like motor, marine, travel and aviation have mainly affected and reported premium declines compared to previous year. Accordingly, general insurance business exhibited a negative premium growth of 2.24% in 2020 against 7.06% growth reported in last year. In contrast, the long term insurance business displayed a positive momentum as the total premium income increased by 15.98% (2019: 10.58%), surpassing the LKR 100 billion mark for the first time in the history. Product innovation, digitization of operations, remodeling distribution channels, and usage of customer-centric operating model were few of the key strategies used by long term insurers to achieve business growth during the year. Premium generated from Decreasing Term Assurance(DTA)/Mortgage Protection Policies saw a considerable rise during the year due to increased loan grants by the banking and financial institutions, supported by monetary policy relaxation measures of Central Bank. At the same time, the public awareness on life protection is believed to be increased due to the circumstances evolved by the pandemic.

Overall, the insurance industry reported total Gross Premium Income (GWP) of LKR 208,250 million in 2020 compared to LKR 196,472 million reported in 2019 and demonstrated a subdued growth rate of 5.99% (2019: 8.62%). The reinsurance premium income which demonstrates the compulsory cession of reinsurance premiums of general insurers to NITF, has remarkably fallen in 2020 as a result of limited acceptance of reinsurance cession by NITF.

As illustrated in Table 1 below, despite the low premium growth reported, the insurance penetration level of the country has risen to 1.39% in 2020 primarily induced by the declined Gross Domestic Product at current market price. Nevertheless, it is still relatively below than the penetration levels of other countries in the region. Similar to previous years, the insurance density has improved marginally and reported as LKR 9,501 in 2020 (2019: LKR 9,011).

Industry has undergone certain developments recently in order to enhance smooth functioning of its key operations. The need for robust information technology infrastructures became vital for insurers as many companies have shifted to remote working environment during the year. Usage of digital and virtual platforms

enhanced the effectiveness of some of the functions like, customer servicing, premium collection and claims handling.

Chart 1

Premium Income & Growth Rate of the Insurance Industry

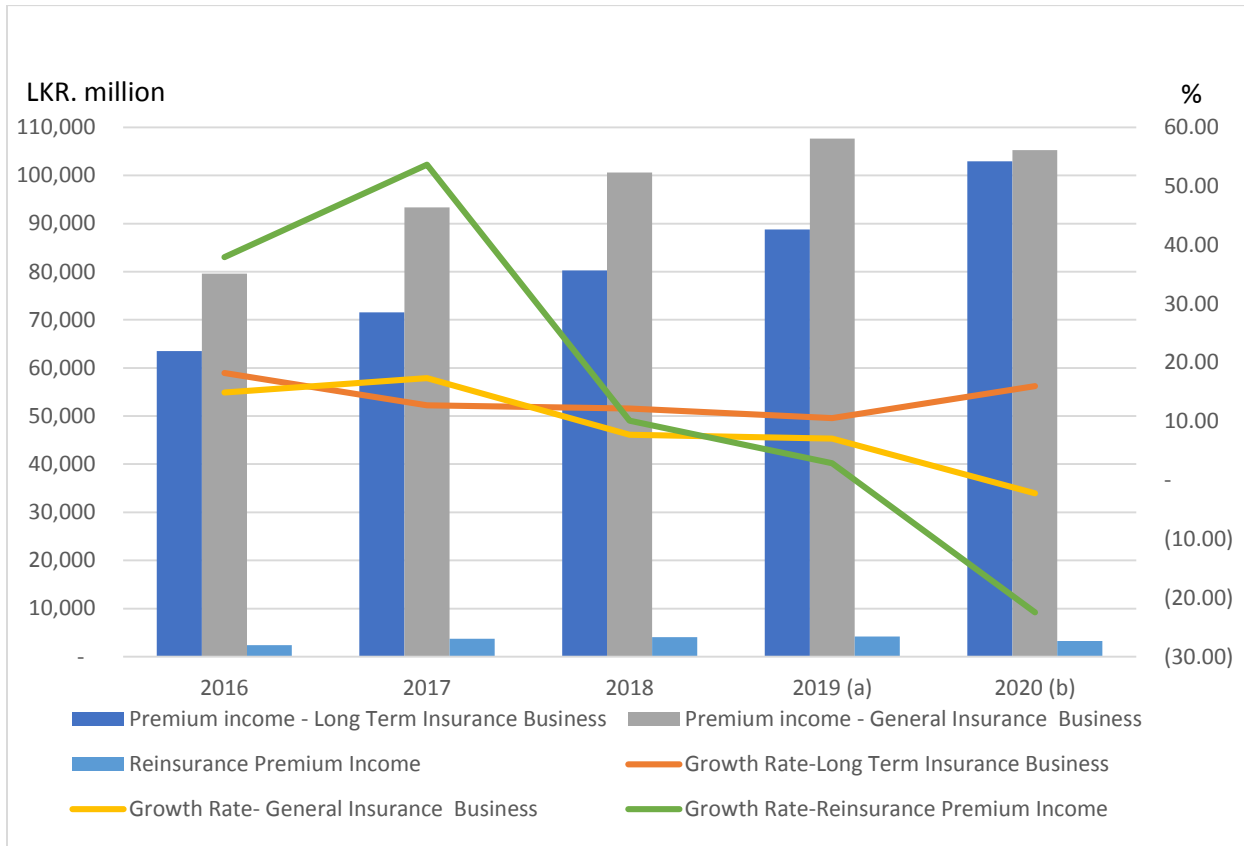


Table 1**Premium Income & Penetration**

	2016	2017	2018	2019 (a)	2020(b)
Premium income - Long Term Insurance Business (LKR. millions)	63,477	71,571	80,294	88,787	102,974
Growth Rate in Premium Income - Long Term Insurance Business (%)	18.23	12.75	12.19	10.58	15.98
Premium income - General Insurance Business (LKR. millions)	79,590	93,389	100,586	107,685	105,276
Growth Rate in Premium Income - General Insurance Business (%)	14.90	17.34	7.71	7.06	(2.24)
Total Premium Income - Insurance Business (LKR. millions)	143,067	164,960	180,880	196,472	208,250
Growth Rate in Total Premium Income - Insurance Business (%)	16.35	15.30	9.65	8.62	5.99
Reinsurance Premium Income (LKR. millions)**	2,397	3,683	4,056	4,174	3,235
Gross Domestic Product at current market price (LKR. billions)*	11,996	13,328	14,291	15,013	14,973
GDP Growth Rate % *	4.5	3.6	3.3	2.3	(3.6)
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.19	1.24	1.27	1.31	1.39
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.53	0.54	0.56	0.59	0.69
Penetration % (Premium of General Insurance Business as a % of GDP)	0.66	0.70	0.70	0.72	0.70
Insurance Density - (Total Premium Income - Insurance Business/ population) LKR.	6,747	7,693	8,347	9,011	9,501
Population '000 (Mid Year) *	21,203	21,444	21,670	21,803	21,919

* Source: Central Bank of Sri Lanka and Department of Census and Statistics. Gross Domestic Product at current market price has updated from 2016 onwards based on the Annual Report of Central Bank of Sri Lanka 2020.

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

Total Assets of Insurance Companies

Overall asset base of the insurance industry amounted to LKR 796,791 million as at 31st December 2020, demonstrating a fair growth of 14.33% in comparison to 10.55% growth recorded in 2019. As depicted in Table 2, this growth was predominantly driven by the increase in total assets of long term insurance business which grew at a pace of 16.21%. Unlike in previous years, assets of general insurance business too have shown increasing growth pattern by recording a year-over-year growth of 10.15% in 2020 against the 4.66% growth reported in 2019.

Expansion of business volumes and rising policyholder liabilities, demanded insurance companies to maintain adequate asset portfolio while maximizing investment returns and complying with regulatory requirements. Financial Investments were the main contributor to asset growth in both long term insurance and general

insurance business, while Premium Receivables also displayed a notable contribution to assets of general insurers. In terms of proactive capital management measures, IRCSL intervened to restrict dividend declaration and distribution during the year which also had a positive effect on the increase in asset balances of the companies.

Table 2

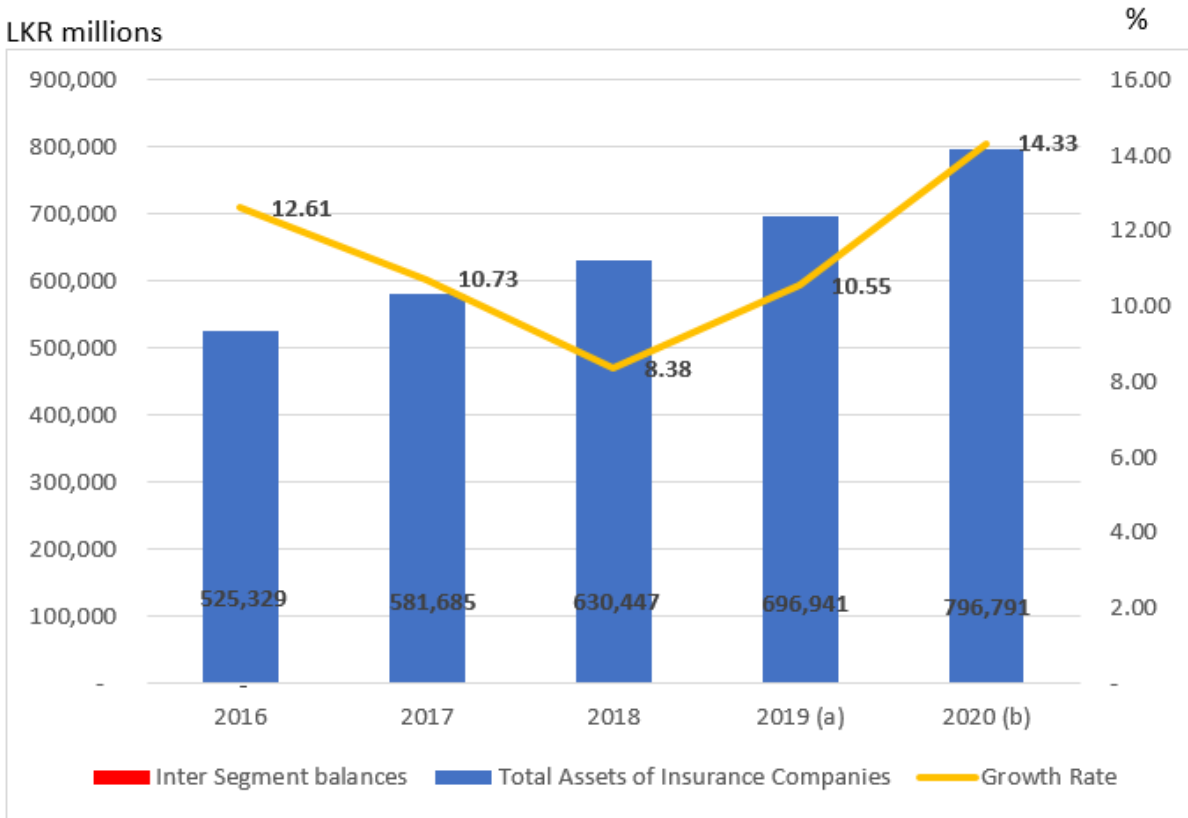
Total Assets of Insurance Companies

	2016	2017	2018	2019 (a)	2020 (b)
Long Term Insurance (LKR millions)	345,589	391,890	430,759	485,121	563,769
Growth Rate - Long Term Insurance (%)	10.51	13.40	9.92	12.62	16.21
General Insurance (LKR millions)	173,985	185,583	196,005	205,130	225,956
Growth Rate - General Insurance (%)	15.09	6.67	5.62	4.66	10.15
Reinsurance (LKR millions)	5,755	4,212	3,683	6,690	7,066
Growth Rate - Reinsurance (%)	68.42	(26.82)	(12.54)	81.63	5.62
Total (LKR millions)	525,329	581,685	630,447	696,941	796,791
Growth Rate - Total (%)	12.61	10.73	8.38	10.55	14.33

Similar to previous years, Government Securities, Corporate Debts, Deposits, and Equity Shares were the main asset categories which insurers have invested in. Meanwhile, a significant increase in Unit Trusts investments was observed in 2020 given the low interest rate environment prevailed in the country and insurers shifting to more liquid, safe and high return investments. SLIC, a composite insurer, was the major contributor to total asset portfolio followed by long term insurers; Ceylinco Life, AIA Life, Union Life and general insurers; Ceylinco General and Allianz General. NITF managed to maintain the growing trend in total assets of reinsurance business displaying a slight increase of 5.62% persuaded by the upturns in government securities and premium receivables.

Chart 2

Total Assets and Assets Growth Rate of the Insurance Industry



Distribution of Total Assets of Major Financial Sectors

Despite the challenging economic environment resulting from the COVID-19 pandemic, the financial sector exhibited a notable expansion in overall asset volume by reporting 17.44% growth in 2020. The growth was predominantly driven by Banking Sector and followed by Contractual Savings Institutions. However, increasing non-performing loans, sovereign rating downgrades and decreased foreign remittances have adversely affected the operations of Banking Sector, Other Deposit Taking Financial Institutions and Specialized Financial Institutions during the year.

The Banking Sector comprised of 30 banks by end of 2020 and continued the dominance in financial sector by representing 72.5% of the total asset portfolio. Assets of Banking Sector grew by 18.32% year-on-year which was primarily contributed by increased investments and loan portfolio. With the introduction of monetary policy relaxation measures by the Central Bank, re-scheduled loans, housing loans and term loans

have reported higher growth rates during 2020. Investments made by the Banking Sector in Treasury Bonds and Treasury Bills have also grown noticeably during the year (Source – Central Bank Annual Report 2020).

Table 3
Distribution of Total Assets of Major Financial Sectors

Financial Sectors	2016		2017		2018		2019		2020	
	LKR Billions	%	LKR Billions	%	LKR Billions	%	LKR Billions	%	LKR Billions	%
Banking Sector	10,575.8	69.5	11,897.4	69.7	13,711.4	72.2	14,442.1	71.9	17,087.9	72.5
Other Deposit Taking Financial Institutions	1,246.7	8.2	1,370.4	8.0	1,603.2	8.4	1,553.2	7.7	1,637.6	6.9
Specialized Financial Institutions	335.4	2.2	388.9	2.3	241.1	1.3	286.7	1.4	415.3	1.8
Contractual Savings Institutions	2,536.6	16.7	2,838.0	16.6	2,807.4	14.8	3,097.9	15.4	3,639.7	15.4
Insurance Companies*	525.3	3.5	581.7	3.4	630.4	3.3	696.9 (a)	3.5	796.8 (b)	3.4
Total	15,219.8	100.0	17,076.4	100.0	18,993.5	100.0	20,076.8	100.0	23,577.3	100.0

Source: Central Bank of Sri Lanka

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

Licensed finance companies, rural banks and credit co-operative societies have represented the Other Deposit Taking Financial Institutions, and accounted for 6.9% of the total assets of financial sector in 2020 by reporting LKR 1,637.6 billion assets as at 31st December 2020. Though the sector has recovered its asset growth after the contraction experienced in year 2019, sluggish performance continued in licensed finance companies due to negative credit growth and high non-performing loans. Meanwhile, the Specialized Financial Institutions have displayed a remarkable asset growth of 44.86% in 2020, which was mainly contributed by the increased assets of Unit Trust Management Companies.

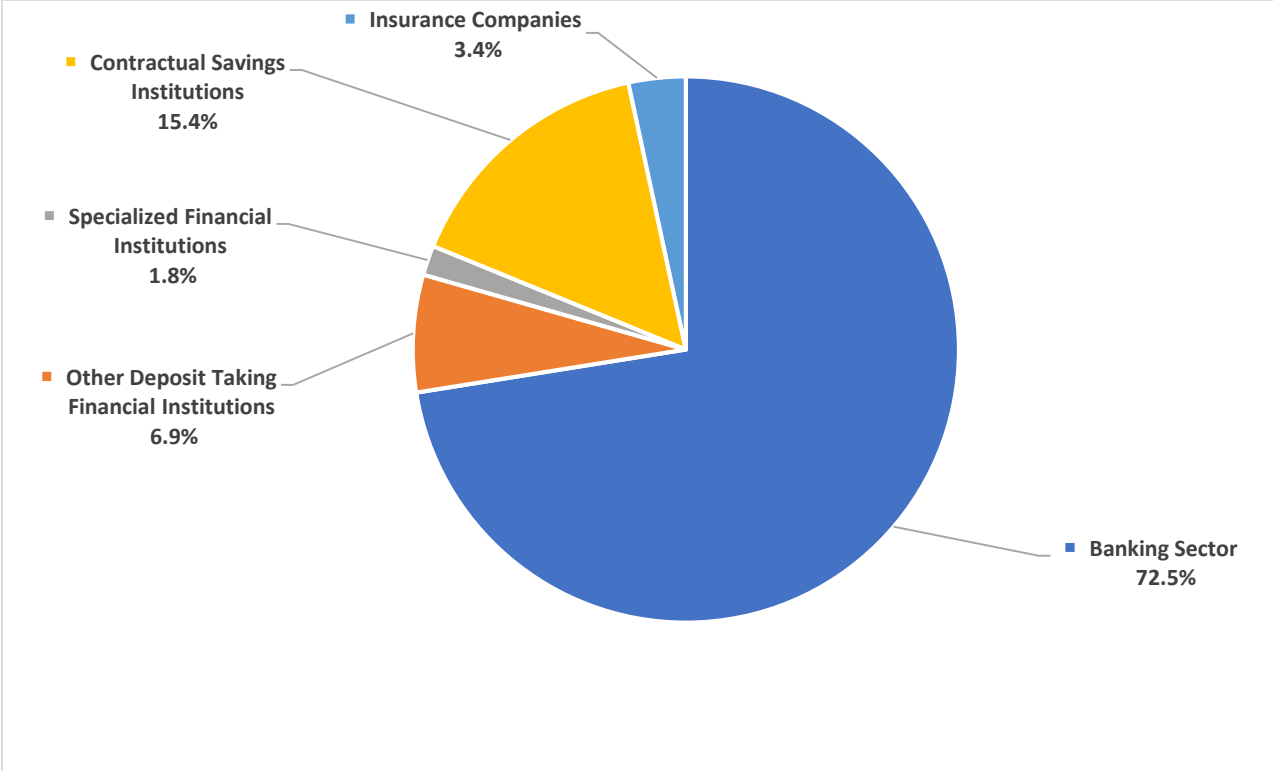
Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) and Other Approved Pension and Provident Funds are the main components of Contractual Savings Institutions which accounted for total asset base of LKR 3,639.7 billion as at 31st December 2020 demonstrating a significant growth of 17.49%. This increase was mainly due to the combined effect of the net contributions of EPF and ETF members, and the income generated through investments of the funds. Majority of the asset portfolio of EPF and ETF consisted of

Government Securities, whereas small proportions of investments placed on Equities, Fixed Deposits and Corporate Debentures.

Despite the increase in total value, the contribution made by Insurance Companies to the overall asset portfolio of the financial sector remained at the similar level as previous year, reporting 3.4% in 2020 (2019: 3.5%).

Chart 3

Distribution of Total Assets of Major Financial Sectors as at 31st December 2020



Profitability

During 2020, the insurance industry displayed a significant financial performance by posting a year-over-year profit growth of 29.26%. Accordingly, total profitability (profit before tax) of the industry reported as LKR 41,767 million for the year 2020, whereas same was amounted to LKR 32,311 million in 2019. Contrasting to previous years, the contribution of general insurers to overall profitability exceeded the long term insurance companies during the year, as a result of a remarkable profit growth demonstrated by general insurance business by recording a total profit amounting to LKR 23,040 million for the year 2020. NITF and Allianz General were the key drivers of profit growth while SLIC also remained among highest profit generators despite displaying a slight contraction in profits compared to last year.

Allianz General incurred a substantial loss in 2019 particularly due to high claim exposure. However, discontinuation of 'Suraksha Scheme', coupled with low level of claims due to pandemic situation reduced the claim magnitude of the company during the year and increased the profitability by a notable margin. Profitability of NITF was largely due to decreased claims from almost all business segments, specifically Agrahara scheme, National Natural Disaster Insurance Scheme (NNDIS), SRCC, Reinsurance business and Motor class. As a result of discontinuation of NNDIS scheme, over provisions of claims pertaining to NNDIS have been reversed by NITF during the year which also had a further effect on claims reduction and profit increase. Apart from SLIC and MBSL, all other general insurers have exhibited improved profitability during the year, largely due to the outcome of declined claim experience, specially in motor class, as the mobility was restricted by the lockdown measures imposed in the country.

The profits of long term insurance business contracted by 17.89% in 2020 and this reduction was a result of decreased surplus transfers and enlarged claim provisions of major long term insurers. As illustrated in Table 4, nine companies engaged in long term insurance business have reported reduced profitability in 2020. Ceylinco Life was the highest contributor to overall long term profitability, reporting a profit of LKR 8,767 million while Softlogic Life, Union Life and SLIC exhibited subsequent highest profits respectively.

Table 4
Profitability of Insurance Companies

Insurer	2019(a)			2020(b)		
	Long Term Insurance (LKR.'000)	General Insurance (LKR.'000)	Total (LKR.'000)	Long Term Insurance (LKR.'000)	General Insurance (LKR.'000)	Total (LKR.'000)
AIA Life	3,167,396		3,167,396	724,428		724,428
Allianz Gen.		(1,959,390)	(1,959,390)		2,296,604	2,296,604
Allianz Life	47,369		47,369	80,926		80,926
Amana Gen.		(284,699)	(284,699)		50,145	50,145
Amana Life	(29,118)		(29,118)	(33,147)		(33,147)
Arpico	316,106		316,106	300,244		300,244
Ceylinco Gen.		1,734,516	1,734,516		1,862,479	1,862,479
Ceylinco Life	8,211,938		8,211,938	8,766,512		8,766,512
Continental		514,716	514,716		1,084,491	1,084,491
Cooperative Gen.		397,254	397,254		883,336	883,336
Cooplife	59,107		59,107	68,880		68,880
Fairfirst		614,175	614,175		765,688	765,688

HNB Life	1,106,535		1,106,535	999,363		999,363
HNB Gen.		354,826	354,826		631,133	631,133
Janashakthi Life	532,364		532,364	776,772		776,772
LIC	(245,381)		(245,381)	(380,835)		(380,835)
LOLC Gen.		730,808	730,808		1,584,907	1,584,907
LOLC Life	145,948		145,948	453,650		453,650
MBSL	32,115	(87,961)	(55,846)	36,696	(99,278)	(62,582)
NITF *		3,134,562	*3,008,485		7,629,376	*9,015,095
Orient		169,426	169,426		185,816	185,816
People's		912,032	912,032		1,670,799	1,670,799
Sanasa Life	45,953		45,953	(18,958)		(18,958)
Sanasa Gen.		99,742	99,742		148,127	148,127
Softlogic Life	2,603,557		2,603,557	2,130,347		2,130,347
SLIC	3,217,275	4,987,731	8,205,006	1,642,561	4,346,389	5,988,950
Union Life	1,908,463		1,908,463	1,793,841		1,793,841
Total	21,119,627	11,317,738	32,311,288	17,341,280	23,040,012	41,767,012

* Includes profit before tax of crop and reinsurance business amounting to LKR 216 million (2019: 536 million) and LKR 1,170 million (2019: 662 million profit) respectively.

Shareholders' Funds of Insurance Companies

During 2020, shareholders' funds of insurance industry expanded by 12.21% from LKR 209,924 million to LKR 235,547 million, which is mainly attributable to profits earned by insurers. Ceylinco Life, NITF and Allianz General, are the main contributors to above growth as they have generated impressive profits for the year ended 31st December 2020. The overall retained earnings reported a steep upswing in 2020 as a result of restrained dividend distribution which was a prudent capital management measure taken amidst unprecedented risks of the pandemic situation. Retained earnings are recorded under Total Other Reserves in Table 5 below, along with revaluation reserves and other general reserves, which altogether represented the major proportion of total shareholders' funds.

LIC has increased its share capital during the year and accordingly, total Stated Capital amount slightly expanded to LKR 43,696 million. One-off Surplus which is maintained as 'Restricted Regulatory Reserve' remained unchanged at LKR 16,248 million compared to last year.

By end 2020, SLIC reported the highest shareholders' funds in the industry followed by Ceylinco Life, AIA Life and Union Life. Driven by increased profit reserves, NITF exceeded Ceylinco General and Allianz General, becoming the highest contributor to total shareholders' funds among general insurance companies. Though LIC has infused stated capital during the year, due to substantial losses incurred, the shareholder's funds have plummeted to LKR 87 million. Amana Life also reported a decrease in shareholder's funds due to losses reported for the year. Accordingly, LIC and Amana Life have positioned themselves as the companies with lowest shareholders' funds as at 31st December 2020.

Table 5
Total Shareholders' Funds of Insurance Companies

Insurer	2019 (a)		2020(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	20,641,383	9.83	511,922	6,080,848	13,986,914	20,579,684	8.74
Allianz Gen.	9,656,605	4.60	8,619,972		3,108,340	11,728,313	4.98
Allianz Life	1,598,532	0.76	739,624	-	1,341,470	2,081,093	0.88
Amana Gen.	1,458,269	0.69	1,860,001		(351,596)	1,508,405	0.64
Amana Life	487,853	0.23	500,000	-	(40,458)	459,542	0.20
Arpico	1,660,447	0.79	675,565	-	1,285,126	1,960,691	0.83
Ceylinco Gen.	11,697,592	5.57	500,200		12,472,446	12,972,646	5.51
Ceylinco Life	31,492,076	15.00	500,001	3,456,184	34,188,848	38,145,032	16.19
Continental	2,047,880	0.98	750,000		2,147,707	2,897,708	1.23
Cooperative Gen.	2,646,419	1.26	1,515,757		1,903,101	3,418,858	1.45
Cooplif	904,937	0.43	544,260	-	514,890	1,059,150	0.45
Fairfirst	5,663,418	2.70	3,131,949		3,172,559	6,304,508	2.68
HNB Life	6,277,995	2.99	1,171,875	381,156	5,707,957	7,260,988	3.08
HNB Gen.	1,586,349	0.76	1,150,000		933,242	2,083,242	0.88
Janashakthi Life	9,566,634	4.56	4,853,752	1,795,829	3,078,757	9,728,337	4.13
LIC	241,760	0.12	650,000	-	(562,919)	87,081	0.04
LOLC Gen.	1,918,274	0.91	700,000		2,424,389	3,124,389	1.33
LOLC Life	1,324,760	0.63	1,250,000	256,134	291,122	1,797,256	0.76
MBSL	1,296,734	0.62	2,280,022	-	(1,035,613)	1,244,409	0.53
NITF	6,153,312	2.93	-		13,087,458	13,087,458	5.56
Orient	886,154	0.42	825,000		191,320	1,016,320	0.43
People's	3,642,649	1.74	1,350,000		3,248,573	4,598,573	1.95
Sanasa Life	1,170,406	0.56	1,044,846	-	2,850	1,047,695	0.44
Sanasa Gen.	641,614	0.31	508,996		281,501	790,497	0.34
Soft logic Life	8,218,919	3.92	1,062,500	798,004	8,075,743	9,936,247	4.22
SLIC	62,380,498	29.72	6,000,000	98,237	55,422,571	61,520,808	26.12
Union Life	14,662,903	6.98	1,000,000	3,381,934	10,726,556	15,108,490	6.41
Total	209,924,370	100	43,696,240	16,248,326	175,602,854	235,547,420	100

Note: 2019 published figures have been revised in line with the audit adjustments.

Analysis of Branches, Employees and Agents of Insurers

Widespread branch network is a key to business growth and effective customer service since it can enhance the ability of insurers to reach new markets and more customers. Although the current pandemic environment has influenced insurance companies to automate most of their operations and interact with customers through digital platforms, the requirement of physical branches will remain vital for smooth functioning of key operations of insurers.

The branch network showcased a reduction during the year as certain insurers have restructured their existing branches. Similar to previous years, the majority of the branches were located in Western Province, followed by Southern Province and North Western Province. By end 2020, the composition of total branches reported as 965 long term insurance branches, 837 general insurance branches and 151 composite insurance branches.

Employees of the insurance industry totalled to 19,571 in 2020 and out of them, 11,067 are employed at general insurers, 5,838 at long term insurers and 2,666 at composite insurance companies. Since the majority of branches and head offices are located in Western Province, it accounted for more than 60% of total employees of insurance sector.

As depicted in table 6, total number of agents servicing in the insurance industry reported as 42,719 by end 2020 demonstrating a slight decline compared to number of agents remained in 2019. Though many insurers like AIA Life, Ceylinco Life, Union Life and Softlogic Life have increased their agency force by new recruitments, one large composite insurer has terminated a significant number of agents during the year mainly on the grounds of non-qualification, poor performance, and financial misappropriation. By end of 2020, 59.40% of agency force was employed at long term insurance companies, 31.95% at composite insurers and 8.65% at general insurance companies.

Table 6

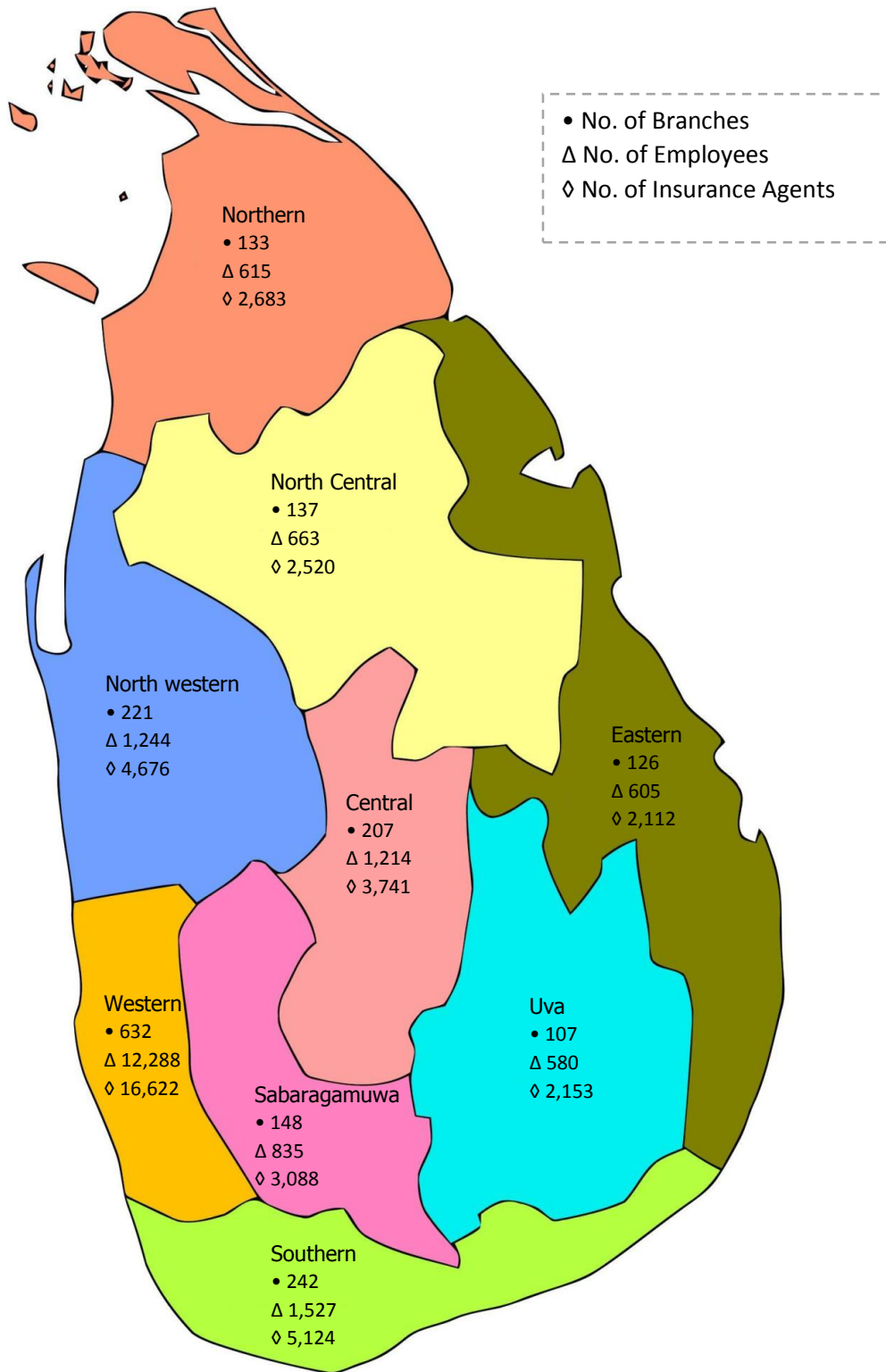
Number of Branches, Employees and Agents as at 31st December 2019 and 2020

Province	No of Branches		No. of Employees		No. of Agents	
	2019	2020	2019	2020	2019	2020
Central Province	211	207	1,158	1,214	4,036	3,741
Eastern Province	134	126	682	605	2,151	2,112
North Central Province	146	137	725	663	2,478	2,520
North Western Province	221	221	1,263	1,244	4,212	4,676

Northern Province	144	133	613	615	2,805	2,683
Sabaragamuwa Province	171	148	872	835	3,347	3,088
Southern Province	250	242	1,559	1,527	4,848	5,124
Uva Province	122	107	634	580	2,430	2,153
Western Province	670	632	12,335	12,288	18,691	16,622
Total	2,069	1,953	19,841	19,571	44,998	42,719

Chart 4

Number of Branches, Employees and Agents as at 31st December 2020



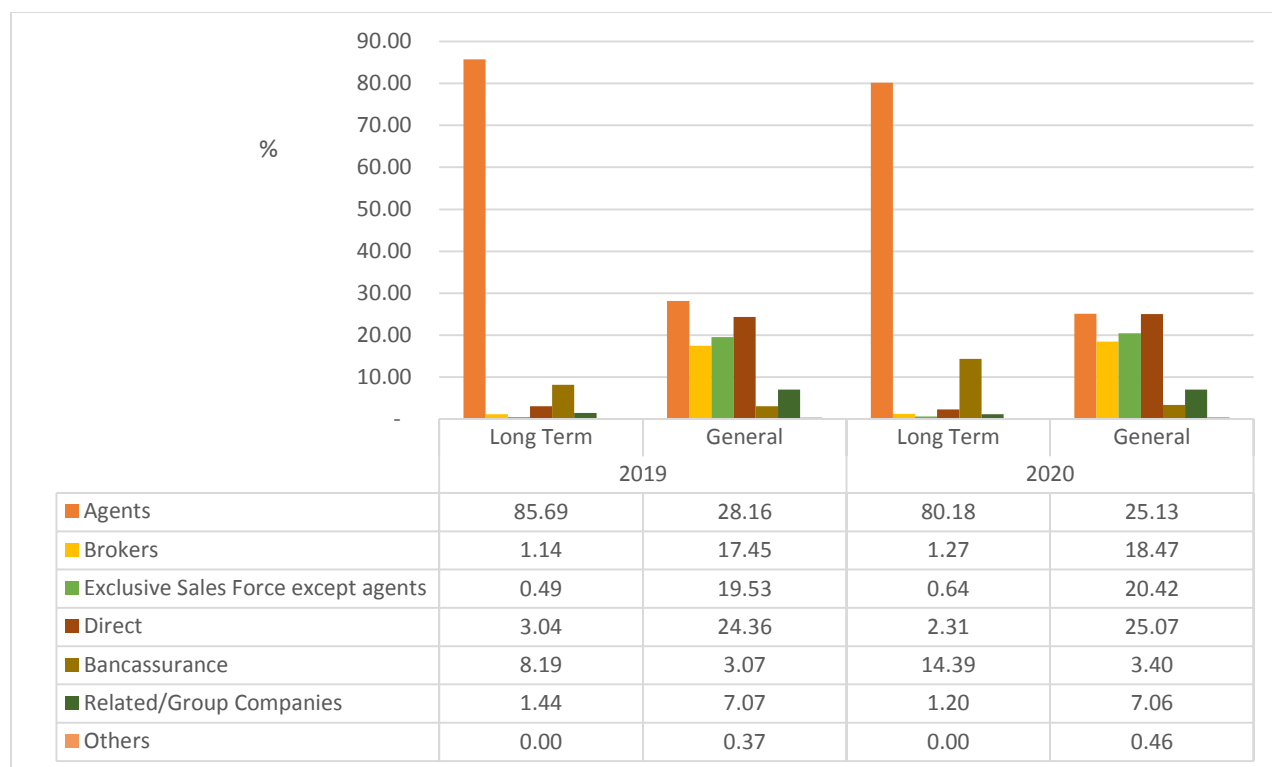
Distribution Channels of Insurance Companies

Sri Lankan insurance industry has recently experienced several developments in premium distribution modes as a result of rapidly changing business environmental factors. Advancement in information technology over the years has been a key factor which enhanced the usage of digitalized platforms by customers to purchase insurance products. Ongoing COVID-19 crisis has further influenced insurers to seek alternate channels instead of traditional distribution modes.

According to Chart 5, agents' contribution to GWP generation of both long term insurance business and general insurance business have experienced declines during the year, though they continue to be the dominant channel in overall premium distribution, particularly in long term insurance business. Concentration to bancassurance channel improved among long term insurers in recent past and the outcome is observable in Chart 5, as the contribution of bancassurance to long term premium distribution increased remarkably from 8.19% to 14.39% in 2020. Decreasing Term Assurance (DTA) policies were the main type of product distributed through bancassurance channel during the year.

Agents, direct channel, exclusive sales force and brokers are the main contributors to premium generation of general insurance business during 2020 and 2019 with moderate movements over the year. Direct channel consisted of premium generated through walking customers, mobile phone services, internet and government insurance schemes implemented through NITF. Same was accounted for 25.07% of total GWP of general insurance companies in 2020, whereas the premium distributed by related/group companies remained at similar level during the year.

Chart 5
Distribution Channels of Insurance Companies



Long Term Insurance Business Gross Written Premium

The COVID-19 outbreak combined with the control measures imposed to combat the same including lockdown, isolation and travel restrictions caused most of the economic activities to come to a standstill. Amidst this most challenging period, long term insurers have managed to record a 15.98% (2019: 10.58%) growth in 2020 with an overall GWP of LKR 102,974 million (2019: LKR 88,787 million) which is commendable when the unprecedented economic and social impact of COVID-19 pandemic are considered. Technological developments and digitalization, enhanced operational efficiency through reengineering of operating models, product innovation etc. availed insurers to gain a competitive edge and sustain the drive in the positive direction in this turbulent environment. In addition, the pandemic has improved the level of awareness on risks that can be mitigated through life insurance which again positively impacted the performance of the life insurers.

Sri Lankan long term insurance industry is highly competitive with 13 long term insurance companies and 02 composite insurers. Four companies have collaborations with foreign insurance companies.

The GWP growth rate of the industry was experiencing a downward trajectory over the last few years. However, during the year under review, GWP of the life insurance industry grew at an accelerated rate recording the second highest GWP growth rate over last five years. In terms of value, GWP has improved by 62.22% from 2016 to 2020.

Life insurance market still remains underpenetrated giving strong upside potentials. Addressing emerging trends of the market segments, leveraging on technological advancements, digitalization accompanied with the success of containing COVID-19 and the paced economic rebound will provide insurers with immense amount of opportunities for expansion. However, shocks and challenges emanating from COVID-19 pandemic are likely to continue in the next few years to come.

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	2016		2017		2018		2019 (a)		2020 (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	10,103,915	15.92	11,510,581	16.08	12,739,351	15.87	13,848,283	15.60	14,049,559	13.64
Allianz Life	1,040,269	1.64	1,178,817	1.65	1,301,254	1.62	1,403,858	1.58	1,476,069	1.43
Amana Life	820,727	1.29	792,174	1.11	827,948	1.03	851,293	0.96	767,232	0.75
Arpico	745,386	1.17	1,038,085	1.45	1,387,432	1.73	1,633,156	1.84	1,863,046	1.81
Ceylinco Life	15,027,600	23.67	15,765,484	22.03	17,812,774	22.18	18,718,553	21.08	22,076,250	21.44
Cooplif	466,997	0.73	626,972	0.88	619,881	0.77	772,782	0.87	774,517	0.75
HNB Life	3,554,078	5.60	3,963,642	5.54	4,420,513	5.51	5,175,044	5.83	5,487,039	5.33
Janashakthi Life	2,943,963	4.64	2,902,873	4.06	3,008,842	3.75	3,511,660	3.96	3,767,023	3.66
LIC	473,867	0.75	582,114	0.81	522,698	0.65	598,896	0.67	714,127	0.69
LOLC Life	1,896,558	2.99	2,467,166	3.45	2,610,785	3.25	2,682,522	3.02	3,236,480	3.14
MBSL	235,533	0.37	123,732	0.17	65,839	0.08	54,757	0.06	40,996	0.04
Sanasa Life	367,637	0.58	454,056	0.62	521,193	0.65	537,171	0.61	694,455	0.67
SLIC	11,893,640	18.74	12,517,119	17.49	13,205,802	16.45	14,820,025	16.69	19,257,997	18.70
Softlogic Life	5,635,701	8.88	7,530,935	10.52	10,005,733	12.46	12,531,283	14.11	15,660,116	15.21
Union Life	8,270,751	13.03	10,117,630	14.14	11,243,915	14.00	11,647,757	13.12	13,108,605	12.73
Total	63,476,622	100	71,571,380	100	80,293,960	100	88,787,041	100	102,973,511	100
Growth Rate(%)	18.23		12.75		12.19		10.58		15.98	

Similar to previous years, Ceylinco Life continued to maintain its dominance in the long term insurance market by generating GWP of LKR 22,076 million (2019: LKR 18,719 million) which accounted for 21.44% (2019: 21.08%) of the total GWP of the industry. The company managed to slightly overcome the deteriorating trend in market share whilst recording the highest growth in GWP over last five years enabled by the improvement in group life business and retirement planning segment.

SLIC and Softlogic Life achieved the second and third positions in the market by recording GWP of LKR 19,258 million (2019: LKR 14,820 million) and LKR 15,660 million (2019: LKR 12,531 million) respectively with market shares of 18.70% (2019: 16.69%) and 15.21% (2019: 14.11%). SLIC demonstrated a strong growth

momentum during the year under review with a revenue growth of 29.95% year on year mainly due to increase in new business driven by Mortgage Protection policies.

Similarly, Softlogic Life continued to maintain its exponential growth momentum by surpassing AIA and becoming the third in the market in terms of GWP. The company constantly maintained a double digit growth over last five years and improved its GWP by 24.97% similar to last year despite the headwinds arose from COVID-19. Optimization of distribution channels coupled with digital transformation predominantly enabled the company to navigate through difficult times to deliver growth.

These three companies collectively contributed to 55.35% (2019: 51.89%) of the total market share which is an attestation to their resilience.

AIA ranked at fourth in the market with GWP of LKR 14,050 million (2019: LKR 13,848 million) and a market share of 13.64% (2019: 15.60%). Even though the company has slightly expanded in terms of GWP, that was not sufficient to secure its market position at third which they maintained for last few years but continued in further contraction in market share and GWP growth rate.

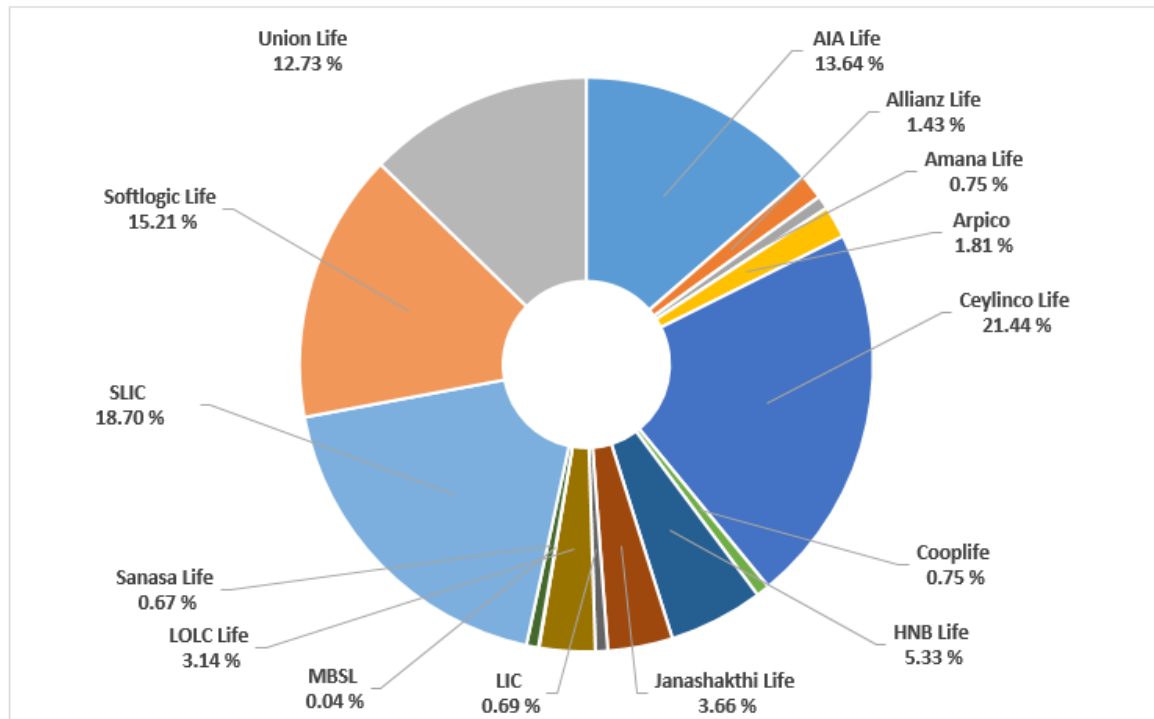
Union Life posted a significant growth compared to 2019 and recorded GWP worth of LKR 13,109 million (2019: LKR 11,648 million) largely boosted by universal life category. Similar to previous year, Union Life proclaimed the fifth position in the market with a market share of 12.73% (2019: 13.12%).

Significant growth rates of 29.28%, 20.65%, 19.24% and 14.08% respectively were noted from Sanasa Life, LOLC Life, LIC and Arpico. Further, all life insurers exhibited growth in terms of GWP except Amana Life and MBSL indicating the ability to withstand crisis and the effectiveness of their business continuity planning.

Chart 6 illustrates market share in terms of GWP of each long term insurer.

Chart 6

Company - wise Market Share of Gross Written Premium - Long Term Insurance Business for the Year ended 31st December 2020



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

Market share of top five contributors to GWP and other insurers during 2016 to 2020 are depicted in Chart 7.

The top five GWP generators have collectively accounted for 81.72% (2019: 80.60%) of the market with a collective GWP of LKR 84,153 million (2019: LKR 71,566 million) whilst the remaining ten insurers jointly have generated GWP of LKR 18,821 million (2019: LKR 17,221 million) by holding a market share of 18.28% (2019: 19.40%). Ceylinco Life, SLIC, Softlogic Life, AIA Life and Union Life accomplished the top five positions in the market.

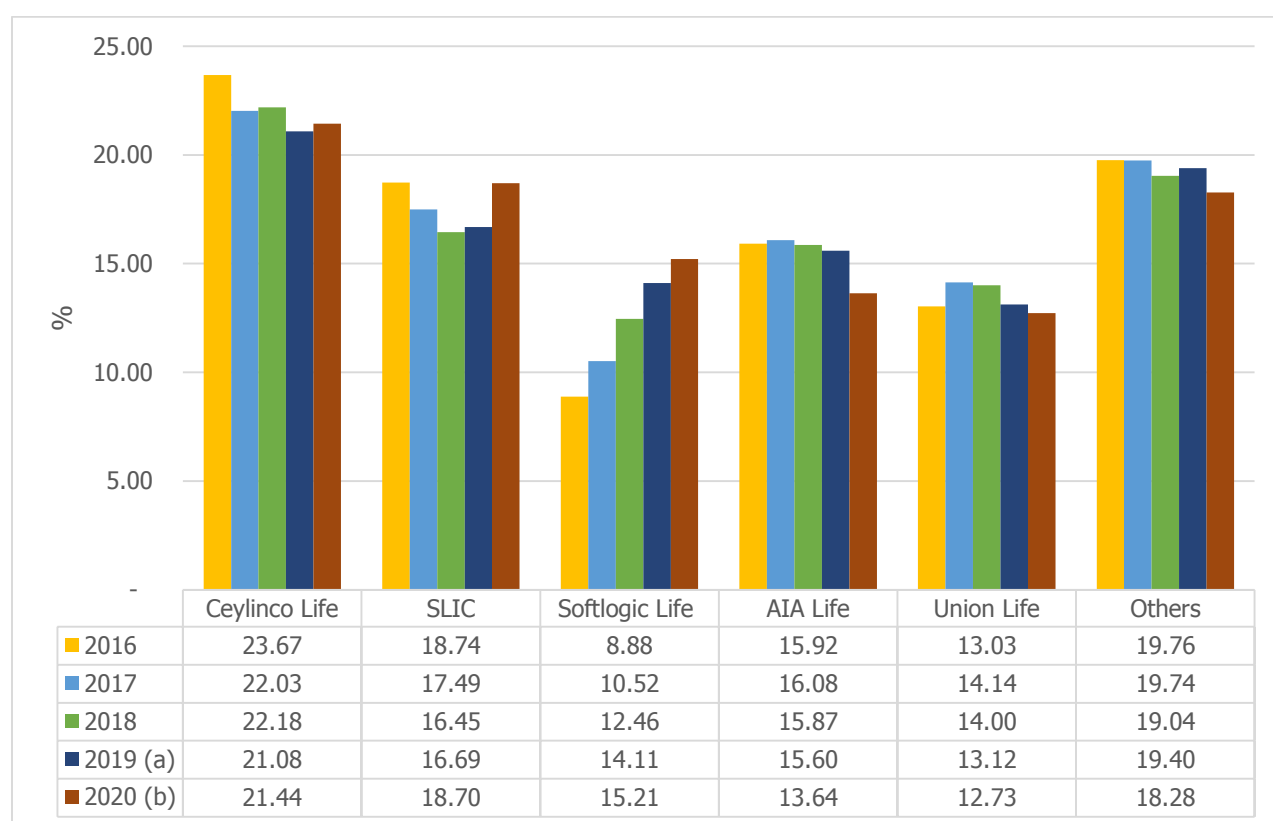
Ceylinco Life secured its top position in the market for several years consistently creating and delivering value to its stakeholders and the company slightly overcame the challenge of diminishing trend in market share during the year under review. SLIC, with their remarkable revenue growth in 2020 managed to expand the share significantly and reaffirmed its position at second. Softlogic Life, repeating its success year after year

outpaced AIA and Union Life in 2020 and 2019 respectively and gained market share continually to become third in the market. Accordingly, AIA and Union Life ranked at fourth and fifth position respectively in 2020.

These five players collectively improved their market share slightly by 1.12% in 2020 compared to 2019 as a result of the enriched market share growth displayed by the top three performers resulting in a dilution of the share of remaining ten players which hovered over 19% during last few years.

Chart 7

Top Five Contributors to GWP and Other Insurers for the years 2016 to 2020 - Long Term Insurance Business



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

In the year 2020, the GWP of long term insurance business comprised of 20.90% (2019: 24.10%) of participating business, 41.32% (2019: 36.46%) of non-participating business, 36.15% (2018: 37.31%) of universal life business and 1.63% (2019: 2.13%) of linked long term business in 2020. SLIC and Ceylinco

Life dominated in the participating business by owning portfolios worth of 48.51% and 28.12% respectively and collectively accounting for 76.63% of the market. Softlogic Life, Ceylinco Life and SLIC jointly possessed 73.16% of the non-participating portfolio whilst universal life business was led by AIA, Union Life and Ceylinco Life with a combined share of 74.30%.

The premium ceded to reinsurers was LKR 4,716 million (2019: LKR 3,692 million) with an increment of 27.73% year on year in 2020 predominantly due to non-participating business which is in line with the GWP growth of the same. Overall retention ratio of life insurance business stood at 95.42% (2019: 95.84%)

Table 8

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

Class	2018			2019 (a)			2020 (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	20,560,064	152,573	99.26	21,394,970	156,759	99.27	21,521,712	165,184	99.23
Non Participating	30,922,561	2,214,357	92.84	32,370,493	2,977,659	90.80	42,549,552	3,994,144	90.61
Universal Life	26,751,609	900,185	96.64	33,129,499	473,575	98.57	37,227,884	484,876	98.70
Linked Long Term	2,059,725	98,671	95.21	1,892,079	84,245	95.55	1,674,363	71,743	95.72
Total	80,293,960	3,365,786	95.81	88,787,041	3,692,237	95.84	102,973,511	4,715,946	95.42

Assets of Long Term Insurance Business

Long term insurers have added further value to their asset portfolio which is evident from the growth in total assets of the life insurance industry by 16.21% (2019: 12.62%) and the total asset value amounted to LKR 563,769 million (2019: LKR 485,121 million) as depicted in Table 9.

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

Insurer	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
AIA Life	61,973,402	12.77	72,388,786	12.84
Allianz Life	6,311,049	1.30	7,757,708	1.38
Amana Life	2,924,488	0.60	3,078,357	0.55
Arpico	3,647,798	0.75	4,356,605	0.77
Ceylinco Life	133,211,402	27.46	150,801,381	26.75
Cooplife	3,065,143	0.63	3,497,823	0.62
HNB Life	22,152,377	4.57	26,042,871	4.62
Janashakthi Life	22,502,244	4.64	25,314,226	4.49
LIC	3,114,846	0.64	3,345,474	0.59
LOLC Life	5,985,833	1.23	7,752,075	1.38
MBSL	1,233,715	0.25	1,190,121	0.21
Sanasa Life	2,185,160	0.45	2,326,417	0.41
SLIC	140,881,506	29.04	160,110,048	28.40
Softlogic Life	20,682,874	4.26	33,206,203	5.89
Union Life	55,249,152	11.39	62,600,409	11.10
Total	485,120,989	100.00	563,768,504	100.00

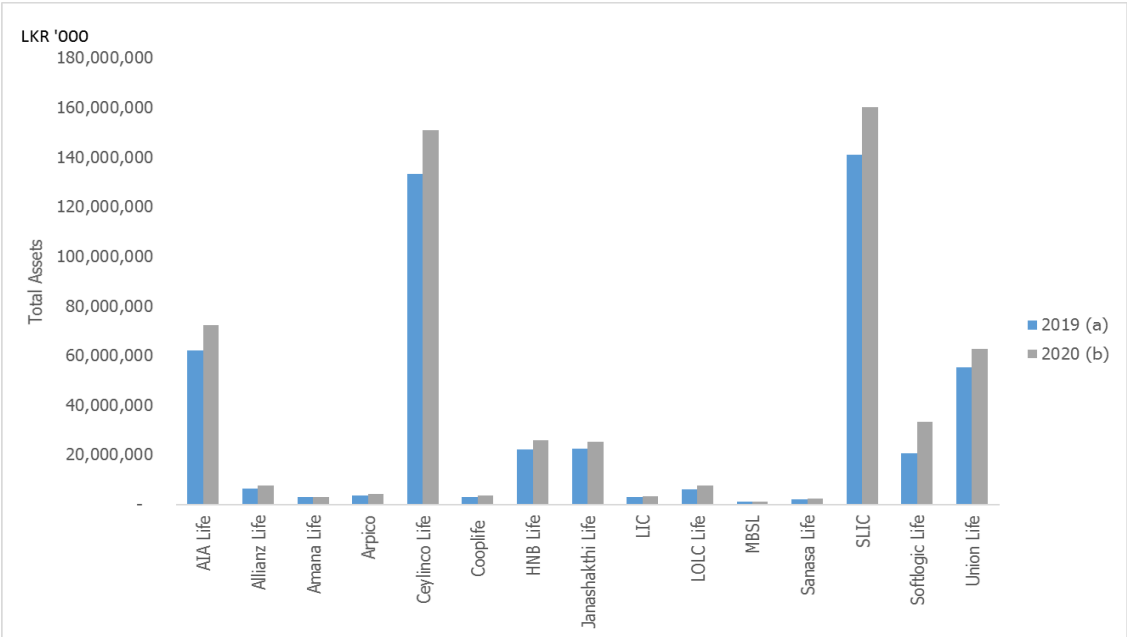
As illustrated in Table 9, SLIC claimed the highest share of assets in the long term insurance industry followed by Ceylinco Life which together stood at 55.15% (2019: 56.50%) out of the total assets in the industry. Total assets of SLIC improved steadily amounting to LKR 160,110 million (2019: LKR 140,882 million) with a share of 28.40% (2019: 29.04%) whilst total assets of Ceylinco Life consistently grew by 13.20% to reach LKR 150,801 million (2019: LKR 133,211 million) by owning a share of 26.75% (2019: 27.46%) of the market. AIA and Union Life possessed significant portions and reaffirmed third and fourth positions in the market in terms of total assets by recording LKR 72,389 million (2019: LKR 61,973 million) and LKR 62,600 million (2019: LKR 55,249 million) respectively. These four companies collectively owned 79.09% (2019: 80.66%) of the total assets which has slightly reduced from 2019.

Softlogic Life substantially grew its asset portfolio by recording a 60.55% year on year growth in 2020 mainly driven by proceeds from financial reinsurance scheme and subordinate debt infusion. The company surpassed HNB Life and Janashakthi Life to rank at fifth in the market in terms of total assets.

HNB Life and Janashakthi Life acquired the sixth and seventh positions by reaching total assets worth of LKR 26,043 million (2019: LKR 22,152 million) and LKR 25,314 million (2019: LKR 22,502 million) respectively. It is noteworthy that all the life insurers have managed to add further value to their asset portfolio except MBSL which has planned to have a portfolio run off only by servicing existing clients without underwriting new business. LOLC Life and Allianz Life posted growth rates over 20% despite the challenges prevailed. Chart 8 demonstrates company-wise analysis of total assets.

Chart 8

Company-wise Analysis of Total Assets as at 31st December 2019 & 2020 - Long Term Insurance Business



Concentration of Assets as at 31st December 2019 & 2020 - Long Term Insurance Business

Table 10 and Chart 9 detail out concentration of assets of long term insurers among different asset categories as at 31st December 2019 and 2020.

Table 10**Concentration of Assets as at 31st December 2019 and 2020 - Long Term Insurance Business**

Type of Asset	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	192,163,331	39.61	243,561,027	43.20
Equities	35,860,358	7.39	38,721,989	6.87
Corporate Debt	106,577,870	21.97	121,706,551	21.59
Land & Buildings	15,670,406	3.23	16,903,643	3.00
Deposits	76,072,984	15.68	80,633,987	14.30
Unit Trusts	5,584,810	1.15	9,991,046	1.77
Policy Loans	6,822,801	1.41	6,944,985	1.23
Other Assets	40,610,985	8.37	38,832,156	6.89
Cash and cash equivalents	5,757,443	1.19	6,473,120	1.15
Total	485,120,989	100	563,768,504	100

As depicted in Table 10, investments in Government Securities amounted to LKR 243,561 million (2019: LKR 192,163 million) and remained the largest portion of the asset spread occupying 43.20% (2019: 39.61%) of the total asset base which showcases the prominence insurers have given to invest in Government Securities predominantly to maintain liquidity and to ensure compliance with regulatory requirements. Almost all the insurers except few have improved their investments in Government Securities which overall resulted in a significant growth rate of 26.75% year on year in 2020 which can be attributable to measures taken to mitigate the increasing risk in the market.

Investments in Corporate Debt represented the second largest asset category amounting to 21.59% (2019: 21.97%) of the total asset base reaching LKR 121,707 million (2019: LKR 106,578 million) primarily driven by the increase in volume of one life insurer. Investments in Deposits being the third largest increased to LKR 80,634 million (2019: LKR 76,073 million) with a 14.30% (2019: 15.68%) asset allocation which was again boosted by one life insurer. However, there was a reduction in growth rate of Deposits compared to 2019 reflecting the impact of prevailed low interest rate market.

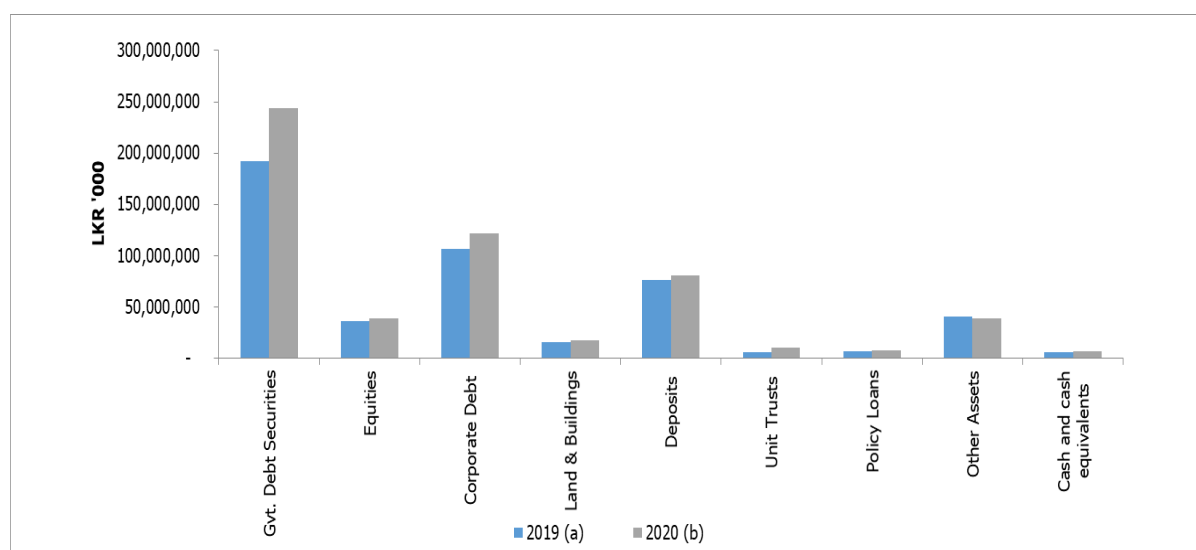
Investments in Equity increased to LKR 38,722 million (2019: LKR 35,860 million) amounting to 6.87% (2019: 7.39%) of the total asset base indicating the attractiveness and progression of the equity market towards the latter part of the year.

The above four asset categories being the main investment types held 85.96% (2019: 84.65%) of the total asset base of the industry.

Other assets which mainly comprised of Deferred Tax Asset, Property Plant and Equipment, Intangible Assets, Premium Receivable from Policyholders, Reinsurance Receivable etc. slightly declined in share and reached LKR 38,832 million (2019: LKR 40,611 million). In order to mitigate the downside risk of low interest rates, investments in Unit Trusts were enriched by most of the companies during the year under review which is evident from the substantial growth of the same.

Chart 9

Concentration of Assets as at 31st December 2019 & 2020 - Long Term Insurance Business



Investment Income – Long Term Insurance Business

Despite the low interest rate environment and volatile financial markets stemmed from both the Easter Sunday attack and the COVID-19 pandemic, the overall investment income considerably enriched to LKR 46,942 million in 2020 from LKR 43,882 million in 2019 reporting a 6.97% growth. The average investments in long term business reached LKR 480,521 million (2019: LKR 414,387 million) posting a growth rate of 15.96% over 2019.

Recording an investment income of LKR 21,851 million (2019: LKR 19,947 million) and LKR 13,087 million (2019: LKR 10,422 million) Government Debt Securities and Corporate Debt possessed the highest shares of the overall investment income whilst improving their average investments to LKR 217,862 million (2019: LKR 184,625 million) and LKR 114,142 million (2019: LKR 93,879 million) respectively. These two categories collectively held 74.43% (2019: 69.21%) of the overall investment income and the investment yield of the same hovered around 10% and 11% respectively in both years.

Deposits, being the next largest category in terms of volume recorded an investment income of LKR 8,265 million (2019: LKR 9,718 million) against the average investments of LKR 78,353 million (2019: LKR 71,463 million) indicating the dampening investment returns resulted by the downward trajectory of interest rates prevailed during 2020. The above three, Government Debt Securities, Corporate Debt and Deposits, jointly held 92.03% (2019: 91.35%) of the total investment income which remains almost the same compared to 2019 level manifesting the diminishing interest rates of deposits in the market.

Investment income of Equity amounted to LKR 2,659 million (2019: LKR 2,895 million) whilst Unit Trusts generated an investment income of LKR 547 million (2019: LKR 356 million) in 2020.

The overall investment yield averaged to 9.77% which is displaying a reduction from 10.59% recorded in 2019.

Table 11

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

Category	2019 (a)		2020 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	19,946,639	184,624,538	21,850,617	217,862,179
- Treasury Bonds	18,777,013		20,379,416	
- Treasury Bills	225,989		49,721	
- Others (REPO)	943,637		1,421,480	
Equity	2,894,988	35,486,239	2,658,670	37,291,174
- Capital Gain/Losses	1,758,695		1,600,473	
- Dividend	1,136,294		1,058,197	
Corporate Debts	10,422,441	93,879,273	13,086,596	114,142,211
- Bonds and Debentures	9,888,815		12,878,534	
- Commercial Papers	533,625		208,062	
- Other Similar Financial Instruments				
Land and Buildings	85,313	14,638,275	89,669	16,287,025
Deposits	9,717,566	71,463,073	8,264,835	78,353,485
- Bank	9,010,752		7,033,581	
- Finance Companies	706,814		1,231,254	
Unit Trust	355,936	6,234,848	546,577	7,787,928
Policy Loans	322,789	6,435,561	383,803	6,883,893
Others	136,517	1,625,558	61,265	1,913,594
Total	43,882,190	414,387,366	46,942,032	480,521,489
Average Investment Yield	10.59%		9.77%	

Note: Considered Investment in Subsidiaries and the Associates. Considered all the above categories to compute yield.

Solvency Position of Insurance Companies -Long Term Insurance Business

The IRCSL continued to measure and monitor the risk based capital level of life insurers with a motive of effective management of capital levels of insurers, thereby protecting the interests of policyholders through a properly managed insurance sector. Under Solvency Margin (Risk Based Capital) rules, the insurers are required to maintain minimum Total Available Capital (TAC) of LKR 500 million and Capital Adequacy Ratio (CAR) of 120% in order to satisfy its conformity with the Rules. However, taking into account the nature, size and complexity of the insurance business and the risks its exposed to insurers must maintain prudent CAR and adequate TAC. Table 12, 13 and 14 demonstrate details of TAC, RCR and CAR of long term insurance business as at 31st December 2020 and 2019.

The CAR which measures the adequacy of Total Available Capital to support the Risk Based Capital required was on average 366% (2019: 298%) as at the end of year 2020. All life insurers have reported CAR above

the enforcement level of 160% except one insurer. The TAC of the industry, in total amounted to LKR 250,023 million (2019: LKR 220,364 million) as at 31st December 2020.

Surrender Value Capital Charge (SVCC) which addresses the risk of extreme adverse scenario if all life insurance contracts are surrendered simultaneously, amounted to LKR 2,612 million (2019: LKR 3,853 million) by the end of 2020.

Table 12

Company-wise Analysis of Solvency Position – Long Term Insurance Business as at 31st December 2019 & 2020

Insurer	As at 31st December 2019 (a)				As at 31st December 2020 (a)			
	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)
AIA Life	23,479,214	3,674,691	121,861	639	27,361,515	5,601,570	-	488
Allianz Life	1,447,524	223,007	471,435	307	2,028,498	216,924	286,007	709
Amana Life	508,242	267,470	-	190	535,106	261,775	-	204
Arpico	1,800,995	484,802	349,731	371	1,908,449	459,409	97,174	415
Ceylinco Life	61,948,169	17,865,001	10,631	347	72,111,874	17,133,081	3,930	421
Cooplif	885,437	469,593	-	189	1,473,028	589,124	-	250
HNB Life	7,921,589	2,461,800	416,272	322	8,966,667	2,653,681	-	338
Janashakthi Life	9,376,364	3,125,593	119,593	300	10,132,233	3,331,694	-	304
LIC	395,312	275,015	-	144	485,940	338,702	-	143
LOLC Life	1,280,311	588,513	-	218	2,325,089	1,258,535	-	185
MBSL	542,477	199,262	-	272	556,357	76,062	-	731
Sanasa Life	711,479	390,784	19,312	182	747,344	377,961	-	198
SLIC	83,505,746	19,148,373	1,046,379	436	79,654,571	17,370,300	-	459
Softlogic Life	8,151,141	4,489,448	1,041,915	182	19,940,660	6,610,593	2,203,854	302
Union Life	18,409,499	5,002,806	255,663	368	21,795,969	6,396,436	20,587	341
Total/Overall	220,363,500	58,666,156	3,852,790	298	250,023,301	62,675,847	2,611,552	366

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRC SL for year ended 31st December 2020.

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

According to Solvency Margin (Risk Based Capital) Rules, TAC is the total of 'Tier 1' and 'Tier 2' capital of an insurer, subtracting the items specified under 'Deductions'. Table 13 details out the composition of TAC of long term insurers as at 31st December 2020. As depicted in Table 13, TAC of the industry accumulated to LKR 250,023 million (2019: LKR 220,364 million) whilst posting a growth of 13.46% largely driven by the overall improvement in Tier 1 capital of the industry. TAC of Softlogic Life and Ceylinco Life substantially increased in 2020 driven by the growth in 'unallocated valuation surplus maintained in the insurance funds' and 'adjusted retained earnings' of Tier 1 capital respectively. Further, AIA Life, Union Life, LOLC Life and HNB Life showcased considerable growth in their TAC primarily driven by Tier 1 capital. Furthermore, all long term insurers expanded their TAC excluding SLIC compared to previous year.

Tier 1 capital which comprises of share capital and capital reserves, paid-up non-cumulative irredeemable preference shares, adjusted retained earnings, unallocated valuation surplus maintained in the insurance funds and 50% of net future bonuses in respect of participating business are considered as the permanent capital fully available to cover the losses of insurers. The Tier 1 capital amounted to LKR 258,922 million (2019: LKR 234,901 million) with a growth of 10.23%.

Tier 2 capital, which lacks some characteristics of high quality capital compared to Tier 1 capital, includes of restricted regulatory reserve, cumulative irredeemable preference shares, redeemable preference shares,

revenue reserves etc., amounted to LKR 22,382 million (2019: LKR 19,232 million) posting a considerable growth of 16.38%.

Deductions, comprises largely of intangible or illiquid assets reached LKR 31,281 million in 2020 compared to LKR 33,769 million recorded in 2019.

Table 13

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

Insurer	As at 31 st December 2019 (a) - (LKR '000)	As at 31st December 2020 (a) - (LKR '000)			
	TAC	Tier 1	Tier II	Deductions	TAC
AIA Life	23,479,214	24,652,959	6,297,084	3,588,528	27,361,515
Allianz Life	1,447,524	2,453,590	-	425,092	2,028,498
Amana Life	508,242	491,439	94,921	51,253	535,106
Arpico	1,800,995	2,262,480	-	354,031	1,908,449
Ceylinco Life	61,948,169	78,160,246	3,890,031	9,938,403	72,111,874
Cooplif	885,437	1,557,224	138,774	222,969	1,473,028
HNB Life	7,921,589	11,434,880	381,156	2,849,370	8,966,667
Janashakthi Life	9,376,364	10,095,154	1,795,829	1,758,750	10,132,233
LIC	395,312	380,920	161,899	56,879	485,940
LOLC Life	1,280,311	2,242,075	256,134	173,120	2,325,089
MBSL	542,477	563,737	-	7,379	556,357
Sanasa Life	711,479	1,343,306	-	595,961	747,344
SLIC	83,505,746	83,153,107	155,614	3,654,150	79,654,571
Softlogic Life	8,151,141	18,674,630	3,742,958	2,476,928	19,940,660
Union Life	18,409,499	21,456,239	5,467,624	5,127,894	21,795,969
Total	220,363,500	258,921,986	22,382,024	31,280,707	250,023,301

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRC SL for year ended 31st December 2020.

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

RCR, which is the aggregate of capital charges determined for material risk categories includes of credit risk, concentration risk, market risk, reinsurance risk, liability risk and operational risk. Table 14 illustrates the company-wise analysis of RCR with main risk categories computed under the RBC rule.

The RCR before diversification posting a growth rate of 11.66% compared to 2019 reached LKR 85,511 million (2019: LKR 76,580 million) whilst the RCR after diversification accumulated to LKR 62,676 million (2019: LKR 58,666 million) displaying a growth rate of 6.83%. Similar to previous year, market risk, liability risk and concentration risk were the major types of risks encountered by long term insurers accounting for 50.91%, 26.92% and 8.39% of the total RCR before diversification whilst collectively being accountable for 86.22% (2019: 86.91%) of the total RCR before diversification.

Table 14

Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2019 and 2020 – Long Term Insurance Business

Insurer	As at 31 st December 2019 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	470,921	677,436	1,394,906	-	2,580,737	612,344	5,736,344	3,674,691
Allianz Life	2,563	5,057	104,964	1,105	184,830	51,426	349,945	223,007
Amana Life	20,138	148,814	95,430	449	23,613	29,118	317,560	267,470
Arpico	42,371	139,405	194,481	211	303,370	35,654	715,492	484,802
Ceylinco Life	1,563,802	1,051,504	14,986,895	4,878	2,708,943	1,345,605	21,661,627	17,865,001
Cooplife	87,808	13,345	331,666	-	179,742	29,625	642,186	469,592
HNB Life	336,655	356,165	1,662,346	1,617	677,346	217,332	3,251,461	2,461,800
Janashakthi Life	355,358	131,977	2,535,244	2,433	757,422	211,997	3,994,432	3,125,593
LIC	38,898	40,181	183,824	27	74,306	31,308	368,543	275,015
LOLC Life	21,935	63,311	259,741	5,399	469,213	58,451	878,049	588,513
MBSL	5,781	150,936	40,484	17	25,653	12,335	235,207	199,262
Sanasa Life	24,066	268,721	94,441	220	46,149	21,596	455,192	390,784
SLIC	1,604,482	2,340,302	14,480,502	-	5,011,022	1,434,825	24,871,132	19,148,373
Softlogic Life	202,984	847,336	1,688,459	-	3,551,671	199,656	6,490,106	4,489,448
Union Life	385,195	633,902	3,794,651	158	1,243,261	555,585	6,612,752	5,002,806
Total	5,162,954	6,868,391	41,848,035	16,514	17,837,278	4,846,856	76,580,028	58,666,156

Insurer	As at 31 st December 2020 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	405,929	837,779	3,083,121	-	3,484,467	717,372	8,528,668	5,601,570
Allianz Life	3,780	4,965	38,894	1,357	201,431	63,885	314,311	216,924
Amana Life	20,623	145,518	93,121	692	-	30,819	290,773	261,775
Arpico	43,003	24,935	268,971	48	309,600	40,799	687,356	459,409
Ceylinco Life	1,788,403	936,699	13,906,140	6,752	3,771,492	1,579,705	21,989,191	17,133,081
Cooplife	84,122	11,727	300,427	1,936	432,752	34,918	865,882	589,123
HNB Life	453,841	300,384	1,697,310	806	980,410	258,531	3,691,282	2,653,680
Janashakthi Life	460,431	250,364	2,479,801	2,220	922,572	234,465	4,349,854	3,331,694
LIC	40,735	65,364	206,213	43	126,036	35,598	473,991	338,702
LOLC Life	33,484	72,585	1,068,704	6,006	428,801	76,159	1,685,739	1,258,535
MBSL	8,245	25,398	38,938	22	20,022	10,646	103,271	76,062
Sanasa Life	26,138	181,540	157,429	17	95,106	22,215	482,445	377,961
SLIC	1,722,707	2,410,946	12,072,062	-	6,011,473	1,721,707	23,938,896	17,370,300
Softlogic Life	305,146	920,645	3,508,957	2,067	4,599,898	321,649	9,658,362	6,610,593
Union Life	550,837	982,231	4,614,727	184	1,633,884	668,703	8,450,567	6,396,436
Total	5,947,425	7,171,080	43,534,817	22,150	23,017,944	5,817,171	85,510,587	62,675,845

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

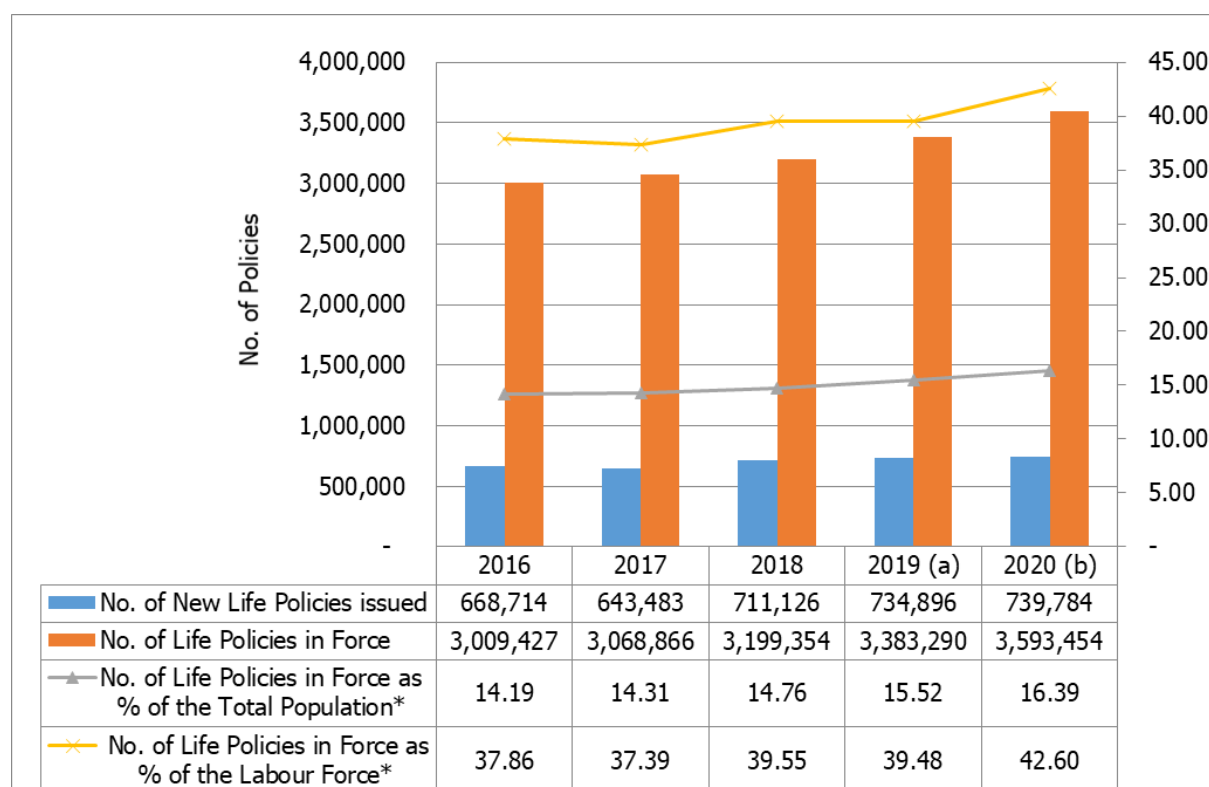
Number of Insurance Policies Issued and Policies in Force – Long Term Insurance Business

The total life insurance policies in force escalated to 3,593,454 in 2020 (2019: 3,383,290) exhibiting a growth rate of 6.21%. The new policies issued marked 739,784 in 2020 (2019: 734,896) with a slight improvement compared to 2019 despite the challenges emanated from the pandemic.

Number of life policies in force as a percentage of the total population and number of life policies in force as a percentage of the labour force amounted to 16.39% (2019: 15.52%) and 42.60% (2019: 39.48%). The upward trend depicted by above two ratios during the past few years continued to maintain during the year under review emphasizing on the ability of life insurers to thrive in the market by innovating and adapting to emerging realities.

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 & Central Bank of Sri Lanka

Product-wise Policies in Force and Sum Insured - Long Term Insurance Business

Product-wise details of policies in force for both 2020 and 2019 are summarized in Table 15 under term insurance, universal life, whole life insurance, endowments and others. The 'Other' category mainly includes healthcare plans, unit linked, annuity, group life, single premium products etc. The total policies in force with a 6.21% year on year growth rose up to 3,593,454 (2019: 3,383,290) whilst the sum insured totaled up to LKR 5,037 billion (2019: LKR 3,845 billion) showcasing an expansion of 31.01% by end of 2020.

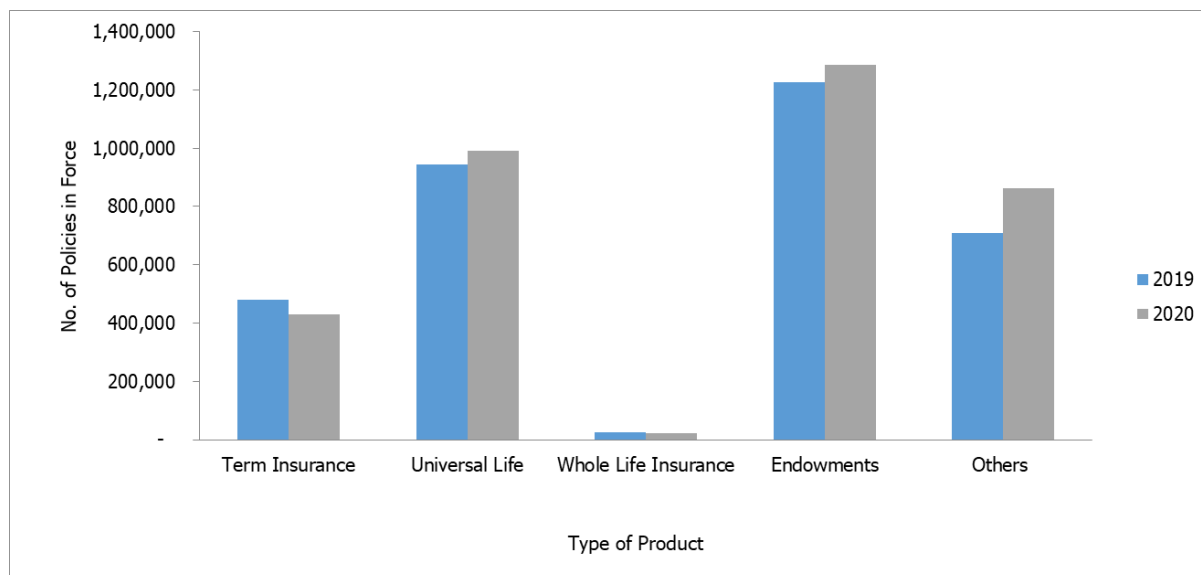
Similar to previous year, endowments represented the largest category of policies in force with 1,286,181 policies in force in 2020 (2019: 1,227,237) claiming 35.79% of the total policies in force. Sum insured of the same category amounted to LKR 717 billion (2019: LKR 450 billion) with a year on year improvement of 59.18% predominantly driven by one life insurer. Universal life policies escalated to 991,023 (2019: 944,088) whilst the sum insured pertaining to the same reached LKR 517 billion (2019: LKR 431 billion) recording a growth of 19.97% in 2020.

In terms of sum insured, term insurance represented the second largest category with a year on year improvement of 34.26% accounting for LKR 1,558 billion in 2020 (2019: LKR 1,160 billion) predominantly due to increase in Decreasing Term Assurance (DTA) business under Group DTA policies of one life insurer. Conversely, policies in force of term insurance experienced a drop by recording 429,128 policies in 2020 (2019: 478,488) which can be largely attributable to two life insurers.

Policies in force and sum insured of 'Other' category significantly ascended to 863,630 (2019: 709,696) and LKR 2,244 billion (2019: LKR 1,802 billion) respectively, with growth rates over 20% greatly boosted by increase in demand experienced for Single Premium and Group Life products including group hospitalization, group term policies, postal products, per day insurance etc. of one life insurer. Further, the decline recorded in both policies in force and sum insured of whole life insurance products is a reflection of the drop in demand for the same.

Table 15**Product-wise Policies in Force and Sum Insured for 2019 and 2020 - Long Term Insurance Business**

Type of Product	2019		2020	
	No: of Policies in Force	Sum Insured (LKR '000)	No: of Policies in force	Sum Insured (LKR '000)
Term Insurance	478,488	1,160,294,632	429,128	1,557,867,393
Universal Life	944,088	430,823,797	991,023	516,864,887
Whole Life Insurance	23,781	1,608,526	23,493	1,564,967
Endowments	1,227,237	450,188,733	1,286,181	716,589,973
Others	709,696	1,801,837,578	863,630	2,244,253,057
Total	3,383,290	3,844,753,266	3,593,454	5,037,140,278

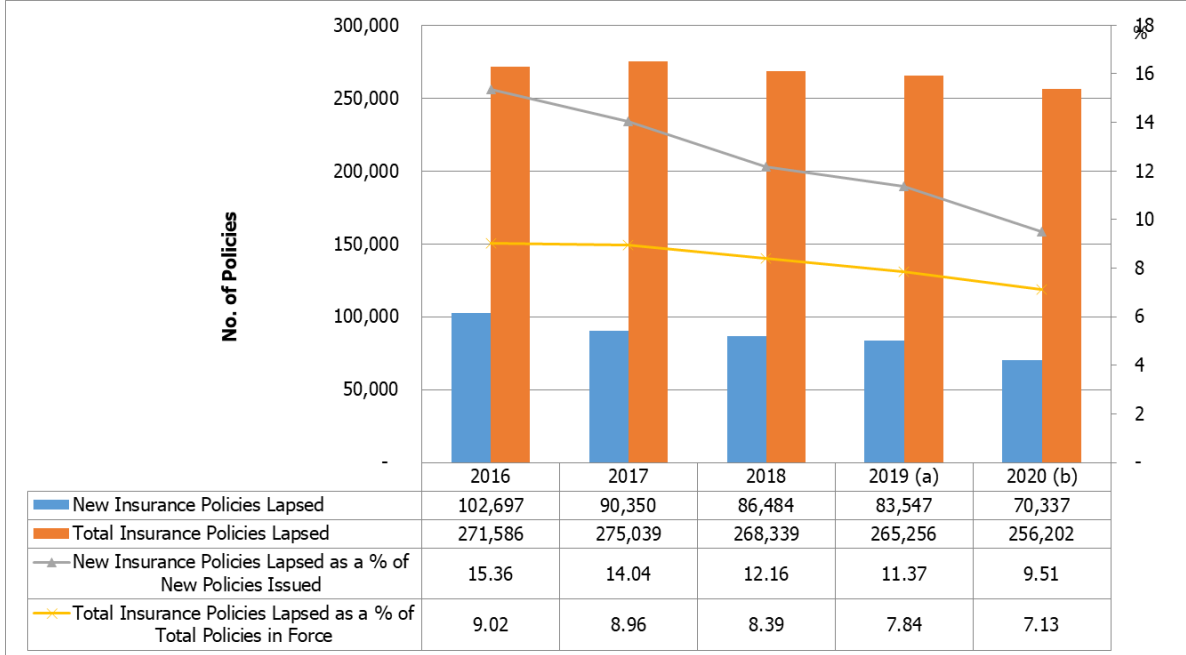
Chart 11**Product-wise Policies in Force for 2019 and 2020 - Long Term Insurance Business****Insurance Policy Lapses – Long Term Insurance Business**

Insurance policy lapses, which is policies terminated at the end of the grace period because of nonpayment of premium, amounted to 256,202 policies (2019: 265,256) with a slight reduction of 3.41% during the year under review. The new insurance policies lapsed stood at 70,337 (2019: 83,547) with a significant drop by 15.81% and claimed for 27.45% of the total insurance policies lapsed.

Total insurance policies lapsed as a percentage of total policies in force and new insurance policies lapsed as percentage of new policies issued were 7.13% (2019: 7.84%) and 9.51% (2019: 11.37%) respectively demonstrating a decline compared to 2019. It is noteworthy to mention that above two ratios were experiencing a downward trend over last five years with 2020 being the least.

Chart 12

Insurance Policy Lapses – Long Term Insurance Business



Claims Incurred by Insurance Companies – Long Term Insurance Business

Total claims incurred by life insurers continued to grow accounting to LKR 37,903 million in 2020 (2019: LKR 35,139 million) displaying a growth rate of 7.86%. Chart 13 illustrates the composition of claims incurred which includes disability benefits, death benefits, surrenders, maturity benefits and other benefits paid to policyholders.

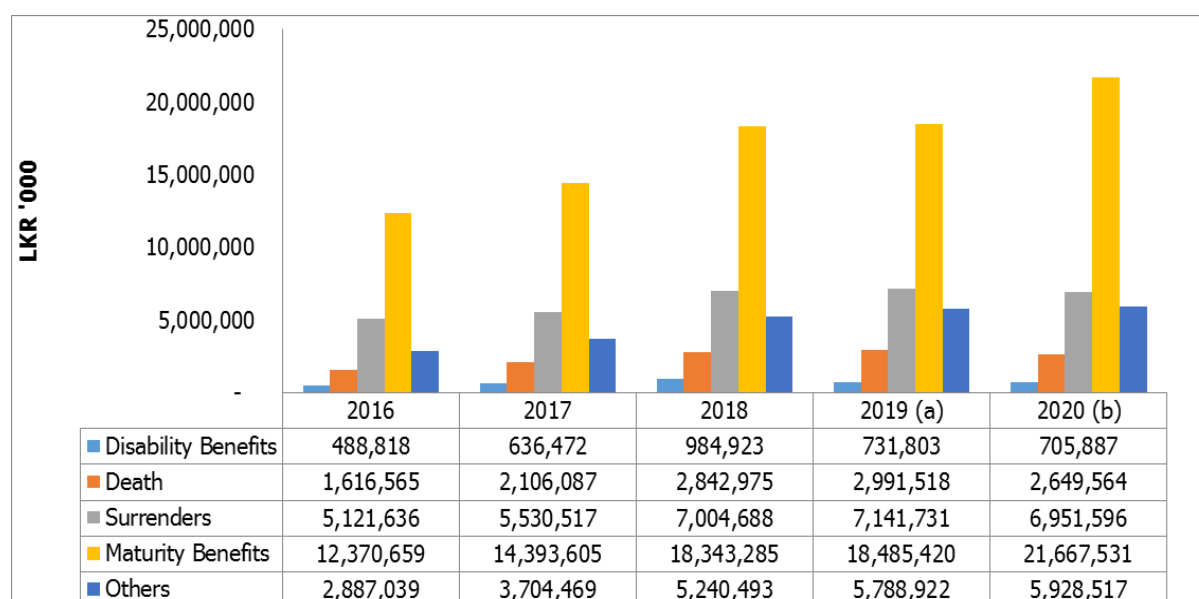
Posting a growth rate of 17.21%, maturity benefits amounted to LKR 21,668 million (2019: LKR 18,485 million) and represented 57.17% (2019: 52.61%) of the total claims incurred in 2020. Surrenders holding a significant portion of the total claims incurred and displaying a slight reduction in terms of value, recorded LKR 6,952 million (2019: LKR 7,142 million) in 2020 which accounted for 18.34% of the total claims incurred.

Claims incurred under Others category which includes hospitalization benefits, advance payments, interim payments, cash and loyalty bonus expenses, cancellations etc. was LKR 5,929 million (2019: LKR 5,789 million) posting a slight growth of 2.41% and claiming for 15.64% of the total claims incurred.

The above three categories collectively accounted for 91.15% (2019: 89.40%) of the total claims incurred whilst death benefits and disability benefits amounted to LKR 2,650 million (2019: LKR 2,992 million) and LKR 706 million (2019: LKR 732 million) respectively in 2020.

Chart 13

Claims Incurred by Insurance Companies - Long Term Insurance Business



Number of Insurance Claims - Long Term Insurance Business

Total number of insurance claims of long term insurance industry reached 503,675 (2019: 436,484) with an overall growth rate of 15.39%. Other benefits accounted for the largest number of claims out of the total even with a reduction of 15.34% compared to 2019 and amounted to 173,183 (2019: 204,564) in volume.

Surrenders and maturity benefits being the next two largest categories reached 155,709 (2019: 75,988) and 151,696 (2019: 130,723) in number respectively. It is noteworthy to mention that surrenders posted a sharp growth of more than 100% in 2020. This was mainly observable in DTA policies where customers have rescheduled the loans taken from financial institutions due to decrease in interest rates. Hence, the existing

DTA policies were surrendered and new DTA policies were taken for the new loans. Further, death and disability benefits slightly reduced in number amounting to 12,051 (2019: 12,958) and 11,036 (2019: 12,251) in 2020.

Table 16

Number of Insurance Claims - Long Term Insurance Business

	2016	2017	2018	2019 (a)	2020 (b)
Disability Benefits	9,521	10,749	10,737	12,251	11,036
Death	8,418	11,247	11,935	12,958	12,051
Surrenders	46,484	47,191	70,412	75,988	155,709
Maturity Benefits	108,680	128,266	153,856	130,723	151,696
Other benefits	143,336	145,452	166,745	204,564	173,183
Total	316,439	342,905	413,685	436,484	503,675

General Insurance Business

Unlike previous exogenous shocks, COVID-19 has produced an unprecedented economic tremor and strike the general insurance sector with substantial disrupting effects all along the year 2020.

While battling the novel coronavirus pandemic, Sri Lanka has been tasked with the challenge of preserving the foreign reserves and on the ground of that, restrictions on many imports including vehicles were imposed with effect from March 2020. Therefore, new registrations of motor vehicles declined by 44.8% in 2020 & notable reductions in new registrations were observed across all vehicle categories of motor cars, buses and three wheelers declining by 45.0%, 64.2%, and 53.8% respectively as per the annual report 2020 of Central Bank of Sri Lanka. Releasing the limited new vehicle stocks into the market & significant rise in vehicle prices were insufficient to offset the contraction in new business premiums. Growth in the general insurance business fell to a negative of 2.24% in 2020 from 7.06% in 2019 and this restrained performance was mainly due to the sharp decline in motor vehicle imports.

The COVID-19 outbreak had a knock-on effect on financial markets and consequently affected the investment performance of general insurers. The low interest rate environment and high volatile stock market has posed challenges to the performance of general insurance market.

The sluggish market growth exacerbated the competition among general insurers and 12 general insurance companies and 02 composite insurers competed during the year 2020. Three companies have collaborations with foreign insurance companies.

It is noteworthy to mention that the general insurance sector had satisfactory capital buffers in order to absorb the heavy shock emerged with the COVID-19 pandemic throughout the year 2020 except two insurers.

Amidst such, it is a positive note that many advancements ensued within the general insurance industry, where most of the insurers re-engineered operating models to stay efficient & competitive in the COVID-19 era while providing uninterrupted service to their valuable customers. Various new insurance products were launched in order to cater the prevailing situation in the country such as 'Nagaraja' an exclusive medical insurance cover to provide protection for Buddhist clergy and their family members. The 'Suraksha' free medical and personal accident cover is being implemented to benefit some 4.2 million students in all government schools, pirivenas and private schools as well as international schools also contributed to the premium income of general insurance business during the year 2020.

Gross Written Premium

The detrimental consequences of the pandemic and the high-pressure economic environment was perceptible in the gross written premium recorded by the general insurance industry with a negative hit of 2.24% growth rate with a premium income of LKR 105,276 million against the premium income of LKR 107,685 million recorded in 2019. Restriction on vehicle imports in to the country & shrinking of business operations with pandemic created challenges such as limited access to customers amid social distancing measures & deterioration of affordability of insurance premium of consumers were the main explanations of this negative growth.

SLIC attained the largest market share of the general insurance market in the year 2020 who was the second largest in the preceding year by gaining 18.40% of the total GWP (2019: 16.87%) which amounted to LKR 19,371 million (2019: LKR 18,163 million). SLIC recorded a significant boost in the market share as it grew by 1.53% which is the largest growth rate in market share recorded among general insurers. This was mainly driven by the health category of insurance business with the receipt of 'Suraksha' student insurance policy in the mid of year 2020.

Ceylinco General moved in to the second position of the general insurance market with a market share of 17.74% (2019: 17.09%) and generated GWP worth of LKR 18,681 million (2019: LKR 18,401 million). Allianz General reaffirmed the third position in terms of GWP by recording totaled to LKR 13,853 million (2019: LKR 18,095 million) with the market share of 13.16% (2019: 16.80%). Market share of Allianz General has dropped notably by 3.65% mainly due to loss of premium income from Suraksha insurance scheme of government which they had in 2019 and impact of COVID-19 pandemic to operation of the business. The reduction in GWP of Allianz General worth to LKR 4,242 million comparing to prior year 2019.

NITF and Fairfirst accomplished the fourth and the fifth positions by recording GWP worth LKR 12,051 million (2019: LKR 13,358 million) and LKR 11,937 million (2019: LKR 11,248 million) respectively with the market share of 11.45% and 11.34%. NITF reflects a contraction of GWP generated approximately by LKR 1.3 billion which affected the overall industry picture of the performance mainly due to the decision taken by the Government to discontinue the 'National Natural Disaster Insurance Scheme' with effect from year 2020.

Amidst such enormous challenges, all general insurers except 03 insurers could showcase progresses in performance in terms of GWP.

Table 17 & Chart 14 illustrate the company-wise GWP and market share of general insurance companies.

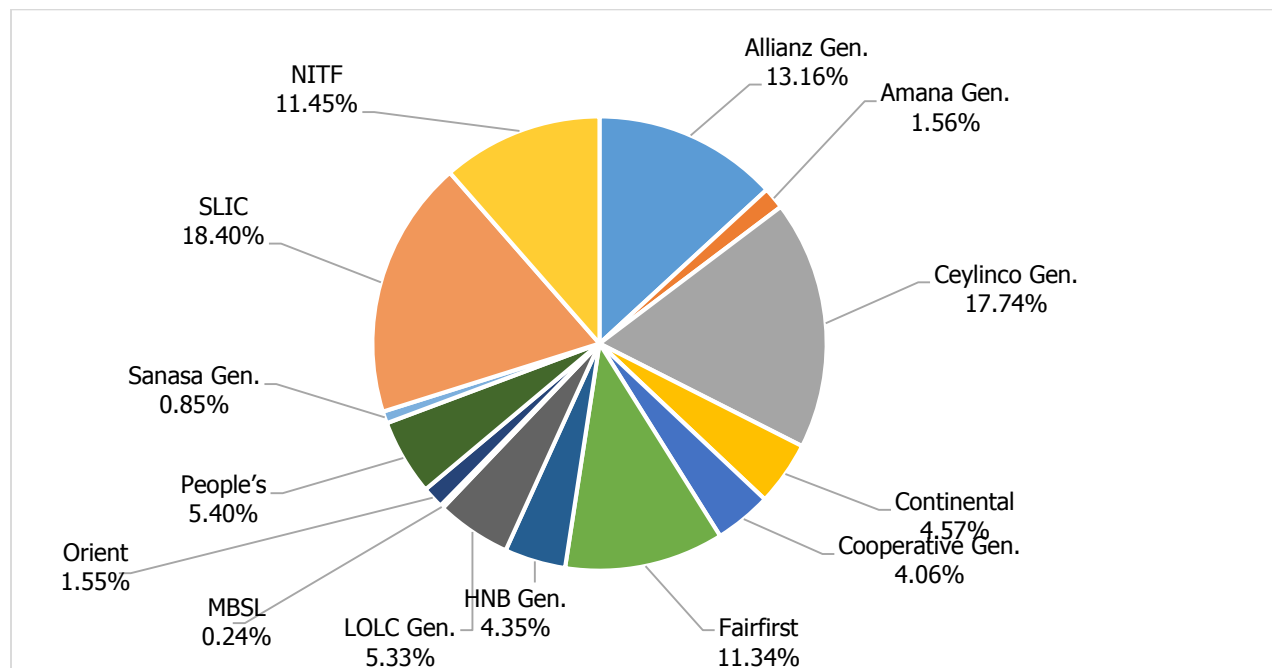
Table 17

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

Insurer	2016		2017		2018		2019 (a)		2020 (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 (%)
Allianz Gen.	4,247,691	5.34	5,956,142	6.38	17,983,748	17.88	18,095,258	16.80	13,852,829	13.16
Amana Gen.	1,474,186	1.85	1,686,270	1.81	1,841,067	1.83	1,621,461	1.51	1,639,021	1.56
Ceylinc Gen.	15,265,433	19.18	17,012,087	18.22	18,137,933	18.03	18,401,405	17.09	18,680,545	17.74
Continental	3,088,064	3.88	3,892,780	4.17	4,545,405	4.52	5,002,548	4.65	4,808,965	4.57
Cooperative Gen.	2,420,130	3.04	2,966,679	3.18	3,692,397	3.67	4,192,960	3.89	4,274,397	4.06
Fairfirst	2,361,614	2.97	9,610,990	10.29	10,980,850	10.92	11,247,669	10.44	11,937,480	11.34
HNB Gen.	2,982,385	3.75	3,662,008	3.92	4,062,171	4.04	4,394,457	4.08	4,583,235	4.35
Janashakthi Gen.	10,137,864	12.74	11,740,185	12.57	-	0.00	-	0.00	-	-
LOLC Gen.	3,096,834	3.89	3,795,106	4.06	4,318,721	4.29	4,954,896	4.60	5,612,895	5.33
MBSL	972,976	1.22	260,806	0.28	(512)	0.00	95,979	0.09	250,976	0.24
NITF	6,420,822	8.07	8,114,412	8.69	9,644,901	9.59	13,358,203	12.40	12,051,251	11.45
Orient	810,728	1.02	1,179,000	1.26	1,376,398	1.37	1,564,902	1.45	1,628,153	1.55
People's	4,166,727	5.24	4,587,432	4.91	5,354,368	5.32	5,694,164	5.29	5,686,757	5.40
Sanasa Gen.	384,481	0.48	569,509	0.61	732,379	0.73	898,079	0.83	898,724	0.85
SLIC	15,198,381	19.10	18,355,361	19.65	17,916,274	17.81	18,162,766	16.87	19,370,895	18.40
Union Gen.	6,561,571	8.23			-					
Total	79,589,889	100	93,388,766	100	100,586,101	100	107,684,747	100	105,276,123	100
Growth Rate (%)	14.90		17.34		7.71		7.06		-2.24	

Chart 14

Company-wise Market Share of Gross Written Premium - General Insurance Business for the year ended 31st December 2020



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

The overall contribution from the top five players of general insurance business accounts to GWP worth LKR 75,893 (2019: LKR 79,265) million and captures 72.09% (2019: 73.61%) of total market share while the remaining 09 players hold 27.91% worth to LKR 29,383 million (2019: LKR 28,419 million) collectively. SLIC, Ceylinco General, Allianz General, NITF and Fairfirst achieved the top five market shares in the general insurance market in 2020. However, SLIC outpaced and became the market leader in the year 2020 who had the second place in previous year. It is précised that the leading position of the general insurance market was exchanging between SLIC & Ceylinco General during the last five years.

It is noteworthy to mention that remaining players had widened their market share by 1.52% during the year 2020 while top players had loosened the grip, namely Allianz General (-3.65%) & NITF (-0.96%). The

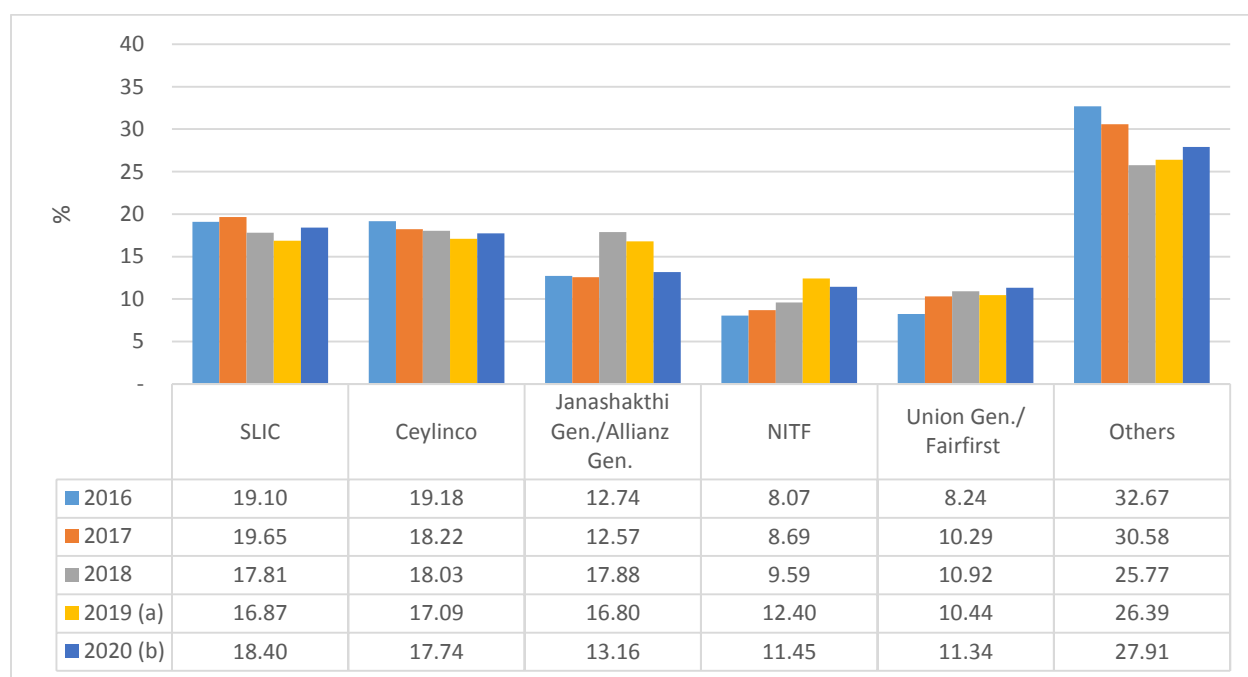
remaining players indicated a continuous progress & demonstrated an upward trend acquiring the market share during the last three years.

The dominant player, SLIC could attain 1.53% growth in the market share while second & fifth leading players, Ceylinco General & Fairfirst achieved a marginal growth of 0.66% and 0.89% respectively.

Chart 15 stylizes the market share of top five contributors to GWP and other insurers during 2016 to 2020.

Chart 15

Market Share of Top Five Contributors to GWP and Other Insurers for the Years 2016 to 2020 - General Insurance Business



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

As accustomed, motor insurance contributed the higher proportion of general insurance industry's premium & recorded LKR 61,202 million (2019: LKR 63,686 million) and held 58.13% (2019: 59.14%) of total general insurance business. Yet, a significant decline of growth rate of motor insurance business was visible with a negative growth rate of 3.90% primarily due to the sharp decline in registering new motor vehicles during the year in consequent of the restriction imposed on the importation of motor vehicles effective from March 2020. Despite motor insurance being the most vital class of the general insurance sector, motor premiums decreased approximately by LKR 2.5 billion corresponding to the previous year 2019. Further, a declining

trend of growth rate was prominent all the way through the previous five years in respect of motor business category.

On the contrary, health insurance business being the second largest business category exhibits a significant growth approximately worth to LKR 2.1 billion during the year 2020, recording GWP amounting to LKR 18,701 million (2019: LKR 16,594 million) & the market proportion of 17.76% (2019: 15.41%) of total general insurance business. The upsurge was caused by the pandemic which enhanced the overall concern for personal health and the insurers were innovative enough to introduce new products covering the COVID-19 pandemic in order to grab the market opportunity. 'Suraksha' insurance scheme & 'Agrahara' medical insurance scheme also contributed the growth of health insurance business. Yet, the recorded growth rate 12.70% was far behind the previous year growth of 17.17% in terms of GWP written under the health insurance business.

Despite the fact that the growth was mainly driven by few insurers, the category of fire insurance business grew at a rate of 7.74% (2019: -6.25%) and occupied 8.46% (2019: 7.68%) of market proportion in the general insurance industry and stated GWP as LKR 8,910 million (2019: LKR 8,270 million)

Further, the miscellaneous category of business recorded a pronounced decline in terms of growth marking a negative hit of 22.45% (2019: 26.51%) and GWP stood at LKR 8,098 million (2019: LKR 10,443 million) reflecting the discontinuation of 'National Natural Disaster Insurance Scheme' of NITF with effect from year 2020 by way of decision taken by the government. Further, the outbreak of COVID-19 severely impacted the travel and tourism industry & this led to a significant shrinkage in travel insurance & air craft hull insurance which falls under the miscellaneous class of business.

The category of marine insurance business also negatively contributed to the GWP growth by recording a negative growth rate of 4.53% (2019: -0.74%) and marked GWP as LKR 2,277 million (2019: LKR 2,386 million) for the year 2020.

Premiums collected to cover the risk from Strike, Riot, Civil Commotion and Terrorism (SRCC & T) of NITF totaled to LKR 6,088 million (2019: 6,307 million) in the year 2020. SRCC & T premium represented 5.78% of the total GWP showcasing a contraction of growth rate as -3.47%.

Table 18 and Chart 16 depict gross written premium generated from the main sub-classes of general insurance business and premiums pertaining to SRCC & T cover provided by NITF along with their growth rates and percentage share from the total GWP of general insurance business for the period from 2016 to 2020.

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

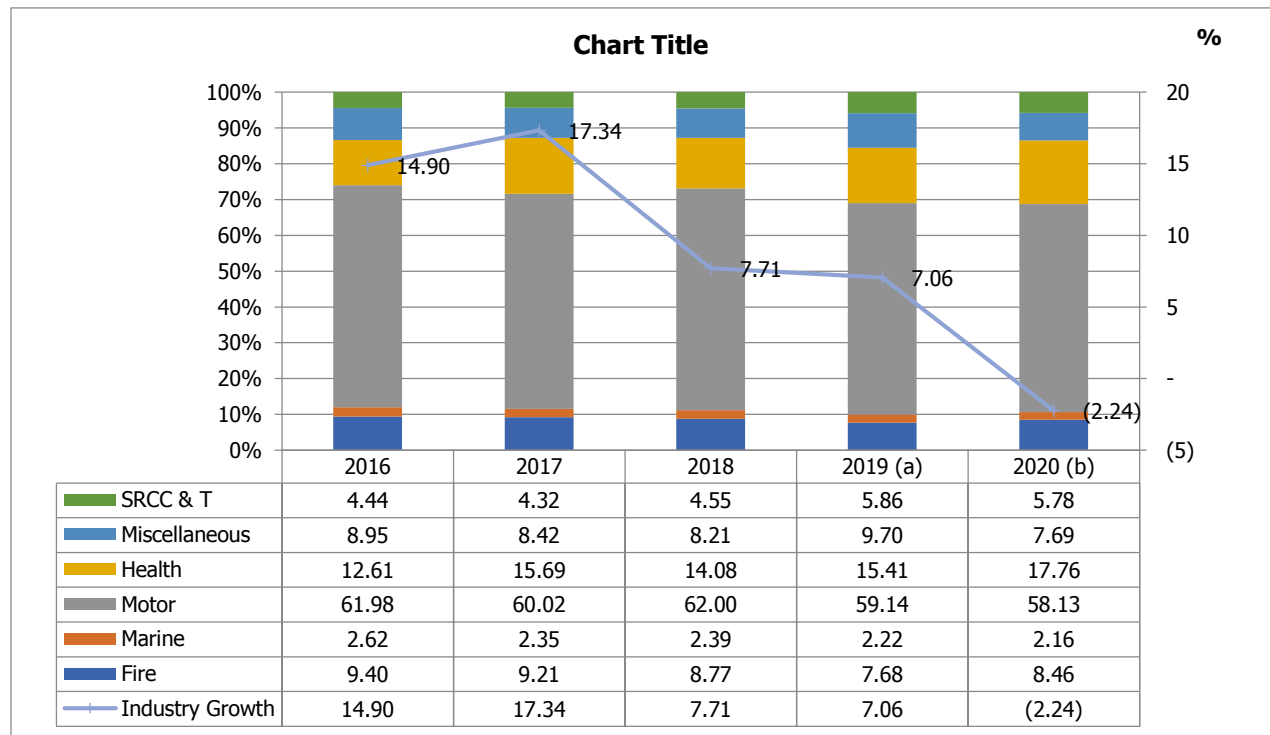
Class	Gross Written Premium (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	7,479,910	8,597,489	8,821,655	8,269,991	8,909,833
Marine	2,086,394	2,191,654	2,403,366	2,385,566	2,277,465
Motor	49,333,000	56,047,640	62,363,476	63,685,555	61,201,801
Health	10,036,518	14,649,440	14,161,542	16,593,661	18,700,747
Miscellaneous	7,120,742	7,866,260	8,254,421	10,442,624	8,097,780
Sub Total	76,056,564	89,352,484	96,004,460	101,377,397	99,187,627
SRCC & T	3,533,324	4,036,283	4,581,641	6,307,350	6,088,496
Total	79,589,888	93,388,766	100,586,101	107,684,747	105,276,123

Class	Growth (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	13.26	14.94	2.61	(6.25)	7.74
Marine	4.48	5.05	9.66	(0.74)	(4.53)
Motor	15.74	13.61	11.27	2.12	(3.90)
Health	17.60	45.96	(3.33)	17.17	12.70
Miscellaneous	9.63	10.47	4.93	26.51	(22.45)
Sub Total	14.80	17.48	7.44	5.60	(2.16)
SRCC & T	17.06	14.23	13.51	37.67	(3.47)
Total	14.90	17.34	7.71	7.06	(2.24)

Class	Percentage Share (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	9.40	9.21	8.77	7.68	8.46
Marine	2.62	2.35	2.39	2.22	2.16
Motor	61.98	60.02	62.00	59.14	58.13
Health	12.61	15.69	14.08	15.41	17.76
Miscellaneous	8.95	8.42	8.21	9.70	7.69
Sub Total	95.56	95.68	95.45	94.14	94.22
SRCC & T	4.44	4.32	4.55	5.86	5.78
Total	100.00	100.00	100.00	100.00	100.00

Chart 16

Class-wise Analysis of GWP from 2016 to 2020 - General Insurance Business



Category –wise Analysis of GWP of Miscellaneous Insurance Business

Table 19 exhibits the split up of broad miscellaneous insurance grouping for the year 2020 and 2019 elaborating the sub categories included in same.

As aforementioned, the dip recorded in the miscellaneous insurance class of business recorded as -22.45% and total GWP generated from miscellaneous insurance excluding SRCC & T was LKR 8,098 million (2019: LKR 10,443 million). The major sub categories of miscellaneous insurance business; Personal Accident & Air Craft Hull indicated a decay of -10.56% & -23.07% respectively in the year 2020 corresponding to the previous year 2019, mainly driven by adverse influence caused by the outbreak of the pandemic. The sub category 'Personal Accident' recorded the GWP of LKR 1,515 million (2019: LKR 1,694 million) while Air Craft Hull category of business recorded LKR 1,204 million (2019: LKR 1,565 million).

National Natural Disaster Insurance Scheme was withdrawn with effect from year 2020 and same is demonstrated in the Table 19.

While the world was battling the novel coronavirus pandemic, travel and tourism industries were severely impacted & consequently the biggest falls in GWP under miscellaneous insurance business can be seen in Air Craft Hull & Travel Insurance. Moderate growth was noticeable in Contactor's All Risk whereas slight increase was visible in few miscellaneous insurance business categories such as Professional Indemnity and Banker's Indemnity. All the other sub categories illustrated a decline of the business written for the year 2020.

The businesses carried out in terms of other categories were grouped as 'Other business' which mainly represented employee benefit, weather index policies, livestock, performance bond etc.

Table 19

Category - wise Analysis of GWP of Miscellaneous Insurance Business for 2019 & 2020

Category	GWP LKR '000	
	2019 (a)	2020 (b)
Title	399,180	320,719
Personal Accident	1,694,374	1,515,364
Contractors' All Risk	510,730	684,871
Professional Indemnity	441,896	457,580
Travel Insurance	477,128	200,359
Fidelity Guarantee	92,779	85,470
Burglary	401,421	360,929
Cash in transit including cash in safe	433,594	429,730
Goods in Transits	115,912	89,883
Products Liability	167,653	166,869
Public Liability	528,355	444,790
Bankers' Indemnity	413,314	468,987
Air Craft Hull	1,564,606	1,203,656
WCI	592,126	556,269
National Natural Disaster Insurance Scheme	1,500,000	-
Others	1,879,634	1,829,357
Subtotal	11,212,702	8,814,833
Less: Total of SRCC & T due to NITF	(711,516)	(647,525)
Coinsurance Premium	(58,558)	(69,524)
Total	10,442,627	8,097,784

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

The overall retention ratio of the general insurance sector stood at 81.38% (excluding SRCC & T) and slightly declined by 1.05% corresponding to previous year and retention premium amounted to LKR. 86,788 million (2019: LKR 89,819 million) in the year 2020. On the whole, the overall retention level in terms of value, has marginally deteriorated during the year 2020.

Total reinsurance premium slightly improved to LKR 18,488 million (2019: LKR 17,866 million) and same upturns can be seen from each class of sub category independently except the miscellaneous class of business which recorded a significant dip in gross written premium too.

Substantial amount of risk is generally retained by insurers in the motor insurance business which is the major sub class of general insurance sector and retention ratio of same was stood at 92.99%. However, marginally declining trend of retention ratio during the past five years is perceptible which is corresponding to the declining growth rate of motor business category.

Health insurance business recorded the second highest retention ratio of 91.21% in 2020 (2019: 91.08%) and indicated a slight increase of 0.13% which is corresponding to the considerable increase recorded in health insurance class of business in terms of GWP.

The retention ratio of fire, marine & miscellaneous classes of business stick up at 25.74%, 40.45% & 43.64% respectively which shows slight contractions corresponding to previous year 2019.

Table 20 and Chart 17 illustrate details of reinsurance and level of retention of GWP for main sub classes of general insurance business from 2016 to 2020.

Table 20

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

Class	GWP (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	7,479,910	8,597,489	8,821,655	8,269,991	8,909,833
Marine	2,086,394	2,191,654	2,403,366	2,385,566	2,277,465
Motor	49,333,000	56,047,640	62,363,476	63,685,555	61,201,801
Health	10,036,518	14,649,440	14,161,542	16,593,661	18,700,747
Miscellaneous	7,120,742	7,866,260	8,254,421	10,442,624	8,097,780
Sub Total	76,056,563	89,352,484	96,004,460	101,377,397	99,187,627
SRCC & T	3,533,324	4,036,283	4,581,641	6,307,350	6,088,496
Total	79,589,888	93,388,766	100,586,101	107,684,747	105,276,123

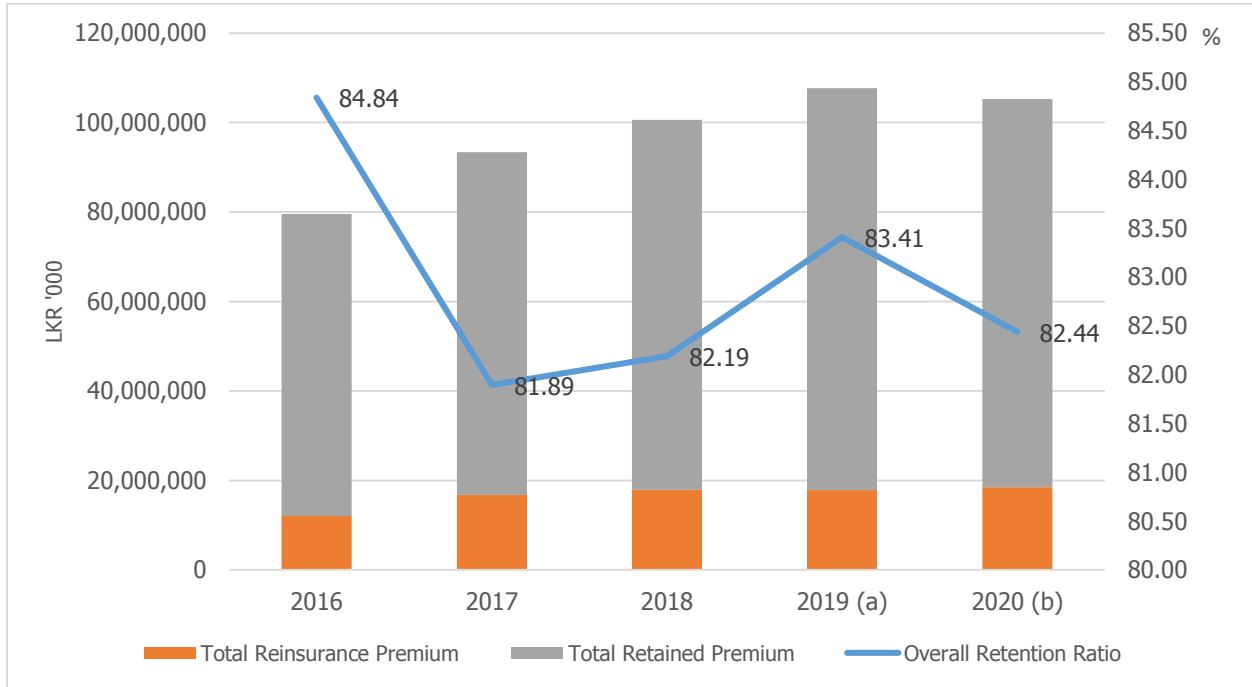
Class	Reinsurance Premium (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	5,959,242	6,947,675	6,103,609	6,061,855	6,616,475
Marine	1,174,266	1,177,400	1,200,069	1,224,829	1,356,136
Motor	1,233,466	2,152,508	4,296,451	4,229,915	4,290,568
Health	486,984	2,682,617	1,771,091	1,480,482	1,644,291
Miscellaneous	3,213,645	3,840,459	4,462,894	4,813,310	4,564,149
Sub Total	12,067,604	16,800,660	17,834,113	17,810,391	18,471,618
SRCC & T	-	108,750	81,656	55,564	16,014
Total Reinsurance Premium	12,067,604	16,909,410	17,915,770	17,865,954	18,487,632

Class	Retention (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,520,667	1,649,814	2,718,046	2,208,136	2,293,358
Marine	912,129	1,014,254	1,203,297	1,160,737	921,330
Motor	48,099,534	53,895,132	58,067,024	59,455,641	56,911,233
Health	9,549,533	11,966,823	12,390,451	15,113,179	17,056,456
Miscellaneous	3,907,097	4,025,800	3,791,528	5,629,314	3,533,631
Sub Total	63,988,960	72,551,823	78,170,347	83,567,006	80,716,008
SRCC & T	3,533,324	3,927,533	4,499,984	6,251,787	6,072,482
Total Net Written Premium	67,522,284	76,479,356	82,670,331	89,818,793	86,788,490

Class	Retention as a Percentage of GWP (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	20.33	19.19	30.81	26.70	25.74
Marine	43.72	46.28	50.07	48.66	40.45
Motor	97.50	96.16	93.11	93.36	92.99
Health	95.15	81.69	87.49	91.08	91.21
Miscellaneous	54.87	51.18	45.93	53.91	43.64
Sub Total	84.13	81.20	81.42	82.43	81.38
SRCC & T	100.00	97.31	98.22	99.12	99.74
Overall Retention Ratio	84.84	81.89	82.19	83.41	82.44

Chart 17

Reinsurance Premium and Retention by Insurers - General Insurance Business



Company wise Analysis of Total Asset- General Insurance Business

The general insurance sector exhibits a pronounced resilience recording a modest growth rate of 10.15% surpassing the previous year growth rate of 4.66% & growth was approximately LKR 21 billion in terms of value. Weathering a tough economic climate, all the insurers except one insurer could showcase progresses in total assets ensuring the absorption level of exogenous shocks despite the enormous challenges took place during the year 2020. Above and beyond, the reduction in claims incurred during the initial lockdown period of the year 2020 & restrictions imposed on distribution of dividends by the regulator indirectly affected the surge in asset base of the insurers. Total asset base of the sector stood at LKR 225,956 million as at the end of year 31st December 2020 (2019: LKR 205,130 million).

Table 21 depicts the distribution of assets among general insurance companies as at 31st December 2020 and 2019.

Table 21**Company wise Analysis of Total Assets - General Insurance Business**

Insurer	2019 (a)		2020 (b)	
	(LKR' 000)	%	(LKR' 000)	%
Allianz Gen.	30,216,643	14.73	28,088,105	12.43
Amana Gen.	2,877,004	1.40	2,938,912	1.30
Ceylinco Gen.	28,586,500	13.94	32,061,287	14.19
Continental	6,632,569	3.23	7,862,336	3.48
Cooperative Gen.	6,669,316	3.25	7,934,154	3.51
Fairfirst	16,266,580	7.93	18,046,123	7.99
HNB Gen.	5,644,112	2.75	6,855,077	3.03
LOLC Gen.	7,560,191	3.69	9,121,703	4.04
MBSL	1,452,561	0.71	1,517,295	0.67
NITF	14,679,797	7.16	20,487,170	9.07
Orient	2,208,665	1.08	2,612,380	1.16
People's	9,764,575	4.76	10,757,596	4.76
Sanasa Gen.	1,145,811	0.56	1,390,287	0.62
SLIC	71,425,305	34.82	76,283,847	33.76
Total	205,129,630	100	225,956,271	100

More than half of total assets of general insurance sector is concerted around three insurers, precisely top three general insurers SLIC, Ceylinco General & Allianz General holding 33.76%, 14.19% and 12.43% of total assets, worth to LKR 76,284 million, LKR 32,061 million and LKR 28,088 million respectively. However, Allianz General exhibits a significant drop of -7.04% corresponding to previous year 2019 specially driven from decrease in premium receivables and deferred income tax assets.

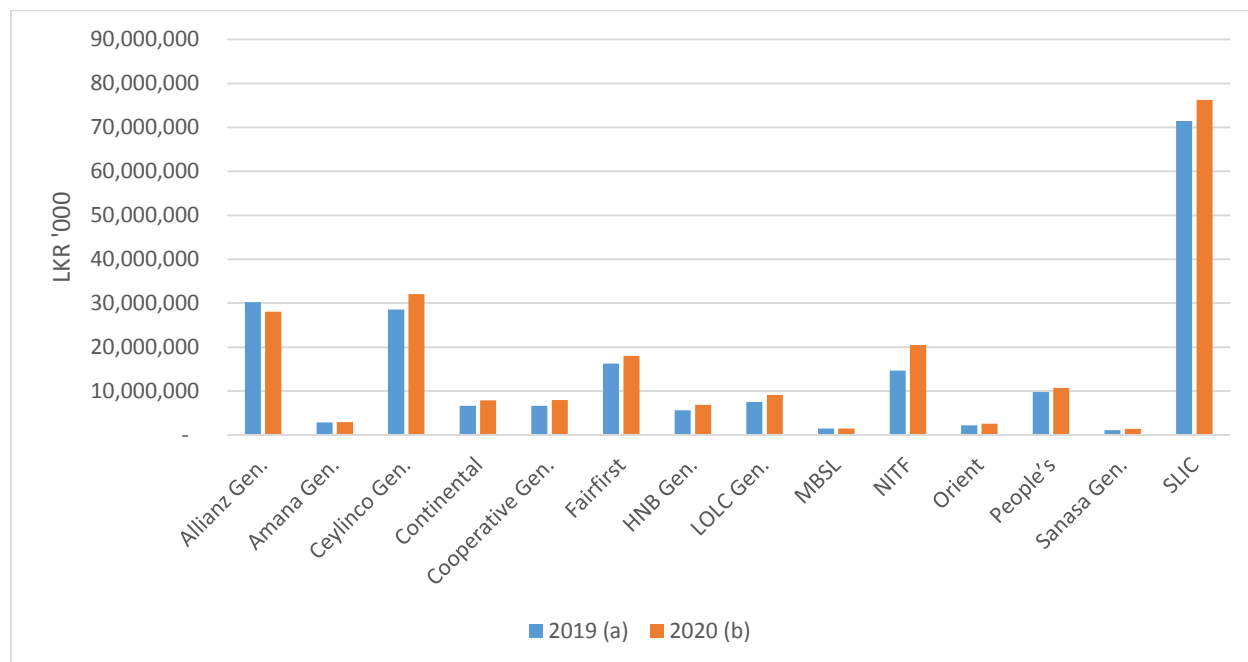
NITF posted an outstanding growth of 39.56% and growth was recorded as LKR 5,807 million and same was detectable from financial investments. Similarly, SLIC reported a growth of 6.80% and growth was stated as LKR 4,859 million majorly driven by financial investments and premium receivables from policyholders. Ceylinco General recorded the third most noticeable growth in assets in terms of value, which reported as LKR 3,475 million and perceptible from financial investments.

10 general insurers out of 14 presented improved performance in their balance sheets reaching double digit growth in terms of total assets ensuring stability in unprecedented times.

Chart 18 visualizes company - wise analysis of total assets as at 31st December 2020 & 2019.

Chart 18

Company wise Analysis of Total Assets - General Insurance Business



Concentration of Assets of General Insurance Business

The majority of the total assets of general insurance sector allotted to the financial investments occupying 65.64% of total assets & slightly grown by 2.50% comparing to previous year 2019. The growth of financial investments majorly driven by Government Debt Securities & Unit Trusts.

Similar to previous years, higher composition of the total asset portfolio was invested in Government Debt Securities mainly considering the regulatory requirements and risk factors. A substantial rise on same was noticeable primarily due to a large investment made by a single insurer. Thus, Government Debt Securities amounting to LKR 65,699 million (2019: LKR 54,795 million) continues to be the main fragment, occupying 29.08% (2019: 26.71%) of total assets followed by Equity Investments.

With the rapid recovery of Colombo Stock Exchange towards the end of year aftermath the significant decline in March 2020 with the first wave of COVID-19, Equity investments become the second most significant fragment of total assets standing at LKR 32,553 million (2019: LKR 32,207 million) presented a slight increase of 1.07%.

Premium Receivables from policyholders and intermediaries occupied an extensive share of insurers' balance sheet since the COVID -19 pandemic made it difficult the collection of premium and insurers provided relief to policyholders who were suffering hardships with the direction of the Regulator. Premium Receivables amounting to LKR 27,735 million (2019: LKR 23,580 million) in 2020 representing 12.27% (2019: 11.49%) of total assets and turned into the third largest percentage of total assets of general insurance sector.

Investments in Deposits amounted to LKR 25,709 million (2019: LKR 23,949 million) and accounted for 11.38% (2019: 11.68%) of total assets & exhibited a marginal growth of 7.35%. Along with the low interest rate regime prevailed, insurers' interest shifted to other investment options with the purpose of higher return from investments.

An accelerated growth in investments in Unit Trusts was clearly visible by unveiling the highest growth rate of 233% amounting to LKR 6,534 million (2019: LKR 1,962 million). The trend towards Unit Trusts was primarily due to slashing interest rates prevailed throughout the year 2020 which made the insurers to give primacy to short term investments with better investment yields.

On the flip side, investments in Property Plant & Equipment, Other Assets, Reinsurance Receivables & Land & Buildings showcased contractions during the year 2020.

Table 22 & Chart 19 provide the information on concentration of assets as at 31st December 2019 & 2020.

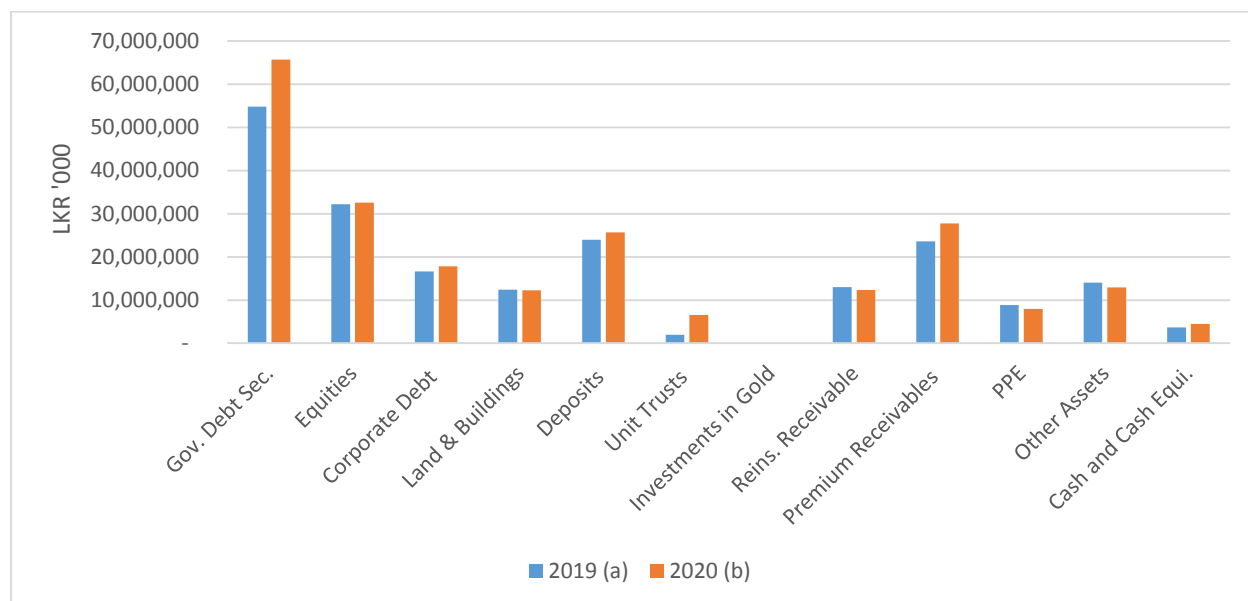
Table 22

Concentration of Assets as at 31st December 2019 & 2020 - General Insurance Business

Type of Asset	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	54,795,217	26.71	65,699,037	29.08
Equities	32,207,442	15.70	32,552,694	14.41
Corporate Debts	16,604,684	8.09	17,812,378	7.88
Land & Buildings	12,408,469	6.05	12,293,551	5.44
Deposits	23,949,316	11.68	25,708,734	11.38
Unit Trusts	1,962,072	0.96	6,533,782	2.89
Reinsurance receivables	12,986,745	6.33	12,320,408	5.45
Premium receivable from policyholders and intermediaries	23,579,600	11.49	27,735,241	12.27
Property Plant and Equipment	8,889,450	4.33	7,929,111	3.51
Other Assets	14,044,362	6.85	12,911,818	5.71
Cash and cash equivalents	3,702,273	1.80	4,459,520	1.97
Total	205,129,630	100	225,956,273	100

Chart 19

Concentration of Assets as at 31st December 2019 & 2020 - General Insurance Business



Investment Income – General Insurance Business

The COVID-19 outbreak and related intermittent lockdowns dampened the progress of the economy and contracted by 3.6% in real terms in 2020 as per the annual report of Central Bank. Amidst such, the Central Bank of Sri Lanka maintained an extremely accommodative monetary policy stance to support the recovery of the economy, which the overall interest rate structure of the economy adjusted downwards.

Therefore, the overall investment income of general insurance sector presented an attentive decline of - 18.29% (2019: 34.15%) and amounted to LKR 10,282 million compared to LKR 12,583 million reported in 2019. On the contrary, average investments expanded by 9.54% to LKR 151,937 million (2019: LKR 138,708 million). The decline of the investment income largely driven by the category of Equity since one single insurer earned LKR 2.7 billion dividend income approximately during the year 2019.

The yields on government securities recorded a notable decline during the year 2020 & exhibited a decay of investment income by -11.41% to LKR 4,397 million (2019: LKR 4,963 million). In contrast, average amount

of investment in government debt securities which represented the largest section of total average investments elevated & totaled to LKR 60,247 million (2019: LKR 53,992 million).

Capital gains on equity aggregated to LKR 391 million (2019: LKR 91 million) revealing a momentous growth, reflecting the improvement of stock market in mid May 2020 aftermath the first wave of COVID-19. However, dividend income presented an excessive decline which mainly raised from a single insurer as aforementioned and totaled to LKR 522 million (2019: LKR 2,781 million).

Corporate debt had generated investment income of LKR 2,080 million (2019: LKR 1,708 million) and grew by 21.74% year on year on account of active corporate debt securities market prevailed even in the pandemic era. On the flip side, return on deposits notably declined by -7.76% in response to the lower interest rates existed throughout the year 2020. Deposits generated an investment income of LKR 2,406 million (2019: LKR 2,609 million) counting interest income from banks and finance companies.

Meanwhile, general insurers favored investing in unit trusts & witnessed an improvement of investment returns amounted to LKR 160 million (2019: 58 million) where the average investments also increased compatibly and stood at LKR 4,248 million (2019: 1,596 million). This evident the reallocation within the investment portfolio of insurers' and this trend may reflect an attempt to earn higher investment income in a prolonged lower interest rate environment.

The overall investment yield dropped to 6.77% in 2020 from 9.07% in 2019.

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

Category	2019 (a)		2020 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	4,963,331	53,992,112	4,396,953	60,247,127
- Treasury Bonds	2,360,768		2,157,967	
- Treasury Bills	1,363,360		999,323	
- Others (REPO)	1,239,202		1,239,663	
Equity	2,872,003	33,233,311	912,911	32,380,068
- Capital Gain/Losses	90,712		390,749	
- Dividend	2,781,291		522,162	
Corporate Debts	1,708,324	15,054,751	2,079,730	17,208,531
- Debentures	1,608,661		1,991,433	
- Commercial Papers	99,663		88,297	
Land and Buildings	-	12,196,276	-	12,351,010
Deposits	2,608,567	22,150,354	2,406,024	24,829,025
- Banks	1,931,593		1,900,784	
- Finance Companies	676,974		505,239	
Unit Trusts	58,203	1,595,773	159,812	4,247,927
Others	372,772	485,262	326,797	673,313
Total	12,583,201	138,707,840	10,282,227	151,937,000
Average Investment Yield	9.07%		6.77%	

Solvency Position of Insurance Companies - General Insurance Business

In the wake of COVID-19 pandemic, sudden concern on solvency standing of insurance sector was stemmed out with the huge uncertainties raised from sternly impacted economy with recession. As such, IRCSL took several measures to closely monitor the insurers in order to preserve the capital levels. Further, temporary restrictions on dividend distributions and other discretionary payments were imposed in order to safeguard the insurers and maintain capital buffers to ensure the stability of insurers.

With all the exertions, general insurance companies remained well-capitalized and the average Capital Adequacy Ratio (CAR) and Total Available Capital (TAC) of general insurers recorded as 249% (2019: 215%) and LKR 65,043 million (2019: LKR 54,744 million) respectively at the end of year 2020 excluding NITF, exhibiting 18.81% growth rate in overall TAC. Further, all the insurers recorded CAR above the enforcement level of 160%.

Under RBC Rules, insurers are required to maintain a minimum TAC of LKR 500 million and CAR of 120% in order to comply capital adequacy requirements. Accordingly, all the insurers except one were able to comply with the minimum requirements as at the end of year 2020.

National Insurance Trust Fund recorded CAR as 562% (2019: 263%) & TAC as LKR 13,010 million (2019: LKR 5,559 million) which is not included to the Table 24.

Tables 24, 25 and 26 demonstrate details relating to Risk Based Capital (RBC) of general insurers for the years 2019 & 2020.

Table 24

Company-wise Analysis of Solvency Position - General Insurance Business as at 31st December 2019 & 2020

Insurer	As at 31st December 2019 (a)			As at 31st December 2020 (a)		
	TAC (LKR'000)	RCR (LKR'000)	CAR (%)	TAC (LKR '000)	RCR (LKR'000)	CAR (%)
Allianz Gen.	6,515,992	3,901,094	167	8,426,064	3,978,744	212
Amana Gen.	493,293	247,534	199	525,369	279,610	188
Ceylinco Gen.	5,978,705	3,220,685	186	7,472,104	4,081,902	183
Continental	1,836,265	721,772	254	2,629,220	904,617	291
Cooperative Gen.	1,698,652	907,055	187	2,550,823	1,024,217	249
Fairfirst	3,960,926	2,187,118	181	5,057,218	2,692,147	188
HNB Gen.	1,391,752	616,879	226	1,840,729	722,199	255
LOLC Gen.	1,742,118	832,159	209	2,946,390	978,112	301
MBSL	520,039	244,949	212	422,154	135,852	311
Orient	768,495	255,346	301	941,383	334,423	281
People's	3,141,246	1,264,299	248	4,162,922	1,369,045	304
Sanasa Gen.	533,062	256,532	208	628,444	247,000	254
SLIC	26,163,057	12,350,481	212	27,440,331	12,307,698	223
Total/Average	54,743,602	27,005,903	215	65,043,150	29,055,565	249

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

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

The total available capital of the general insurance sector posted an enriched growth of 18.81% and piled up to LKR 65,043 million (2019: LKR 54,744 million) as at 31st December 2020 excluding NITF.

TAC is computed by adding 'Tier 1' and 'Tier II' capital and subtracting items specified as 'Deductions. Tier 1 capital includes permanent capital fully available to cover losses whereas Tier II capital is the supplementary capital which is less reliable than Tier 1 capital, but still provides some degree of loss absorbency on going-concern basis. Deductions from TAC are made in respect of intangible or illiquid assets that are not generally available to cover losses.

The growth of TAC was basically driven by Tier 1 capital which primarily nurtured by adjusted retained earnings. Tier 1 capital amounted to LKR 90,870 million as at 31st December 2020 compared to LKR 81,278 million as at 31st December 2019 and grew by 11.80%.

Tier II capital almost remained unchanged and exhibited a slight increase of 1.75% and totaled to LKR 8,640 million (2019: LKR 8,491 million). Deductions exposed a slight contraction of -1.60% and stood at LKR 34,467 million (2019: LKR 35,026 million).

Allianz General presented a spike in TAC from Tier 1 capital backed by retained earnings and growth was reached to LKR 1,910 million. In addition, Ceylinco General, LOLC General, Fairfirst and Peoples' recorded expansions in TAC basically arrived from Tier 1 capital. All the general insurers could widen their capital base during the year 2020 except one insurer who is undergoing a restructuring of the business.

NITF showcased a significant increase in TAC which was raised from retained earnings and totaled to LKR 13,010 million (2019: LKR 5,559 million) which was not included in the Table 25.

Table 25**Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2019 & 2020 - General Insurance Business**

Insurer	TAC as at 31st December 2019 (a) (LKR'000)	As at 31st December 2020 (a)			
		Tier 1 (LKR'000)	Tier II (LKR'000)	Deductions (LKR '000)	TAC (LKR '000)
Allianz Gen.	6,515,992	11,119,590	-	2,693,527	8,426,064
Amana Gen.	493,293	1,412,806	291,574	1,179,011	525,369
Ceylinco Gen.	5,978,705	12,319,057	468,226	5,315,180	7,472,104
Continental	1,836,265	2,764,647	-	135,427	2,629,220
Cooperative Gen.	1,698,652	3,018,797	565,770	1,033,744	2,550,823
Fairfirst	3,960,926	6,606,952	-	1,549,734	5,057,218
HNB Gen.	1,391,752	2,026,427	-	185,698	1,840,729
LOLC Gen.	1,742,118	3,163,229	-	216,839	2,946,390
MBSL	520,039	502,438	13,114	93,397	422,154
Orient	768,495	991,243	-	49,860	941,383
People's	3,141,245	4,642,070	-	479,149	4,162,922
Sanasa Gen.	533,062	721,356	-	92,912	628,444
SLIC	26,163,057	41,580,952	7,301,747	21,442,367	27,440,331
Total	54,743,601	90,869,564	8,640,431	34,466,845	65,043,150

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

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

Risk-based Capital Required (RCR) can be defined as the cumulative of the capital required to address all relevant and material categories of risks explicitly credit risk, concentration risk, market risk, reinsurance risk, liability risk and operational risk.

Total risk capital charges after diversification were reflective of a marginal increase during the year 2020 and elevated by a rate of 7.59% to LKR 29,056 million compared to LKR 27,006 million in 2019. The increase was basically emerged from concentration risk and liability risk which are the largest compositions of the RCR in the general insurance sector.

Similar to preceding years, general insurance sector commonly exposed to the concentration risk and occupied 33.14% of total risk charges amounting to LKR 13,237 million prior diversification. Liability risk continues to be the second major risk encountered by the general insurers, occupying 30.41% of total RCR before diversification and equaled to LKR 12,146 million. Market risk occupied 26.65% of total RCR before diversification. Thereupon, these three risk categories represented 90.19% (2019: 90.51%) of total risk capital charges prior to diversification.

NITF which is not included to the Table 26, reported LKR 2,316 million (2019: LKR 2,114 million) RCR after diversification for the year ended 31st December 2020.

Table 26

Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2019 and 2020 - General Insurance Business

Insurer	As at 31st December 2019 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	150,270	2,112,929	809,124	56,456	2,314,253	271,122	5,714,154	3,901,094
Amana Gen.	20,821	155,490	14,344	8,341	144,798	26,585	370,379	247,534
Ceylinco Gen.	251,653	1,434,138	889,040	196,997	1,621,495	246,035	4,639,358	3,220,685
Continental	101,481	106,767	258,939	26,567	523,304	57,573	1,074,631	721,772
Cooperative Gen.	98,794	235,237	379,357	14,822	537,405	60,446	1,326,061	907,055
Fairfirst	50,803	942,834	880,683	141,810	839,011	121,529	2,976,670	2,187,118
HNB Gen.	60,806	211,162	119,661	12,983	463,003	49,564	917,179	616,879
LOLC Gen.	22,708	136,823	352,249	39,798	619,815	63,866	1,235,259	832,159
MBSL	7,592	188,155	30,141	4,380	82,290	14,315	326,873	244,949
Orient	25,556	147,984	15,740	3,229	166,580	19,821	378,910	255,346
People's	170,641	241,118	504,659	17,730	847,603	85,957	1,867,709	1,264,300
Sanasa Gen.	7,875	173,878	66,600	1,284	57,945	11,500	319,082	256,532
SLIC	187,158	5,313,217	6,432,786	67,442	2,832,715	704,002	15,537,320	12,350,481
Total	1,156,158	11,399,733	10,753,323	591,839	11,050,218	1,732,314	36,683,586	27,005,904

Insurer	As at 31st December 2020 (b) (LKR'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	102,501	2,665,343	502,633	32,584	2,202,872	259,886	5,765,820	3,978,744
Amana Gen.	19,703	181,769	17,185	11,074	157,238	26,107	413,076	279,610
Ceylinc Gen.	262,027	2,240,028	943,650	221,688	1,770,939	275,549	5,713,881	4,081,902
Continental	98,013	317,117	314,862	24,340	494,275	70,767	1,319,374	904,617
Cooperative Gen.	156,866	173,732	493,406	14,530	583,482	73,693	1,495,708	1,024,217
Fairfirst	52,320	1,253,312	833,750	348,916	1,016,716	149,376	3,654,390	2,692,147
HNB Gen.	78,508	224,018	168,735	24,755	521,326	61,308	1,078,650	722,199
LOLC Gen.	27,268	229,491	393,645	38,397	689,523	82,542	1,460,867	978,112
MBSL	10,548	53,429	13,849	6,112	105,870	14,198	204,006	135,852
Orient	11,381	238,859	2,319	4,153	213,025	23,620	493,357	334,423
People's	192,721	523,220	327,517	19,335	857,117	100,517	2,020,428	1,369,045
Sanasa Gen.	12,223	141,767	79,877	1,647	73,370	12,598	321,482	247,000
SLIC	162,613	4,994,508	6,552,587	77,164	3,460,241	758,831	16,005,944	12,307,698
Total	1,186,693	13,236,593	10,644,017	824,693	12,145,994	1,908,992	39,946,982	29,055,564

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

Net earned premium generated from main sub classes of general insurance business including SRCC & T contracted by -1.44% and the negative growth recorded in GWP hindered the growth in net earned premium backed by the ailing economy prevailed throughout the year 2020. Net earned premium recorded as LKR 86,480 million (2019: 87,748 million) as at the year ended 2020.

The biggest fall in net earned premium witnessed from the category of motor insurance business in terms of value and the reduction amounted to LKR 867 million followed by miscellaneous insurance business which recorded the drop as LKR 596 million. On the flip side, net earned premium of SRCC & T and fire insurance business moderately grew by 10.62% & 7.13% and amounted to LKR 6,160 million and LKR 2,339 million respectively. Further, the net earned premium figures related to fire insurance business illustrate an upward trend when considering the past five years from 2016 to 2020.

Overall net claims incurred by the general insurance sector unveiled a drop of -26.88% to LKR 41,517 million (2019: LKR 58,149 million). Hence, overall net claims ratio hit down to 49.16% which is the lowest recorded in the past five years. Moreover, it is notable that each and every sub class of general insurance sector exhibited contractions in net claims incurred during the year 2020.

Major factors behind this noticeable slump of net incurred claims are mobility restrictions implemented during the 1st and 2nd waves of COVID-19 which directly reduced the motor claims and sharp decline in travel and tourism industries in the wake of the pandemic.

Most obviously, motor insurance claims declined heavily in terms of value due to intermittent lockdowns imposed throughout the year and drop recorded approximately LKR 7.6 billion. Secondly, net claims incurred under health insurance business dropped noticeably in terms of value and stood at LKR 12,122 million (2019: LKR 16,760 million). The decline was basically earmarked to single insurer relating to claims posted regarding Suraksha Insurance Scheme. Consequently, net claims ratio of health insurance category decelerated to 81.86% in year 2020 comparing to 110.60% recorded in year 2019.

Net claims ratio of miscellaneous insurance business narrowed sharply to 28.26% from 63.70% recorded in previous year 2019 with the absence of claims incurring from NNDIS business of NITF due to discontinuation of said insurance scheme with effect from year 2020.

Meanwhile, other business categories of fire and marine also presented momentous drop-off in claims incurred and net claims ratio, and both categories posted as 87.26% & 26.48% respectively.

Unlike the previous year, expenses incurred by general insurers increased in a slower phase of 2.62% (2019: 9.67%) and stood at LKR 34,138 million (2019: LKR 33,268 million). The overall net expense ratio of general insurance business elevated by 1.56% and stood at 39.47% in 2020 compared to 37.91% recorded in 2019. Insurers could proactively adapt to the challenges posed by the pandemic and ensured the uninterrupted service from virtual connectivity, may have impacted the lower growth in expenses incurred during the year 2020.

Net combined ratio which is the summative of net claims ratio and net expense ratio had decelerated to below 100% in the year 2020 and stood at 88.64% (2019: 104.18%) reporting the lowest combined ratio for the past 05 years.

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)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,213,542	1,721,160	1,957,237	2,183,650	2,339,266
Marine	903,170	991,573	1,104,376	1,175,289	966,785
Motor	44,593,900	50,580,010	56,891,349	58,724,480	57,857,937
Health	9,349,093	11,435,476	12,386,134	15,153,049	14,809,578
Miscellaneous	3,306,901	3,891,564	4,492,033	4,942,850	4,346,801
Sub Total	59,366,606	68,619,783	76,831,128	82,179,319	80,320,367
SRCC & T	3,274,297	3,734,321	4,031,846	5,568,739	6,159,888
Total	62,640,903	72,354,104	80,862,975	87,748,058	86,480,255

Class	Net Claims Incurred (LKR'000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,024,290	1,640,062	1,696,698	2,546,301	2,041,356
Marine	266,057	345,331	453,917	500,555	255,979
Motor	28,966,019	31,134,209	34,681,762	34,501,309	26,881,280
Health	8,065,476	10,511,212	12,148,224	16,759,694	12,122,437
Miscellaneous	2,121,221	4,186,860	3,457,623	3,148,570	1,228,258
Sub Total	40,443,063	47,817,674	52,438,224	57,456,428	42,529,310
SRCC & T	33,677	(10,519)	76,068	692,927	(12,232)
Total	40,476,740	47,807,154	52,514,292	58,149,354	42,517,078

Class	Net Claims Ratio (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	84.40	95.29	86.69	116.61	87.26
Marine	29.46	34.83	41.10	42.59	26.48
Motor	64.96	61.55	60.96	58.75	46.46
Health	86.27	91.92	98.08	110.60	81.86
Miscellaneous	64.15	107.59	76.97	63.70	28.26
Sub Total	68.12	69.68	68.25	69.92	52.95
SRCC & T	1.03	(0.28)	1.89	12.44	(0.20)
Total	64.62	66.07	64.94	66.27	49.16

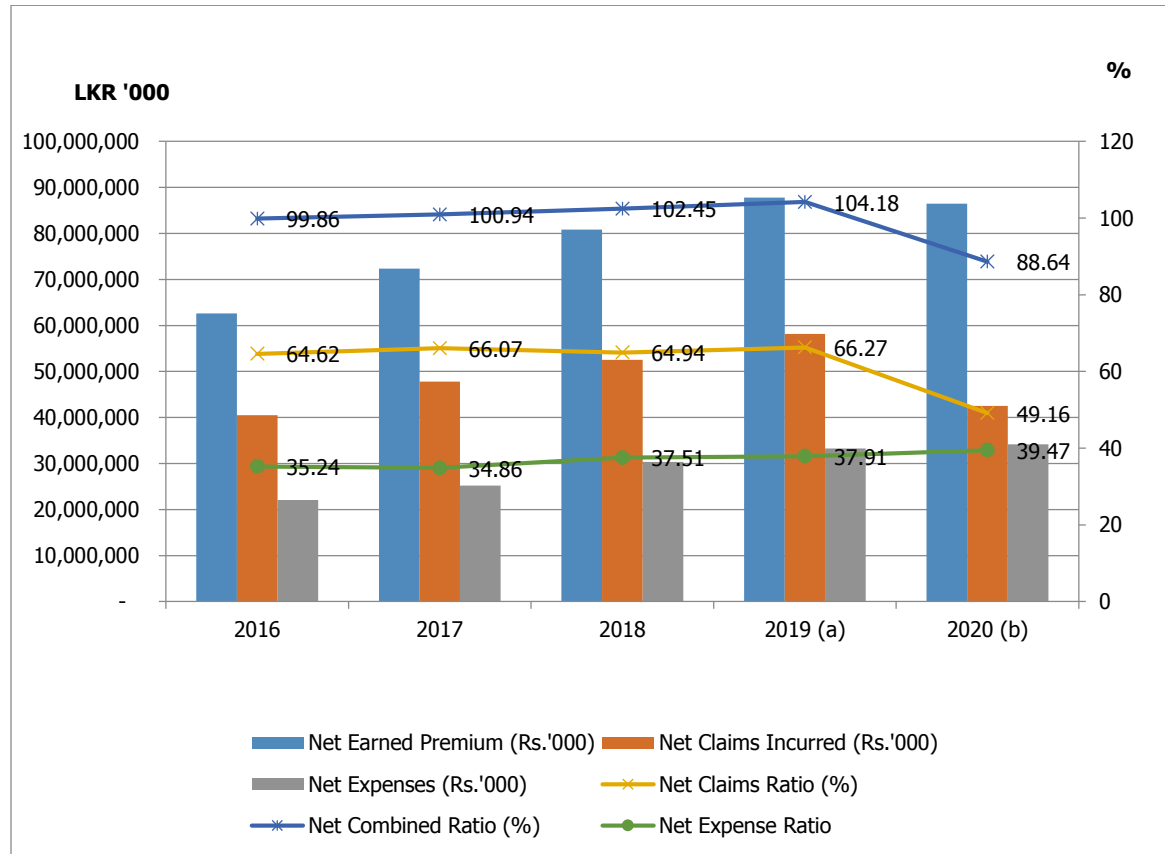
Description	Net Expenses (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Net Expenses for all classes of General Insurance Business except SRCC & T	21,421,928	24,491,746	29,490,544	31,855,625	33,153,452
SRCC & T	653,706	732,786	842,515	1,411,974	984,128
Total	22,075,634	25,224,532	30,333,059	33,267,599	34,137,580

Description	Net Expense Ratio (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	36.08	35.69	38.38	38.76	41.28
Net Expense Ratio of General Insurance Business	35.24	34.86	37.51	37.91	39.47

Description	Net Combined Ratio (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	104.21	105.38	106.63	108.68	94.23
Net Combined Ratio of General Insurance Business	99.86	100.94	102.45	104.18	88.64

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

The restrained performance of the general insurance sector reflected through the reduction of number of policies representing gross written premium by -2.45% comparing to the previous year and stood at 6,539,589 (2019: 6,704,144). Each and every sub class of general insurance business exhibited the same downturned trend during the year 2020 except health class of insurance business. With the awake of COVID-19 pandemic, more consumers tend towards health insurance policies and some general insurers introduced new health insurance products with the coverage of COVID-19 grabbing the market opportunity. However, the health insurance policies represented a minimal portion as 0.44% of total insurance policies as at the end of year 2020.

Number of motor insurance policies occupied 90.49% of total insurance policies and posted a declined growth of -0.35% comparing to previous year. Nevertheless, 3rd party motor insurance policies presented an upsurge of 5.07% in contrast to comprehensive policies posted a decay of -5.59% interpreting that consumer preference stirred towards minimum level of protection with lower premiums to fulfil the compulsory regulatory requirement, triggered by the adverse consequences of pandemic. Policyholders were switching to 3rd party insurance and moreover allowing policies to lapse due to the economic stress caused by the pandemic, which impeded business growth.

Similarly, number of policies representing gross written premium of miscellaneous insurance & marine insurance also contracted by -28.40% & -23.41% respectively. In spite of the pandemic situation emerged during the year 2020, the decreasing trend line of number of policies under miscellaneous & fire insurance categories continuously fell from year 2018 onwards.

Table 28 reflects the number of insurance policies pertaining to different sub classes of general insurance business which had contributed to generate GWP from year 2016 to 2020.

Table 28

Number of Policies representing Gross Written Premium - General Insurance Business

Class	No. of policies				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	246,058	241,884	245,027	234,408	220,196
Marine	191,966	172,733	187,338	179,001	137,093
Motor	5,075,622	5,390,222	5,614,901	5,937,989	5,917,078
3rd Party Only	2,628,255	2,784,920	2,821,529	2,919,884	3,067,955
Comprehensive	2,447,367	2,605,302	2,793,372	3,018,105	2,849,123
Health	16,040	11,893	17,267	23,236	29,019
Miscellaneous	238,921	311,084	427,470	329,509	235,933
Total	5,768,607	6,127,816	6,492,003	6,704,143	6,539,319

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

Table 29 and Chart 21 illustrate detailed information on new, renewed and policies in force as at the end of years 2019 and 2020.

New policies issued during the year 2020 reduced by -13.90% comparing to previous year and totaled to 2,850,308. The decline was majorly triggered by motor insurance policies. As aforementioned, new comprehensive policies reduced and oppositely 3rd party policies increased and all together new policies

issued under the category of motor stood at 2,471,051. In addition, new policies under health insurance business also presented an increase of 3,725 policies.

On the flip side, number of renewed policies by the policyholders with the same insurer presented a moderate growth of 8.39% and recorded as 3,663,655 which was exclusively driven by motor and health insurance policies. Number of policies in force at the end of year 2020 halved by -2.82% and stood at 6,474,623. During the year, policies in force for miscellaneous, marine, fire and comprehensive motor have decreased by -24.23%, -24.19, -6.92% and -6.29% respectively compared to previous year hindering the growth prospects of the general insurance sector.

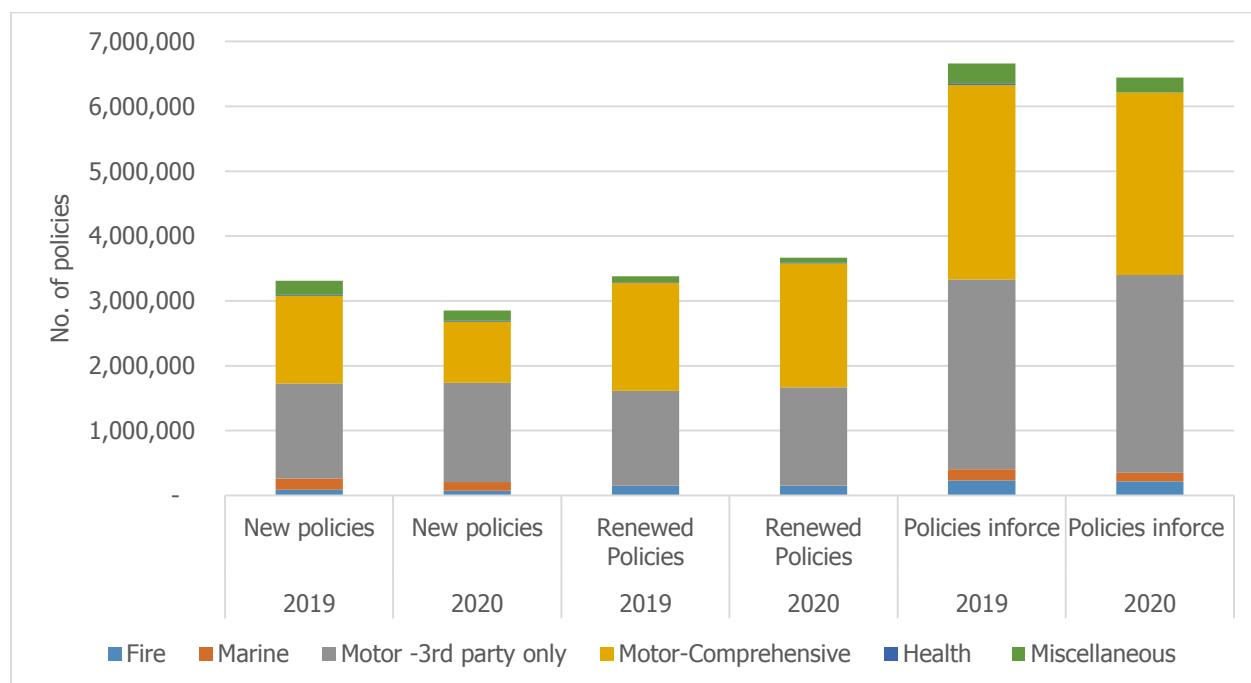
Table 29

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

Class	2019 (a)			2020		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	86,023	151,104	232,968	71,135	149,084	216,847
Marine	176,083	4,087	172,571	134,232	3,726	130,828
Motor	2,814,187	3,126,583	5,925,551	2,471,051	3,424,277	5,863,856
3rd party only	1,463,297	1,456,199	2,922,586	1,531,788	1,515,051	3,049,795
Comprehensive	1,350,890	1,670,384	3,002,965	939,263	1,909,226	2,814,061
Health	15,574	7,794	23,392	19,299	9,642	29,636
Miscellaneous	218,653	90,538	308,107	154,591	76,926	233,456
Total	3,310,520	3,380,106	6,662,589	2,850,308	3,663,655	6,474,623

Chart 21

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



Reinsurance Business

The Extra Ordinary Government Gazette Notification No. 1528/20 dated 19 December 2007, empowers the National Insurance Trust Fund (NITF) to accept compulsory reinsurance cession from the local general insurance market and NITF has fixed the compulsory cession at twenty percent of the general reinsurance program (subject to provisions to be specified) of each insurance company transacting general insurance business. Following the said Gazette, NITF commenced accepting the risk of reinsurance since 2008 with its primary objective of being a 'National Reinsurer'.

In terms of the Government Gazette Notification No. 1791/4 of 31st December 2012, all primary insurers are required to cede thirty percent of their total liability arising out of every general reinsurance business to NITF since 2013.

During the year 2020, NITF has reported LKR 3,235 million as reinsurance premium income, decreased by 22.48% compared to LKR 4,174 million recorded in 2019. In 2020, LKR 275 million (2019: LKR. 449 million) had been ceded to reinsurers as retrocession premium by NITF which reduced by 38.75% year on year. This

lower performance was mainly due to the decision taken by NITF to discontinue the acceptance of 30% Facultative share with effect from 31st March 2020 due to unavailability of retrocession cover. However, NITF re commenced accepting 30% compulsory Facultative reinsurance share from 1st of August 2020 with retrocession cover for 30% compulsory session bound from 1st August 2020 to 31st January 2022.

The NITF has incurred claims amounted to LKR 1,567 million in 2020 compared to LKR 3,560 million in 2019 which showed a notable decrease of 55.98% year on year. Major factors behind this noticeable decline of incurred claims are mobility restrictions implemented during the 1st & 2nd waves of COVID-19 which directly reduced the motor, fire and miscellaneous claims, and sharp decline in travel and tourism industries in the wake of the pandemic.

With the sharp decrease in claims incurred during the year 2020, reinsurance business of NITF had reported underwriting profit and profit before tax of LKR 990 million and LKR 1,170 million respectively compared to underwriting loss and net loss before tax of LKR 770 million and LKR 662 million respectively generated during the year 2019.

Total assets of reinsurance operation had showed a slight growth of 5.62% to LKR 7,066 million in 2020 compared to 2019 amounting to LKR 6,690 million. Investments in government debt securities reported under NITF's reinsurance business has an improvement of 19.16% to LKR 2,960 million as at 31st December 2020 compared to LKR 2,484 million reported as at 31st December 2019. Accordingly, out of total assets under reinsurance business, government debt securities represented 42%. Further premium receivables and receivables from retrocession arrangements represented 18% and 16% of the total assets respectively. However, there is no adequate financial instruments to support the reinsurance business where only 96% of the reinsurance liability has been covered via financial instruments.

Insurance Brokering Companies

Insurance brokering companies as intermediaries help customers to procure suitable insurance policies as per their differential needs. Also they may focus on one particular type of insurance solution or they could provide advice on many different types of insurance solutions. While performing many of the same functions as insurance agents, they differ from agents in that they act in the interest of policyholders. Insurance brokers sell policies under one or many insurance companies they represent as enforced by the Section 82 of the Regulation of Insurance Industry Act, No.43 of 2000.

By the end of 2020, 68 insurance brokering companies operated in the market and generated Gross Written Premium (GWP) amounting to LKR 28,912 million (2019: LKR 29,317 million). This total GWP consisted of premium income generated through long term insurance business and general insurance business which amounted to LKR 1,422 million (2019: LKR 1,095 million) and LKR 27,490 million (2019: LKR 28,222 million)

respectively. Out of the total GWP generated, 95.08% represented GWP of general insurance business and only 4.92% represented GWP of long term insurance business.

Even though the total GWP generated through insurance brokering business recorded a decline of 1.38% in 2020 compared to LKR 29,317 million generated in 2019, a noticeable increase in the GWP of long term insurance business, amounting to 29.85% was noticed during the year mainly due to the increased demands for life insurance policies with the pandemic situation of the country.

As intermediaries, insurance brokering companies have contributed in generating a considerable GWP of general insurance business (LKR 105,276 million) including SRCC & T premium. Similar to previous years, the contribution of insurance brokering companies towards long term insurance business during 2020 was insignificant. As per the details provided by the brokering companies, only 1.38 % of the total GWP of long term insurance business (LKR 102,974 million) was generated through them.

In 2020, 31 insurance brokering companies procured GWP exceeding LKR 100 million each and these insurance brokering companies collectively generated GWP amounting to LKR 27,462 million. The remaining 37 insurance brokering companies generated LKR 1,450 million as depicted in Table 30.

In addition, Insurance Brokering companies have extended their arms functioning as intermediaries to re-insurance brokering services and accordingly few brokering companies have earned considerable premiums and commissions during year 2020 which accumulated to LKR 463 million. (2019: LKR 1,551 million)

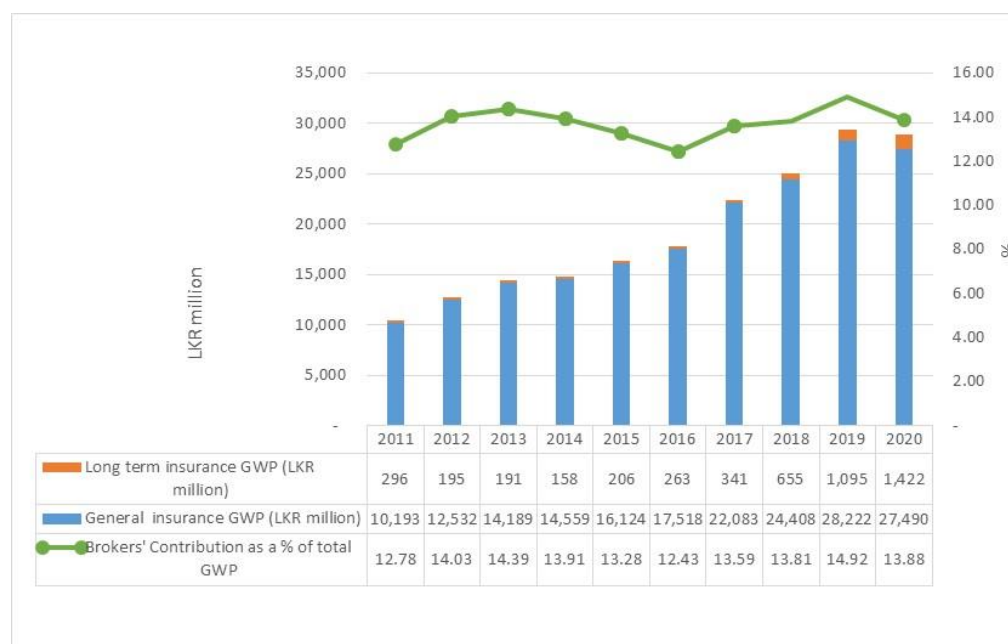
Table 30**Gross Written Premium generated through Insurance Brokering Companies - 2020**

No.	Name of the Broker	Gross Written Premium					
		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	14,905	1.05	1,156,453	4.21	1,171,358	4.05
2	Aitken Spence Insurance Brokers (Pvt) Ltd.	-	0.00	818,501	2.98	818,501	2.83
3	Alfinco Insurance Brokers (Pvt) Limited	130	0.01	1,026,480	3.73	1,026,610	3.54
4	Allion Insurance Brokers (Pvt) Ltd.	746	0.05	126,499	0.46	127,246	0.44
5	AMTRUST Insurance Brokers (Pvt) Ltd.	46	0.00	121,174	0.44	121,220	0.42
6	Aseki Insurance Brokers (Pvt) Ltd.	-	0.00	2,220,592	8.08	2,220,592	7.68
7	Assetline Insurance Brokers Limited	30,037	2.11	1,647,531	5.99	1,677,568	5.80
8	Ceynergy Insurance Brokers (Pvt) Ltd.	50,398	3.54	128,396	0.47	178,795	0.62
9	CF Insurance Brokers (Pvt) Limited	210	0.01	2,815,501	10.24	2,815,711	9.74
10	Colombore Insurance Brokers (Pvt) Ltd.	8,523	0.60	356,517	1.30	365,040	1.26
11	Commercial Insurance Brokers (Pvt) Ltd.	30,998	2.18	2,407,293	8.76	2,438,291	8.43
12	Delmege Insurance Brokers (Pvt) Limited	344,392	24.22	1,308,859	4.76	1,653,250	5.72
13	Equity Insurance (Pvt) Limited	-	0.00	107,173	0.39	107,173	0.37
14	Essajee Carimjee Insurance Brokers (Pvt) Limited	95,501	6.72	418,928	1.52	514,429	1.78
15	Finlay Insurance Brokers (pvt) ltd	22,035	1.55	1,008,910	3.67	1,030,944	3.57
16	George Steuart Insurance Brokers (Pvt) Limited	37,571	2.64	1,476,707	5.37	1,514,278	5.24
17	Global Insurance Brokers and Services (Pvt) Ltd.	12,141	0.85	117,824	0.43	129,965	0.45
18	InsureMe Insurance Brokers (Pvt) Ltd.	102,620	7.22	1,023,455	3.72	1,126,075	3.89
19	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	54,279	3.82	372,229	1.35	426,508	1.47
20	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	15,942	1.12	893,304	3.25	909,246	3.14
21	Mercantile Insurance Brokers (Pvt) Ltd.	12,718	0.90	394,521	1.44	407,239	1.41
22	Nations Insurance Brokers Limited	108,255	7.61	1,651,080	6.01	1,759,335	6.09

23	Procure Insurance Brokers (Pvt) Limited	15,558	1.09	223,515	0.81	239,073	0.82
24	Protection & Assurance Ins. Brokers (Pvt) Ltd.	172	0.01	491,089	1.79	491,261	1.70
25	Protection & Utmost Insurance Brokers (Pvt) Ltd.	143,590	10.10	84,644	0.31	228,234	0.79
26	Reliance Insurance Brokers (Pvt) Ltd.	42,000	2.95	1,064,890	3.87	1,106,890	3.82
27	Senaratne Insurance Brokers (Pvt) Ltd	41,771	2.94	1,203,868	4.38	1,245,639	4.31
28	Senkadagala Insurance Brokers (Private) Ltd.	-	0.00	1,002,716	3.65	1,002,716	3.47
29	Strategic Insurance Brokers (Pvt) Limited	40,985	2.89	104,043	0.38	145,028	0.50
30	Volanka Insurance Services (Pvt) Limited	17,926	1.26	90,202	0.33	108,128	0.37
31	Zenith Insurance Brokers (Pvt) Limited	44,141	3.12	311,890	1.13	356,032	1.23
	Other Insurance Brokering Companies (37)	134,230	9.44	1,315,386	4.97	1,449,616	5.01
	Grand Total	1,421,821	100.00	27,490,169	100.00	28,911,989	100.00

Chart 21

Gross Written Premium generated through insurance brokering companies from 2011 to 2020



Source of data: data collected from insurance brokering companies