

Fostering Innovation and Trust: Life Insurance Sector

Review and Enhancement of Life Insurance Product Portfolio

Public Consultation Paper: November 2025



Consultation Focus:

Reviewing existing life insurance product offerings, identifying market gaps, and proposing strategies for portfolio development, claims efficiency, and distribution enhancement to meet evolving consumer needs.

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Section 1: Introduction and Regulatory Context

The life insurance sector in Sri Lanka plays a crucial role in providing long-term financial security to families and individuals. To ensure the industry remains robust, innovative, and aligned with global standards, the Insurance Regulatory Commission of Sri Lanka (IRC SL) initiates this consultation.

This review is timely, especially in light of the proposed amendments to the **Regulation of Insurance Industry Act No. 43 of 2000 (RII Act)**. This amendment seeks to update the statutory framework governing the sector due to increased market complexity, diversified consumer requirements, and the evolution of global regulatory standards and the digital environment. The resultant regulatory clarity will provide a stable foundation for essential product and process innovations.

Section 2: Objective and Scope of the Consultation

The primary objectives of this public consultation are to ensure the life insurance sector in Sri Lanka is consumer-centric, efficient, and innovative. Specifically, this consultation seeks to gather input to drive improvements in product relevance, financial inclusion, consumer protection, claims management, and distribution effectiveness.

The six primary objectives are to:

1. To assess whether current life insurance products meet people's financial protection needs across different age groups, income levels, and life stages.
2. To identify gaps in existing coverage and find out which groups or needs are not well served by current life insurance products.
3. To promote inclusivity by exploring ways to make life insurance more affordable and accessible for all Sri Lankans, especially underserved communities.
4. To improve consumer protection by understanding people's experiences with product clarity, claims processes, and overall satisfaction, in order to build trust in the insurance sector.
5. To encourage innovation by identifying new products, distribution methods, and technologies that can make life insurance easier to access and more customer-friendly.
6. To recommend policy and regulatory improvements that will strengthen the life insurance framework in Sri Lanka based on the findings.

Section 3: Current Life Insurance Product Categories in Sri Lanka

3.1 Product Categories

The Sri Lankan life insurance market offers a range of products tailored to various protection and savings needs. The key categories currently available are summarized below:

Product Category	Purpose and Core Benefit	Status in Sri Lanka
Term Life Insurance	Pure protection; pays a specified benefit (Sum Assured) upon the insured's death within a defined term. No cash value component.	Available
Whole Life Insurance	Provides lifelong protection for the insured, offering a guaranteed death benefit to beneficiaries and a savings component that accumulates cash value over time.	Available
Endowment Plans	Combination of protection and savings; pays a Sum Assured upon death or maturity if the insured survives the term.	Available
Unit-Linked Insurance Plans (ULIPs)	Also known as Investment-Linked. Part of the premium is used for life cover, and the remainder is invested in funds chosen by the policyholder. Offers flexibility and market-linked returns.	Limited Availability
Annuity/Pension Plans	Provides a guaranteed income stream after a certain age, primarily for retirement planning and long-term financial security.	Available
Health and Critical Illness Plans	Provides coverage for medical expenses, hospitalization, or a lump sum payout upon diagnosis of specified critical illnesses (Riders/Standalone).	Widely Available
Education Plans	Designed to accumulate funds for a child's education, often with a waiver of premium rider in case of the policyholder's death or disability.	Available
Universal Life Insurance	Provides lifelong protection with a guaranteed death benefit and the flexibility to adjust premium payments and coverage amounts. It also includes a savings component that earns interest over time, allowing policyholders to build cash value while meeting changing financial needs.	Available

3.2 Statistics

Product-Wise Policies in Force, Sum Insured and GWP

Type of Product	2024		
	No: of Policies in force	Sum Insured (LKR '000)	GWP (LKR '000)
Term Insurance	868,822	1,842,926,054.4	17,590,788.0
Universal Life	1,210,682	749,876,176.8	77,328,114.4
Whole Life Insurance	23,087	1,458,328.9	85,330.8
Endowments	1,150,143	772,801,612.4	58,620,949.7
Others	844,868	4,456,911,569.6	27,056,343.7
Total	4,097,602	7,823,973,742.0	180,681,526.6

Source: IRCSL Industry Handbook 2024

Section 4: Proposed Focus Areas for Public Feedback

4.1 Unmet Needs and Public Expectations

Consumer research highlights that Sri Lankan policyholders, particularly women who are often the main influencers and decision-makers for family financial well-being, seek:

- **Customized Solutions:** Consumers expect insurance agents to genuinely understand their needs to customize solutions rather than offering generic products.
- **Transparency and Simplicity:** There is a strong aversion to a lack of transparency, being misled on product benefits, and using complicated language.
- **Affordable Health Protection:** Given the sharp rise in healthcare costs, there is an intensifying demand for affordable health and medical coverage.

4.2 Key Areas for Sector Improvement

The IRCSL identifies three core strategic pillars where innovation and reform are essential to address the unmet needs identified above. We invite stakeholders to provide specific, evidence-based recommendations, strategies, and justifications within these areas using the provided Response Format (**Annexure 01**).

Core Strategic Pillar	Rationale	Request for Public Comment
I. Product Portfolio, Design, and Inclusivity	Rationale: The current product offering needs to move beyond generic protection/savings to offer greater flexibility, affordability, and relevance across all income segments.	<p>Please provide detailed recommendations on:</p> <ol style="list-style-type: none"> 1. Innovative Product Features: Features that address specific unmet needs and emerging risks. 2. Financial Inclusion: Specific design parameters for effective Micro-insurance products and small-ticket policies to reach rural and low-income populations. 3. Wellness Integration: Methods to integrate health and wellness benefits (e.g., loyalty programs) into life policies to promote proactive health management.
II. Claims Management and Operational Efficiency	Rationale: Claims management is the "moment of truth" for the insurance promise. Improving speed, transparency, and empathy is important for building public trust.	<p>Please provide detailed recommendations on:</p> <ol style="list-style-type: none"> 1. Digital Claims Automation: Effective technologies (e.g., AI) and clear regulatory requirements to significantly reduce claims processing time and costs. 2. Transparency Standards: Specific protocols and communication mandates (e.g., mandatory timeline updates, clear documentation checklists) to enhance transparency. 3. Customer-Centric Approach: Strategies to enhance customer service skills, emphasize empathy, and ensure consistent, fair claim adjudication.

<p>III. Distribution Channel Enhancement and Digital Access</p>	<p>Rationale: Low insurance penetration necessitates a modern, hybrid approach to sales and service that leverages technology to reduce acquisition costs and expand geographical reach.</p>	<p>Please provide detailed on the effectiveness, accessibility, and customer preferences related to various channels, including:</p> <ul style="list-style-type: none"> ○ Traditional agent and broker networks ○ Bancassurance via banks and financial institutions ○ Digital platforms (insurer websites and mobile apps) ○ Web aggregators and online insurance marketplaces ○ Point-of-sale (POS) digital tools at retail outlets and community centers ○ Community-based distribution through local agents and microfinance institutions ○ Corporate/group sales through employers and organizations ○ Mobile and telecom-based channels leveraging mobile wallets and SMS enrollment
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Section 5: Disclaimer

This consultation paper is issued solely for the purpose of obtaining public views, suggestions, and comments on life insurance products and operational practices offered by licensed insurance companies in Sri Lanka. The contents herein do not constitute legal, regulatory, or professional advice, nor do they represent a final or binding position of the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Responses received during this consultation process will be considered in a non-binding manner and may be used to inform future regulatory reviews, policy decisions, or market development strategies. The IRCSL reserves the right to publish, summarize, or otherwise refer to the responses received, while ensuring confidentiality of respondents where requested.

Section 6: Request for Public Comments and Submission Guidelines

The IRCSL invites all stakeholders, including consumers, insurers, brokers, industry experts and universities to provide their comments and suggestions on the proposed product portfolio improvements, claims management strategies, and distribution channel enhancements outlined in this paper.

6.1 Submission Guidelines

1. Response Format: Submissions should be made using the provided Response Format (Annexure 01).
2. Confidentiality: All submissions will be reviewed by the Commission and may be made public unless confidentiality is specifically requested in the duly filled Annexure 01.
 - a. To request confidentiality of a particular document submitted, clearly mark such content and submit it as a separate document. IRCSL may disregard confidential content that should be open for public comment.
3. Availability: This consultation paper and the response format are available for download from the official website of the Commission at <https://ircsl.gov.lk/public-consultations>
4. Submission Deadline Please submit your comments on the consultation paper using the response format provided in **Annexure 01** or through the following link: [Public Consultation Paper November 2025-Reviewing existing life insurance product offerings – Fill out form](#) on or before 15/12/2025.



6.2 Contact Details

Your input will be vital in shaping a consumer-centric and resilient life insurance market in Sri Lanka.

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