

Keynote Speech by the Chairman of IRCSL

International Conference on Computational & Mathematical Modelling

“The Evolving Role of Actuaries in Their Contribution to the Economy”

Distinguished guests, esteemed colleagues, and participants,

It is an honor to address this esteemed audience at the International Conference on Computational & Mathematical Modelling. I extend my sincere gratitude to the University of Colombo and the Actuarial Association of Sri Lanka for organizing this invaluable forum, which brings together professionals in risk management, finance, and actuarial science to exchange knowledge. This platform also provides students with insightful guidance to help them shape their career aspirations.

As this is my first address as Chairman of the Insurance Regulatory Commission of Sri Lanka (IRCSL), I take great pride in delivering it at an actuarial forum—one that aligns closely with sustainability, a cornerstone of our National People's Power (NPP) government's vision. Before delving into today's topic, *"The Evolving Role of Actuaries in Their Contribution to the Economy,"* allow me to provide an overview of the IRCSL and its role in shaping Sri Lanka's insurance landscape.

The Role of IRCSL in Strengthening the Insurance Sector

Established under the Regulation of Insurance Industry Act No. 43 of 2000, the IRCSL is responsible for supervising, regulating, and promoting the development of Sri Lanka's insurance sector. Our mandate is to ensure that insurance companies operate with integrity, professionalism, and financial prudence, safeguarding the interests of both current and future policyholders.

Next year, IRCSL will mark 25 years of regulatory oversight. Over the years, we have undertaken significant initiatives to enhance public awareness on insurance and strengthen consumer protection. A recent survey, conducted in collaboration with the University of Colombo, revealed that public confidence in insurance stands at approximately 50%. In response, we are implementing various measures to improve trust, market conduct, governance, and claims management.

Sri Lanka's Insurance Industry: Current Context and Challenges

It is essential to examine our insurance industry in the broader economic context:

- Sri Lanka's economy, which reached LKR 95 billion GDP in 2017, has only recently returned to LKR 85 billion levels after economic challenges. Even if we were to achieve an 8% annual growth rate, it would still take over four decades to reach Singapore's current GDP of over USD 500 billion. This highlights the magnitude of effort required for long-term economic transformation.
- The insurance sector, revolving around LKR 300 billion, is struggling to surpass 1% contribution to our GDP, whereas regional counterparts have achieved 2.7% to 3%.
- As we envision the future of our industry, it is crucial to recognize the progresses we have made over the years. Our asset base has grown significantly, from LKR 150

billion in 2015 to over LKR Rs.1 trillion by 2024. This remarkable growth reflects the resilience and strength of our sector. However, some of the key elements in GI sector demands our focus for improvement.

Combined Ratio: Fluctuated between 98-104% in early years, improved to 88-95%, but later moved to 104-112%.

Expense Ratio: Increased from 36-38% to 39-40%, and later to 46-51%.

Loss Ratio: Improved from 60-65% down to 50-55%, before stabilizing at 58-60%.

They also highlight the need for strategic improvements to enhance efficiency and profitability. The role of actuarial professionals is more important than ever. As the Chairman of the IRCSL, I expect a stronger contribution from the actuarial community to drive the industry to the next level.

- Beyond economic figures, the penetration of insurance solutions must expand to reach all citizens. The NPP government is committed to ensuring inclusivity in national development, and this extends to our approach to insurance as well.

Recent Regulatory Initiatives

Several noteworthy regulatory advancements have been implemented to enhance consumer protection and market efficiency:

- **Optional Compensation Scheme:** This initiative provides financial assistance to third-party victims of motor accidents, ensuring quicker claims settlements.
- **Standardized Insurance Policies:** Frameworks have been introduced for both general and life insurance to ensure fairness and transparency in policy terms and conditions.
- **Enhanced Consumer Protection:** We are scrutinizing promotional materials and ensuring that key policy details are clearly outlined in the Insurance Product Information Document (IPID), allowing consumers to make informed decisions.

As Chairman of the IRCSL, I bear the responsibility of ensuring the sustainability of the insurance industry. We are examining general insurance *Combined Operating Ratios (COR)* and the profitability of life insurance providers to foster long-term resilience. Additionally, the IRCSL has engaged an actuarial firm to strengthen our supervisory capabilities, recognizing the pivotal role actuarial science plays in financial regulation.

Future Priorities and Industry Transformation

Our strategic roadmap includes:

- **Enhancing Regulatory Frameworks:** Strengthening risk-based supervision and introducing digital regulatory oversight mechanisms.
- **Introducing Simplified, Standardized Insurance Products:** Making insurance more accessible to all Sri Lankans.
- **Integrating Insurance with the Credit Information Bureau (CRIB):** This initiative will improve premium standardization and claims processing, benefiting the motor insurance sector while reducing accident rates.
- **Encouraging Sustainability in Insurance:** Aligning regulations with national sustainability goals and reinforcing the role of actuaries in climate risk assessment.

The Evolving Role of Actuaries in Economic Development: A Call for Greater Contribution

Actuaries play a critical role in shaping economic policies, financial stability, and risk management across industries. As the Chairman of IRCSL, I expect actuaries to step up and take on an even greater role in transforming the insurance industry and strengthening Sri Lanka's financial sector. Their expertise is vital in driving the industry toward higher penetration, better risk management, and greater financial security for all Sri Lankans. Their expertise extends beyond traditional insurance and pension sectors into broader economic and societal challenges.

- **Economic Stability & Policy Formation:** Actuaries influence financial policies, helping governments design sustainable pension schemes, healthcare financing models, and social security programs.
- **Risk-Based Capital (RBC) Frameworks:** Ensuring insurers maintain adequate capital reserves to meet future liabilities.
- **Financial Stress Testing & Risk Assessments:** Supporting banking institutions in credit risk evaluations and strategic financial planning.
- **Climate Risk Adaptation:** Developing predictive models to mitigate economic disruptions from environmental changes and disasters.
- **Cybersecurity & Digital Finance:** Assessing financial implications of data breaches and enhancing risk models for digital finance platforms.
- **Sustainable Finance & ESG Integration:** Helping businesses align financial strategies with environmental, social, and governance (ESG) standards.

As Sri Lanka advances toward a digital economy, actuaries must embrace emerging technologies, including AI and big data analytics, to refine financial modelling, detect fraud, and improve pricing accuracy. More than ever, I urge actuarial professionals to take proactive steps in collaborating with regulators, insurers, and policymakers to introduce innovative solutions that enhance industry resilience and growth. Their expertise is vital for ensuring long-term economic resilience.

Actuarial Science and Education: Preparing for the Future

In celebration of IRCSL's 25th anniversary, we plan to host a **university-level quiz competition**, fostering student engagement with industry professionals. Collaborating with academic institutions, we aim to integrate insurance and actuarial science into curricula, encouraging more students to pursue careers in this essential field.

Having spent many years in academia, I am personally committed to supporting the next generation of actuaries, data analysts, and financial professionals—critical contributors to Sri Lanka's development.

Conclusion: The Need for Stronger Actuarial Leadership

Through regulatory advancements, educational initiatives, and industry collaborations, the IRCSL is dedicated to fostering a well-regulated, transparent, and consumer-centric insurance sector that contributes to national economic stability. Actuaries must take ownership of their critical role in shaping the future of the insurance industry. Their ability to navigate risk, design sustainable financial solutions, and influence policy decisions will determine the industry's long-term success. I call upon all actuarial professionals to intensify their efforts, contribute actively to industry reforms, and champion the changes necessary for a robust and sustainable insurance sector.

Let us leverage this conference to exchange insights and strengthen partnerships that drive innovation in actuarial science.

Thank you, and I look forward to the engaging discussions ahead.