

## Statistical Review

### Abbreviations for Insurance Companies

	<b>Insurance Company Full Name</b>	<b>Abbreviation</b>
1	AIA Insurance Lanka PLC	AIA Life
2	AIA General Insurance Lanka Limited	AIA Gen.
3	AIG Insurance Ltd.	AIG
4	Allianz Insurance Lanka Ltd.	Allianz Gen.
5	Allianz Life Insurance Lanka Ltd.	Allianz Life
6	Amana Takaful PLC	Amana Gen.
7	Amana Takaful Life PLC	Amana Life
8	Arpico Insurance PLC	Arpico
9	Ceylinco General Insurance Ltd.	Ceylinco Gen.
10	Ceylinco Life Insurance Ltd.	Ceylinco Life
11	Continental Insurance Lanka Ltd.	Continental
12	Cooperative Insurance Company Ltd.	Cooperative Gen.
13	Cooplife Insurance Ltd.	Cooplife
14	Fairfirst Insurance Ltd.	Fairfirst
15	HNB Assurance PLC	HNB Life
16	HNB General Insurance Ltd.	HNB Gen.
17	Janashakthi Insurance PLC	Janashakthi Life
18	Janashakthi General Insurance Ltd.	Janashakthi Gen.
19	Life Insurance Corporation (Lanka) Ltd.	LIC
20	LOLC General Insurance Ltd.	LOLC Gen.
21	LOLC Life Assurance Ltd.	LOLC Life
22	MBSL Insurance Company Ltd.	MBSL
23	National Insurance Trust Fund	NITF
24	Orient Insurance Ltd.	Orient
25	People's Insurance PLC	People's
26	Sanasa Life Insurance Company Limited	Sanasa Life
27	Sanasa General Insurance Company Limited	Sanasa Gen.
28	Softlogic Life Insurance PLC	Softlogic Life
29	Sri Lanka Insurance Corporation Ltd.	SLIC
30	Union Assurance PLC	Union Life

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

1. Tables and Charts depicted in this report are based on the statistics provided by the Insurance Companies and Insurance Brokering Companies.
2. AIA General Insurance Lanka Limited and Janashakthi General Insurance Limited have been amalgamated in 2016 and known as "Janashakthi General Insurance Ltd."
3. Janashakthi General Insurance Ltd. was acquired by Allianz Insurance Lanka Ltd. in year 2018 and amalgamated with effect from 28<sup>th</sup> September 2018 and known as "Allianz Insurance Lanka Ltd."
4. Softlogic Life Insurance PLC was known as Asian Alliance Insurance PLC prior to 2016.
5. Asian Alliance General Insurance Limited was acquired by Fairfax Asia Limited in year 2015 and known as "Fairfirst Insurance Limited".
6. Union General Limited has been amalgamated with Fairfirst Insurance Limited with effect from 28<sup>th</sup> February 2017 and known as "Fairfirst Insurance Limited".
7. AIG Insurance Limited has withdrawn the business operation in year 2014 and is in the process of withdrawing from Sri Lanka. Hence, statistics of AIG was not considered for the period 2016-2019.
8. Seemasahitha Sanasa Rakshana Samagama has segregated its long term insurance business and general insurance business with effect from 01<sup>st</sup> 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.
9. Data submitted by NITF with regard to the Risk Based Capital had not been considered in order to maintain the comparability since NITF handles different types of insurance schemes.
10. 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'.
11. 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.
12. Differences as compared with previously published figures are due to subsequent revisions.
13. Values indicated within parenthesis are negative values.
14. The following symbols have been used throughout: -
  - (a) = Reinstated and Audited figures
  - (b) = Provisional figures
  - = nil

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

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

Global insurance industry continued to display steady growing outlines with premium growth reporting around 3% in real terms in 2019. This was particularly supported by solid growth in emerging markets specially in Asia. China has regained its growth potential, after being affected by life premiums contraction due to tightened regulations in 2018. As per Swiss Re publications, strong demand for health, liability and agriculture covers led general insurance premiums to enhance. But, prices in the general insurance market fluctuated within a narrow range, except for property rates which have increased over the period due to series of natural catastrophes that took place in last few years.

Interest rates remain low over the long run and this has impacted the profitability of insurers worldwide. In many jurisdictions traditional life products with fixed guaranteed rates are struggling to grow due to low yield rates and the policyholders tend to direct their savings to other favorable markets and risk profiles with high returns.

Consistent natural catastrophes put further downward pressure on general insurance profitability, making the returns to barely cover the cost of capital. As explained in the Sigma Report published by Swiss Re Institute, global insured losses from disaster events in 2019 were around USD 60 billion and out of them, USD 52 billion were due to natural catastrophes such as Typhoons Hagibis and Faxai in Japan, Hurricane Dorian in Bahamas and Cyclone Idai in Mozambique. Even though this amount is slightly lower than the annual average losses incurred in previous 10 years, the actual exposure of Australian Bushfires that lasted in the latter part of 2019 would increase the insured losses further. Hence, the growing climate risks have directed insurers and regulators like never before in history, to develop tools to understand the natural catastrophe protection gap.

In the meantime, industry analysts predict that the general insurance sector would face a fundamental structural change over the next few decades, with a possible decline in premiums from motor class, the main line of general insurance business of today, as a result of the evolution of advance driver-assistance systems and self-driving car technologies which are expected to lead to lower claims and hence also lower premium rates and volumes.

Amidst aforesaid challenges, the insurance industry is about to face unprecedented effects of COVID-19 pandemic, which has currently put the entire world at an enormous threat. Even the healthcare systems of most powerful and richest nations in the world are struggling to cope up with the situation. As many countries and regions had been locked down for months, the adverse impact on economies is widening continuously.

The pandemic-led business interruptions and volatility in the equity markets would likely to distress the pricing of instruments and hinder the investment yields of insurance companies. Death benefits and hospital benefits would be a main concern for long term insurance companies, whereas the general insurers would face losses arising out of mainly travel, employee liability, business interruption and health insurance policies. Thus, the insurers worldwide should adjust their budgets and implementation plans, and even limit the dividend distributions, as the maintenance of adequate reserves and capital positions is vital to face this situation.

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

Sri Lankan economy has recently been experiencing a challenging period, with increasing debt levels, effects of natural disasters, continuous depreciation of Rupee value against foreign currencies and political crisis which saw the country's debt rating being decreased. This is evidenced by substantially low economic growth rates of 3.6% and 3.3% reported for years 2017 and 2018 respectively.

Despite above difficulties, the economy was heading for a progress in the first quarter of 2019 as it reported a quarterly GDP growth of 3.7%. However, the country's growth expectations were shattered by the Easter Sunday bombings, the worst crisis since the end of civil war in 2009. The attacks devastated the tourism industry and hindered the foreign investments in a greater manner that eventually decreased the services sector growth to a record low level of 2.3% during the year. Extreme weather conditions affected the agricultural sector in 2019 reflecting a sluggish growth of 0.6%. Contraction in activities related to growing of paddy in the fourth quarter of 2019 and subdued production in the tea sector mainly due to wage related trade disputes further decelerated the agricultural growth. In line with the slowed down services sector and agricultural sector growth, the total Gross Domestic Product (GDP) of the country amounted to LKR 15,016 billion in 2019. Accordingly, the overall GDP growth rate declined to 2.3%, making it the lowest the country experienced since 2001.

As the economy started to slowly revive along with the rising tourist arrivals and improved business confidence, the outbreak of the COVID-19 pandemic provoked further uncertainties regarding the economic performance of the country in 2020.

(Source – Central Bank Annual Report 2019)

### **Sri Lankan Insurance Market**

The insurance sector in Sri Lanka comprised of twenty-seven insurance companies and sixty-seven insurance brokering companies at the end of 2019. Out of the twenty-seven insurers, thirteen were operating in the long term insurance business, twelve were engaged in general insurance and two were composite insurers. During the year, a composite insurer, Seemasahitha Sanasa Rakshana Samagama segregated its long term insurance and general insurance businesses into two separate entities, namely Sanasa Life Insurance Company Limited and Sanasa General Insurance Company Limited. Over the last

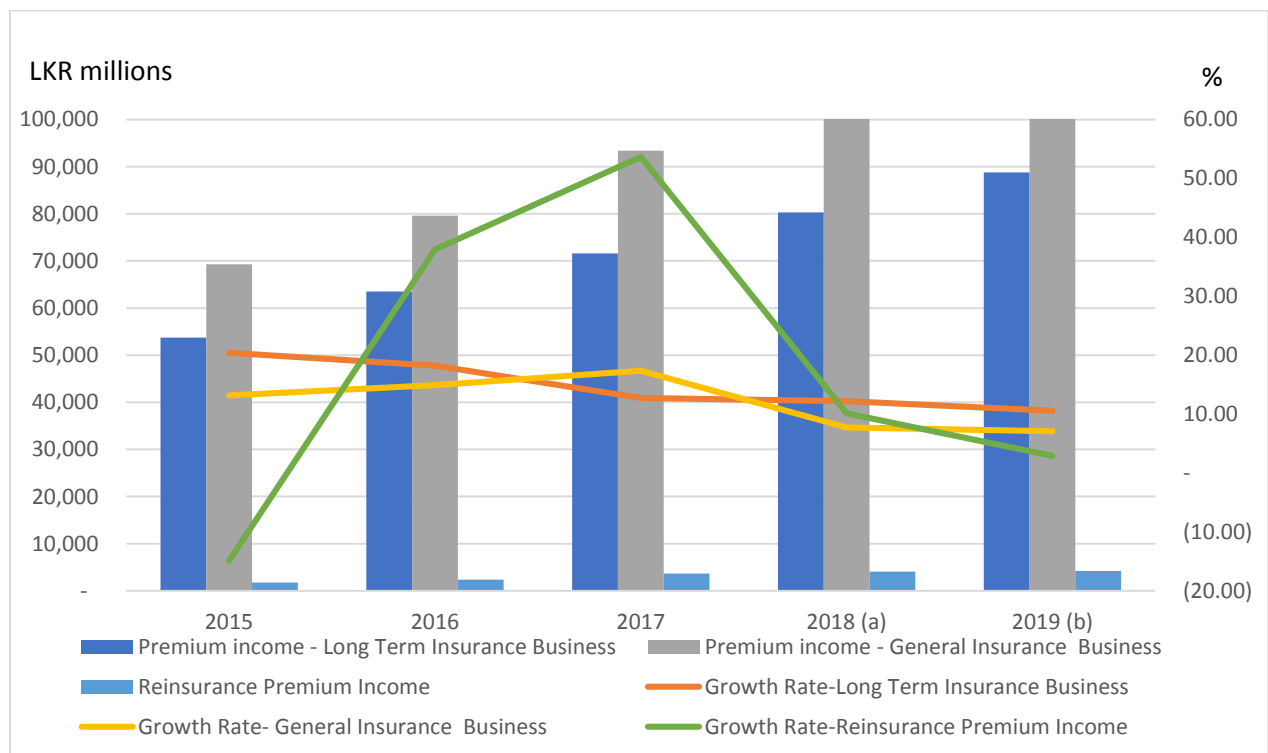
two years, new registrations of insurance brokering companies have slightly increased, primarily driven by the grown interest to join the market.

With intensifying competition between market players, customer retention and cost effectiveness have become more critical, forcing insurance companies to seek ways to increase sales and customer satisfaction while keeping costs low and maintaining profitability. This has led to the emergence of new alternative distribution channels, such as online platforms, mobile applications and social media etc., which drive premium growth at lower costs. Meanwhile, the tactics followed by insurance companies such as obtaining exclusive bancassurance rights, were observed during the year, which depict signs of extreme level of competition.

In 2019, the insurance industry displayed an overall growth of 8.64% in nominal terms compared to previous year by reporting total Gross Written Premium (GWP) of LKR. 196,513 million (2018: LKR 180,880 million). The growth in premium was mainly driven by long term insurance business and followed by general insurance business, which accounted premium upturns of LKR. 8,487 million and LKR. 7,146 million respectively (2018: LKR 8,723 million and 7,197 million).

**Chart 1**

**Premium Income & Growth Rate of the Insurance Industry**



Sluggish growth experienced in previous year in general insurance business continued in 2019 as well, demonstrating 7.10% premium growth (2018: 7.71%), making it the lowest growth rate reported during last five years. However, unlike in previous years the contribution made to premium growth by Motor class declined substantially in 2019. New motor vehicle registrations fell down during the year due to

increased excise duties and luxury taxes, coupled with the effect of collapsed exchange rate and import restrictions imposed by the government. This might have led the motor premiums to grow at a slow pace compared to previous years.

Long term insurance business managed to continue its growth at a moderate level reporting 10.57% premium increase during the year (2018: 12.19%), even with the challenging environment prevailed after the Easter Sunday attacks. Increased awareness on insurance, attractive product development and improved customer service of insurers have paved the way for premium growth over the last few years. Rising ageing population created opportunities for insurers to provide health and social care for senior citizens by introducing attractive insurance plans. Furthermore, the demand for health benefit riders on long term policies are expected to increase with the impact of COVID-19 pandemic.

As depicted in Table 1, though the penetration level of the country is still at a rather low level compared to other countries in the South Asian region, it has marginally improved during last five years from 1.12% in 2015 to 1.31% by the end of 2019. Insurance knowledge of general public and their understanding of the perceived value of insurance are still at developing stages. However, over the last few years, consumer trust on insurance and behavioral intention to purchase insurance products have been gradually increasing due to aforesaid public awareness programs and improved services & product developments.

Furthermore, the Insurance Density which represents the ratio of insurance premiums to total population of the country, has grown during last five years, displaying positive indicators of insurance development in Sri Lanka.

The Financial Intelligence Unit of the Central Bank (FIU) issued Customer Due Dilligence (CDD) Rules applicable to long term insurance companies in May 2019. In order to enhance the supervision of Anti-Money Laundering & Countering the Financing of Terrorism (AML/CFT) in the insurance industry. The IRCSL in collaboration with FIU has conducted AML onsite inspections at several long term insurance companies during the year.

**Table 1****Premium Income & Penetration**

	2015	2016	2017	2018 (a)	2019 (b)
Premium income - Long Term Insurance Business (LKR. millions)	53,691	63,477	71,571	80,294	88,781
Growth Rate in Premium income - Long Term Insurance Business (%)	20.39	18.23	12.75	12.19	10.57
Premium income - General Insurance Business (LKR. millions)	69,271	79,590	93,389	100,586	107,732
Growth Rate in Premium income - General Insurance Business (%)	13.18	14.90	17.34	7.71	7.10
Total Premium Income - Insurance Business (LKR. millions)	122,962	143,067	164,960	180,880	196,513
Growth Rate in Total Premium Income - Insurance Business (%)	16.22	16.35	15.30	9.65	8.64
Reinsurance Premium Income (LKR. millions)**	1,738	2,397	3,683	4,056	4,174
Gross Domestic Product at current market price (LKR. billions)*	10,951	11,996	13,328	14,366	15,016
GDP Growth Rate % *	5.00	4.50	3.60	3.30	2.30
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.12	1.19	1.24	1.26	1.31
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.49	0.53	0.54	0.56	0.59
Penetration % (Premium of General Insurance Business as a % of GDP)	0.63	0.66	0.70	0.70	0.72
Insurance Density - (Total Premium Income - Insurance Business/ population) LKR.	5,864	6,747	7,693	8,347	9,013
Population '000 (Mid Year) *	20,970	21,203	21,444	21,670	21,803

\* Source: Central Bank of Sri Lanka and Department of Census and Statistics. Gross Domestic Product at current market price has updated from 2014 onwards based on the Annual Report of Central Bank of Sri Lanka 2019.

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

**Total Assets of Insurance Companies**

Maintaining an efficient asset & liability management is vital for insurers to meet solvency and capital needs while complying with the regulatory requirements. A sound asset portfolio would relieve the pressure on profitability and often decides an insurer's success, specially in a context of high claims and expenses. Despite the challenging economic conditions, the total asset base of the insurance industry recorded a moderate growth of 10.44% in 2019 compared to the 8.38% growth recorded in 2018. Table 2 and chart 2 illustrate the information on total assets of insurance industry for last five years.

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 (a)</b>	<b>2019 (b)</b>
Long Term Insurance (LKR. millions)	312,713	345,589	391,890	430,759	485,723
Growth Rate - Long Term Insurance (%)	26.57	10.51	13.40	9.92	12.76
General Insurance (LKR. millions)	151,177	173,985	185,583	196,005	203,870
Growth Rate - General Insurance (%)	(13.41)	15.09	6.67	5.62	4.01
Reinsurance (LKR. millions)	3,417	5,755	4,212	3,683	6,690
Growth Rate - Reinsurance (%)	11.48	68.42	(26.82)	(12.54)	81.63
<b>Total (LKR. millions)</b>	<b>*466,519</b>	<b>525,329</b>	<b>581,685</b>	<b>630,447</b>	<b>696,283</b>
<b>Growth Rate - Total (%)</b>	<b>10.54</b>	<b>12.61</b>	<b>10.73</b>	<b>8.38</b>	<b>10.44</b>

*\* Inter segment transactions have been eliminated*

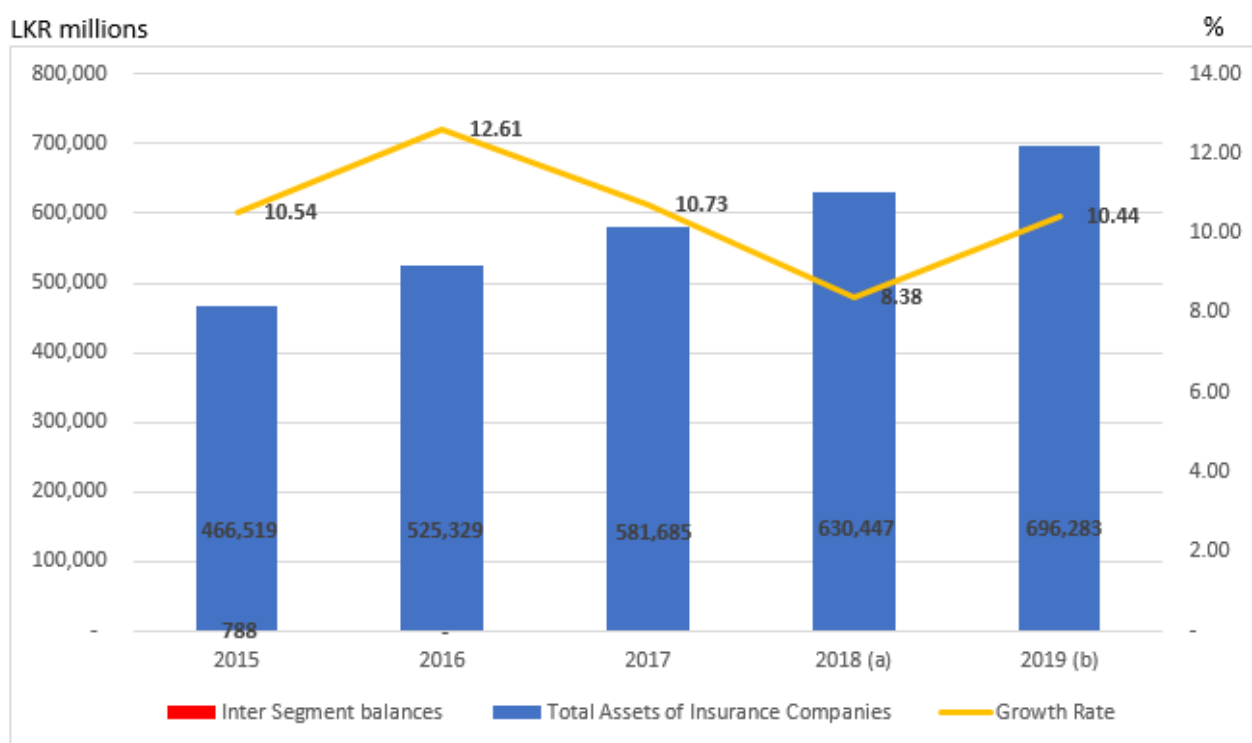
While the assets of general insurance business grew at a slow pace, long term insurance business posted a moderate growth of 12.76% during the year, becoming the main contributor to the total asset growth. Investments in corporate debt instruments and government securities were the key drivers of asset composition in 2019, whereas the Sri Lanka Financial Reporting Standard (SLFRS) 16 required insurers to recognize a 'right of use asset' for operating lease arrangements from 2019 onwards which also added a slight exposure to total asset base.

A composite insurer, SLIC and long term insurers; Ceylinco Life, AIA Life and Union Life are the core contributors to the total asset portfolio followed by Allianz General and Ceylinco General which represented the highest asset bases among general insurance companies.

Despite the constant reduction observed in previous two years, NITF managed to display a notable growth in the assets of their reinsurance business, recording a total of LKR 6,690 million as at 31<sup>st</sup> December 2019. This was predominantly driven by the substantial increase in the investments held in Government Debt Securities relating to the reinsurance business of NITF.

**Chart 2**

**Total Assets and Assets Growth Rate of the Insurance Industry**



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

Reduced business confidence caused by the Easter Sunday attacks and the resulting economic contraction of the country during the year slowed down the performance of the financial sector and its expansion compared to 2018. Table 3 and chart 3 contain the details regarding the distribution of assets between major financial sectors in Sri Lanka. As illustrated, the total asset base of the financial sector reported a reduced growth of 6.17% at the end of 2019 compared to 11.23% growth reported in 2018. The growth was predominantly driven by the banking sector and followed by the contractual savings institutions. Increase in non-performing loans (NPLs) and advances have been a major concern for both banking sector, other deposit taking financial institutions and specialized financial institutions, which weakened their asset quality during the year to its lowest level since 2014 (Source – Central Bank Annual Report 2019).

Comprising of 33 licensed banks, the Banking Sector recorded total assets worth of LKR 14,442.1 billion by the end of 2019 which accounted for 71.6% of the total asset portfolio of Sri Lanka’s financial industry. However, as explained in the Central Bank Annual Report 2019, the lower demand for loans and advances and tightened credit screening by banks due to increasing NPLs resulted in the Banking Sector assets to grow at a slow pace of 5.33% in 2019 compared to 15.25% growth reported in previous year.

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

Financial Sectors	2015		2016		2017		2018		2019	
	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%
Banking Sector	9,503.7	68.7	10,575.8	69.5	11,897.4	69.7	13,711.4	72.2	14,442.1	71.6
Other Deposit Taking Financial Institutions	1,044.2	7.6	1,246.7	8.2	1,370.4	8.0	1,603.2	8.4	1,647.2	8.2
Specialized Financial Institutions	557.8	4.0	335.4	2.2	388.9	2.3	241.1	1.3	282.6	1.4
Contractual Savings Institutions	2,257.5	16.3	2,536.6	16.7	2,838.0	16.6	2,807.4	14.8	3,096.5	15.4
Insurance Companies*	466.5	3.4	525.3	3.5	581.7	3.4	630.4 (a)	3.3	696.3 (b)	3.5
<b>Total</b>	<b>13,829.6</b>	<b>100.0</b>	<b>15,219.8</b>	<b>100.0</b>	<b>17,076.4</b>	<b>100.0</b>	<b>18,993.5</b>	<b>100.0</b>	<b>20,164.7</b>	<b>100.0</b>

Source: Central Bank of Sri Lanka Annual Report – 2019

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

Other Deposit Taking Financial Institutions were represented by licensed finance companies, rural banks and co-operative societies of which total assets stood at LKR 1,647.2 billion as at 31<sup>st</sup> December 2019 demonstrating a weakened year to year growth of 2.74% in comparison to the growth of 16.99% in 2018.

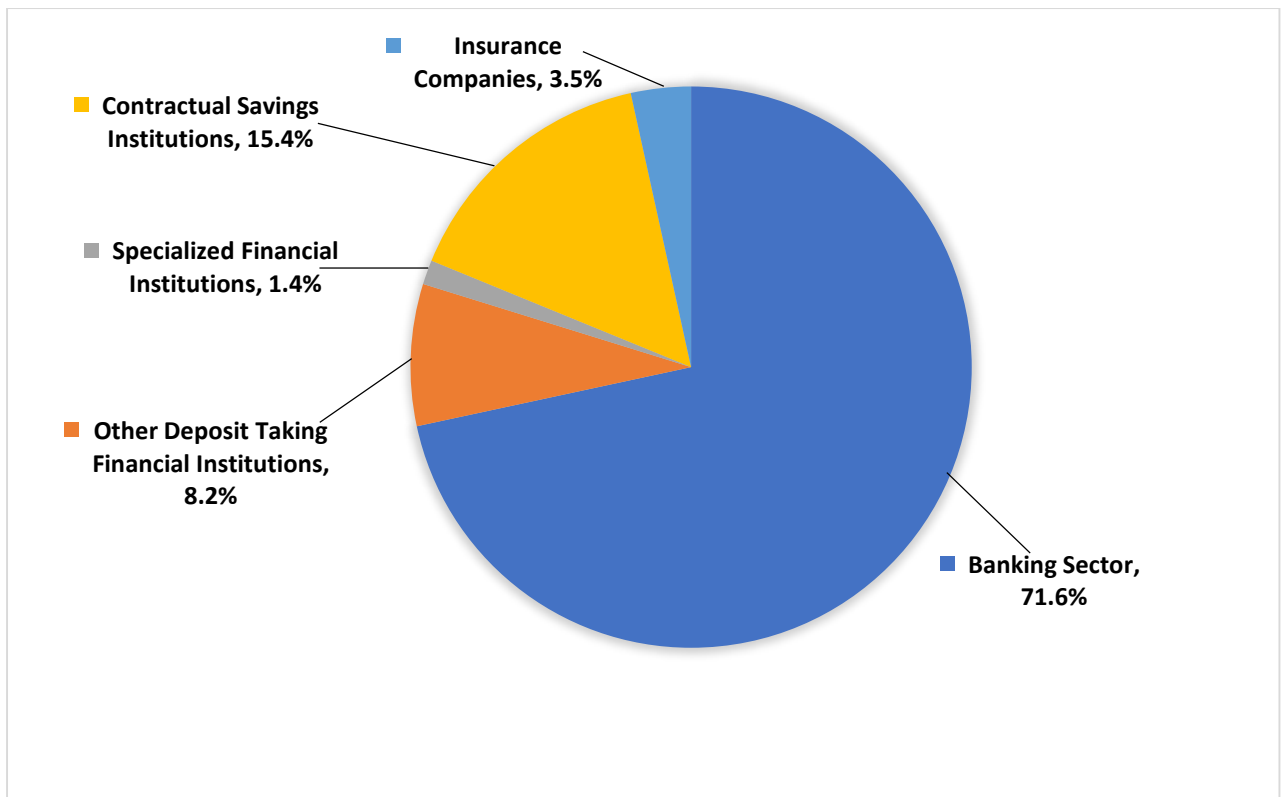
However, the Specialized Financial Institutions managed to recover their asset base in 2019 after the substantial drop down observed in previous year. This was an outcome of the asset increase of unit trusts followed by the significant expansion of the number of units issued and the number of unit holders during the year. Accordingly, the asset base of Specialized Financial Institutions increased from LKR 241.1 billion in 2018 to LKR 282.6 billion in 2019 showing a growth of 17.21%.

Contractual Savings Institutions dominated by the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) also recorded a moderate growth of 10.30% during the year. This growth 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.

Insurance companies also contributed positively to the overall asset portfolio of the financial sector by posting assets worth of LKR 696.3 billion in 2019 showing a moderate growth of 10.44% than the previous year. Accordingly, insurance companies held 3.5% of the total assets of financial sector in 2019 (2018: 3.3%).

**Chart 3**

**Distribution of Total Assets of Major Financial Sectors as at 31st December 2019**



### **Profitability**

Unfavorable economic conditions prevailed in the country during the year coupled with negative effects created by Easter Sunday attacks challenged the performance of the insurance industry. Accordingly, the overall profitability (profit before tax) of the industry reported as LKR 30,544 million for year 2019, demonstrating a year to year decrease of 22.35% compared to LKR 39,335 million reported in 2018.

Long term insurance business displayed an increasing trend in its profitability during last two years mainly as a result of surplus transfers made by many insurers, including the One-off Surplus and the substantial profit earned by Janashakthi Life in 2018 from selling of its subsidiary investment of Janashakthi General to Allianz Gen. However, in 2019, the profitability showed a decline of 24.92% compared to 2018, after certain life insurers namely SLIC, Union Life, Sanasa Life, HNB Life, Arpico and Allianz Life reporting decreased profits for the year, largely driven by escalated claims and contracted surplus transfers.

The overall profitability of general insurance business was largely impacted by the decreased performance of Allianz General, Ceylinco General and Amana General during the year mainly driven by the increased claims specially in 'Suraksha Scheme' of Allianz General. Accordingly, the total profit before tax of general

insurance business amounted to LKR 11,130 million in 2019 (2018: LKR 11,737 million), exhibiting a decline of 5.17% compared to year 2018.

However, NITF, LOLC General and SLIC reported notable upturns in profitability compared to last year. The improved profitability of NITF was predominately driven by the GWP increase of Agrahara, NNDIS and SRCC schemes. Further, insurance claims pertaining to NNDIS scheme fell down notably compared to 2018.

**Table 4**

**Profitability of Insurance Companies**

Insurer	2018(a)			2019(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	1,616,852		1,616,852	3,167,397		3,167,397
Allianz Gen.		647,973	647,973		(1,691,424)	(1,691,424)
Allianz Life	85,583		85,583	46,603		46,603
Amana Gen.		23,986	23,986		(264,168)	(264,168)
Amana Life	(62,976)		(62,976)	(29,478)		(29,478)
Arpico	198,834	-	198,834	83,485		83,485
Ceylinco Gen.		2,335,822	2,335,822		1,734,516	1,734,516
Ceylinco Life	7,157,389		7,157,389	8,211,937		8,211,937
Continental		427,023	427,023		506,285	506,285
Cooperative Gen.		405,776	405,776		368,873	368,873
Cooplif	43,737		43,737	57,592		57,592
Fairfirst		520,205	520,205		614,175	614,175
HNB Life	1,297,848		1,297,848	1,106,535		1,106,535
HNB Gen.		282,806	282,806		354,826	354,826
Janashakthi Life	9,855,686		9,855,686	591,571		591,571
LIC	(133,772)		(133,772)	(240,571)		(240,571)
LOLC Gen.		181,870	181,870		730,806	730,806
LOLC Life	(263,142)		(263,142)	145,948		145,948
MBSL	-	(149,235)	(149,235)	32,115	(79,206)	(47,091)
NITF *		1,717,284	*3,288,840		3,134,564	*3,008,485
Orient		94,742	94,742		169,429	169,429
People's		847,017	847,017		912,029	912,029
Sanasa Life	249,819		249,819	16,386		16,386
Sanasa Gen.		4,475	4,475		97,599	97,599
Softlogic Life	1,094,762		1,094,762	2,603,557		2,603,557
SLIC	2,753,607	4,396,994	7,150,601	2,038,641	4,541,432	6,580,073
Union Life	2,132,392		2,132,392	1,708,463		1,708,463
<b>Total</b>	<b>26,026,618</b>	<b>11,736,739</b>	<b>39,334,913</b>	<b>19,540,181</b>	<b>11,129,736</b>	<b>30,543,839</b>

*\*Includes profit/loss before tax of crop and reinsurance business amounting to LKR 536 million (2018: 229 million) and LKR 662 million loss (2018: 1342 million profit) respectively.*

### **Shareholders' Funds of Insurance Companies**

Primarily driven by the profitability generated during the year, the total shareholders' funds of insurance industry grew by 7.02% from LKR 195,542 million in 2018 to LKR 209,271 million by the end of 2019. However, the reduced profitability of many insurers led the above growth rate to be less than that of reported in 2018 (10.61%).

One-off Surplus which is maintained as 'Restricted Regulatory Reserve' remained unchanged at LKR 16,248 million compared to last year, whereas the Stated Capital amounted to LKR 43,891 million in 2019 (2018: LKR 41,430 million) demonstrating a moderate growth of 5.94% due to capital infusions recorded mainly by insurers, LOLC Life, MBSL, Sanasa Life and Sanasa Gen during the year. As a result of impressive profits before tax reported by Ceylinco Life, AIA Life and Softlogic Life, total other reserves of the industry remained at a resilient position of LKR 149,132 million as at the end of 2019.

As exhibited in Table 5, the composite insurer SLIC reported the highest shareholders' funds in the industry amounting to LKR 60,912 million followed by Ceylinco Life, AIA Life and Union Life. Similar to previous year, Ceylinco General and Allianz General maintained the highest level of shareholders' funds among the general insurers. Constant losses incurred by LIC and Amana Life resulted in reducing their reserves further and ended up reporting the lowest shareholders' funds as at 31<sup>st</sup> December 2019.

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

Insurer	2018 (a)		2019(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	18,698,864	9.56	511,922	6,080,848	14,048,613	20,641,383	9.86
Allianz Gen.	11,114,237	5.68	8,619,972		1,377,284	9,997,256	4.78
Allianz Life	1,325,815	0.68	739,624	-	862,259	1,601,883	0.77
Amana Gen.	1,935,856	0.99	2,124,823		(383,044)	1,741,779	0.83
Amana Life	547,777	0.28	580,033	-	(10,473)	569,560	0.27
Arpico	1,432,318	0.73	675,565	-	840,319	1,515,884	0.72
Ceylinco Gen.	11,145,323	5.70	500,200		11,197,392	11,697,592	5.59
Ceylinco Life	26,425,582	13.51	500,001	3,456,184	27,535,891	31,492,076	15.05
Continental	1,731,618	0.89	750,000		1,251,919	2,001,919	0.96
Cooperative Gen.	2,360,158	1.21	1,515,757		1,086,282	2,602,039	1.24
Cooplife	785,213	0.40	544,260	-	348,966	893,226	0.43
Fairfirst	5,138,088	2.63	3,131,949		2,531,469	5,663,418	2.71
HNB Life	5,515,881	2.82	1,171,875	381,156	4,724,964	6,277,995	3.00
HNB Gen.	1,378,434	0.70	1,150,000		436,349	1,586,349	0.76
Janashakthi Life	9,321,040	4.77	4,853,752	1,795,829	2,986,706	9,636,286	4.60
LIC	460,893	0.24	500,000	-	(207,022)	292,978	0.14
LOLC Gen.	1,293,985	0.66	700,000		1,164,891	1,864,891	0.89
LOLC Life	720,022	0.37	1,250,000	256,134	(181,375)	1,324,760	0.63
MBSL	419,141	0.21	2,280,022	-	(738,745)	1,541,277	0.74
NITF	6,995,501	3.58	-		6,153,313	6,153,313	2.94
Orient	768,777	0.39	825,000		61,154	886,154	0.42
People's	3,375,147	1.73	1,350,000		2,305,436	3,655,436	1.75
Sanasa Life	864,300	0.44	1,044,844	-	118,217	1,163,061	0.56
Sanasa Gen.	254,317	0.13	508,995		168,179	677,174	0.32
Soft logic Life	6,670,963	3.41	1,062,500	798,004	6,358,415	8,218,919	3.93
SLIC	61,191,386	31.29	6,000,000	98,237	54,813,348	60,911,585	29.11
Union Life	13,671,688	6.99	1,000,000	3,381,934	10,280,968	14,662,903	7.01
<b>Total</b>	<b>195,542,325</b>	<b>100.00</b>	<b>43,891,092</b>	<b>16,248,326</b>	<b>149,131,676</b>	<b>209,271,094</b>	<b>100.00</b>

*Note: 2018 published figures have been revised in line with the audit adjustments (mainly due to negative income tax expenses/income tax refunds of many insurers)*

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

Availability of an extensive branch network all over the country enhances the insurance companies' capacity to reach more policyholders and serve them more efficiently. However, during the year, few main insurers restructured their branch network which resulted in declining the total branch network to 2069 from 2,147 reported in 2018. Out of overall branch network, the majority is based in Western Province which accounted to 670 in 2019 as it represents the highest policyholder base in the country. The composition of the total branches stood as 1,119 long term insurance branches, 806 general insurance branches and 144 composite insurance branches.

Employment opportunities created by insurance companies totalled to 19,841 in 2019 displaying a slight increase compared to 19,437 reported in 2018. However, more than 60% of them are centered in Western Province. General insurance companies possessed 52% of total employees followed by long term insurers (33%) and composite insurers (15%).

An efficient agency force is considered as one of the key factors which decide the growth and success of the industry, though managing them has been a challenging task for many insurers. While new entrants to the agency force increase year by year, substantial number of agents have been terminated by insurance companies mainly on the grounds of poor performance, misappropriation of funds collected from policyholders and other financial frauds. As a result of same, the total number of agents servicing in insurance industry only showed a slight increase during the year from 44,904 to 44,998. Many insurers such as Softlogic Life, Arpico, LOLC Life and HNB Life expanded their agency network in 2019. Similar to previous years, over 40% of total agents are in Western Province and the long term insurance business claimed the majority of agency force in 2019.

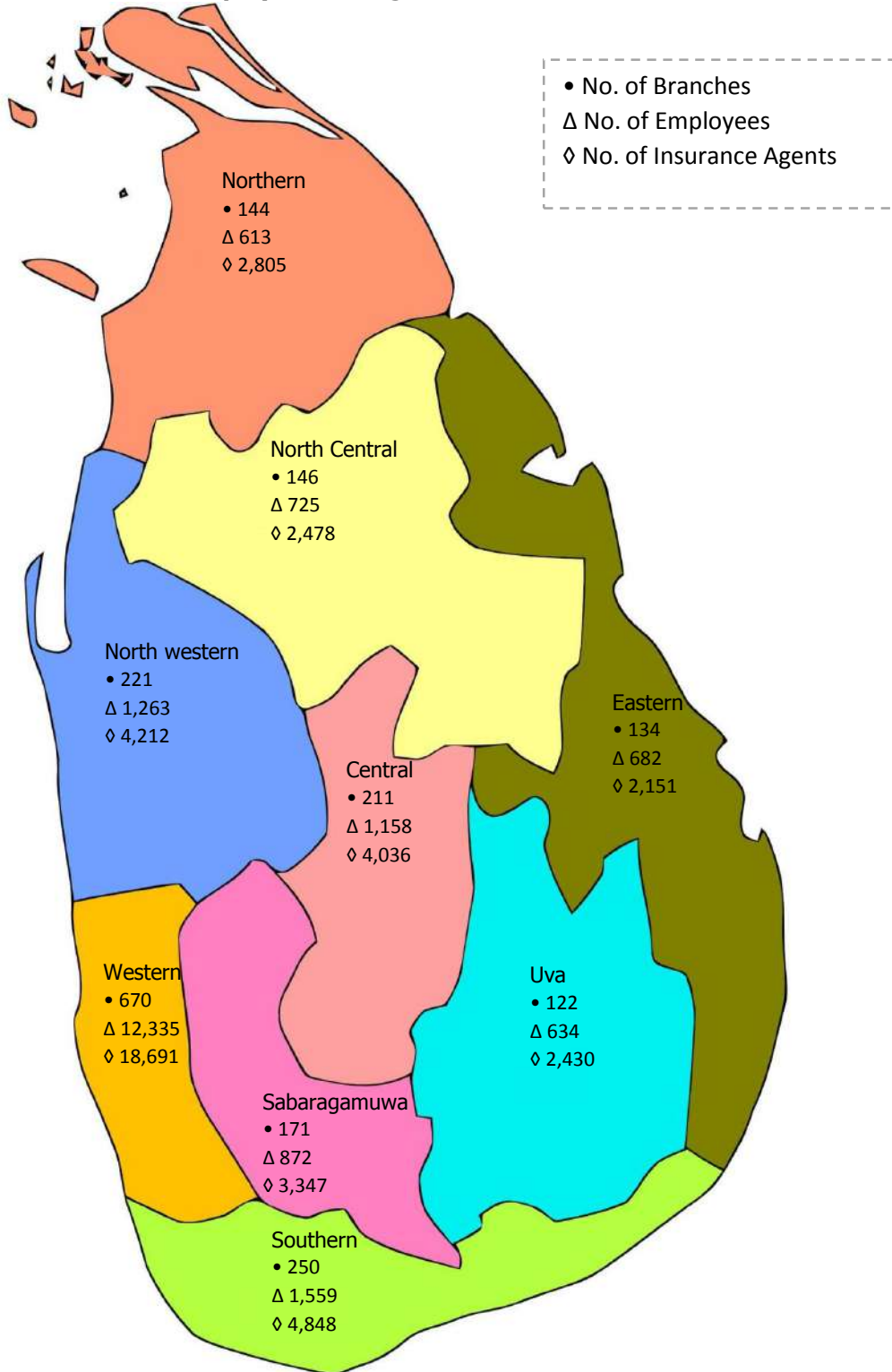
**Table 6**

**Number of Branches, Employees and Agents as at 31<sup>st</sup> December 2018 and 2019**

Province	No. of Branches		No. of Employees		No. of Agents	
	2018	2019	2018	2019	2018	2019
Central Province	204	211	1,070	1,158	3,768	4,036
Eastern Province	166	134	682	682	2,272	2,151
North Central Province	144	146	753	725	2,257	2,478
North Western Province	233	221	1,151	1,263	4,497	4,212
Northern Province	162	144	622	613	2,683	2,805
Sabaragamuwa Province	160	171	866	872	3,166	3,347
Southern Province	274	250	1,554	1,559	5,015	4,848
Uva Province	124	122	632	634	2,204	2,430
Western Province	680	670	12,107	12,335	19,042	18,691
<b>Total</b>	<b>2,147</b>	<b>2,069</b>	<b>19,437</b>	<b>19,841</b>	<b>44,904</b>	<b>44,998</b>

**Chart 4**

**Number of Branches, Employees and Agents as at 31<sup>st</sup> December 2019**



## **Distribution Channels of Insurance Companies**

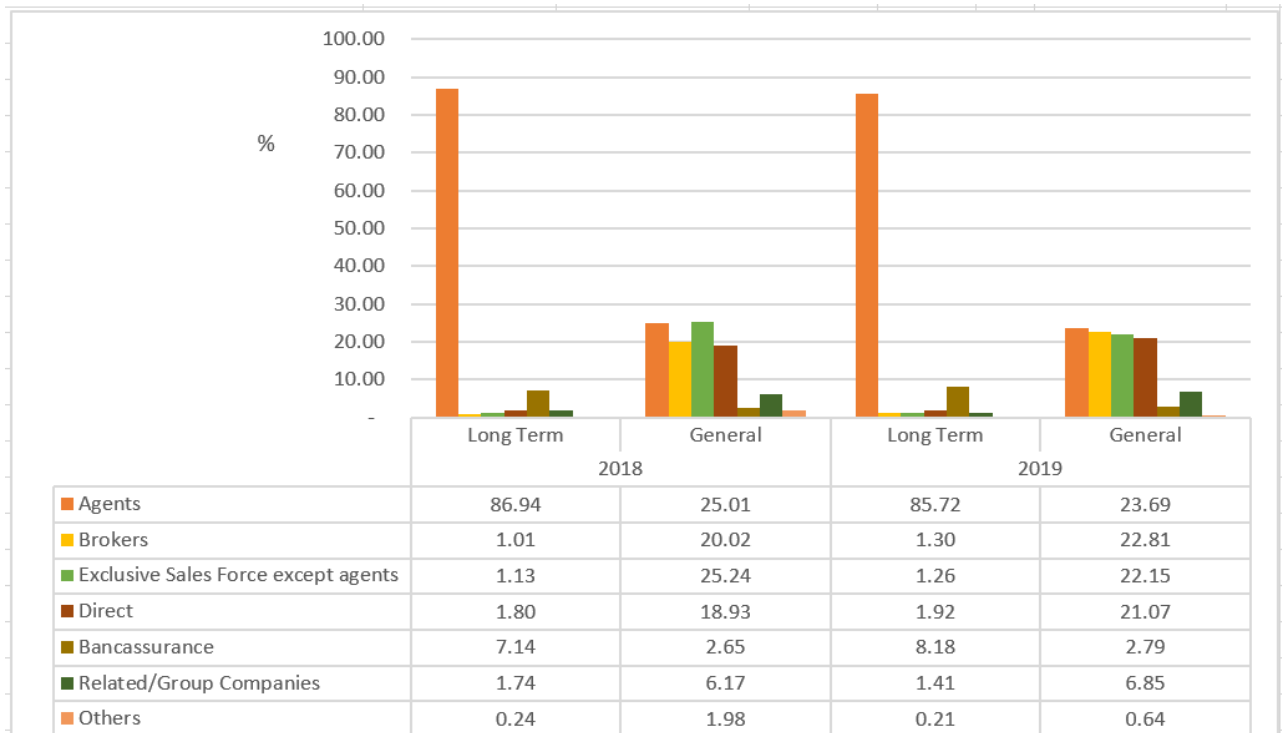
Over the last few years, technological developments have made a huge impact for insurance distribution worldwide, though the gravity of same is yet to be properly experienced in Sri Lankan context. As customers continue to incorporate the use of internet in their daily lives, online platforms, websites, mobile applications and social media have become attractive mediums for insurers to advertise and distribute their insurance products. These factors displayed positive prospects as the contribution given by mobile and internet including social media (covered in 'Direct' category in Chart 5 below) to overall GWP generation has increased in 2019 compared to 2018.

As exhibited in Chart 5, agents continued its dominance in long term insurance market, accounting for 85.72% of total GWP distribution in 2019. Significance of bancassurance as a mode of distribution further increased during the year in long term insurance business with contribution growing from 7.14% to 8.18% year to year. In fact, few long term insurers acquired exclusive bancassurance rights from certain banks during the year with an aim to enhance their competitive advantage in premium growth.

Premium distribution of general insurance business in 2019 was equally contributed by agents, brokers, exclusive sales force such as marketing officers and direct business which accounted for 23.69%, 22.81%, 22.15% and 21.07% of total GWP generation respectively. Direct business mainly comprised of government insurance schemes and other premiums of NITF due to its nature of products, and further included walking customers, mobile applications and internet. Related/Group companies represent the proportion of GWP generated from companies within the same group that the insurer belongs to, which reported as 6.85% in 2019 (2018: 6.17%) with regard to general insurance business.

## Chart 5

### Distribution Channels of Insurance Companies



*Note: 2018 published percentages have been revised due to classification changes done in this year.*

## Long Term Insurance Business

### Gross Written Premium

A number of advancements that took place within the long term insurance industry during 2019 paved the way to a moderate growth of 10.57% with the overall gross written premium of LKR 88,781 million. In the face of the economic and political downturn in 2019 coupled with the Easter Bombings that occurred in April 2019, the life insurance sector sustained its growth by improving operational processes to assure quality customer service and catering to changing needs of customers in a highly challenging environment. The long term insurance industry operated in a very competitive market with 13 long term insurance companies and 02 composite insurers. Four companies have collaborations with foreign insurance companies.

However, recorded GWP growth for the year 2019 showcase a contraction from previous year's growth of 12.19% (LKR 80,294 million) and the performance slowed down during the year 2019 compared to the previous year mainly due to subdued economic activities and the uncertainty caused by the Easter Sunday attacks which occurred during the year. Further, from the year 2015 onwards, life insurance

industry has been posting a declining trend of GWP growth and year under review recorded the lowest. However, the GWP in terms of value witnessed 65% improvement from the period 2015 to 2019.

Although penetration level of long term insurance business still reflects a flat curve. Opportunities for expansion in the sector is developing and the industry has potential to grow by recovering from economic downturn. The persistent trends of adopting new technology such as Insure-Tech will be a key to witness evolution and even socio economic and environmental factors which longing the consumer demand will be a new approach to long term insurers. However, the impact of outbreak of pandemic COVID-19 which started from December 2019 will affect the long-term financial outlook of insurers.

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	2015		2016		2017		2018 (a)		2019 (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	8,433,333	15.71	10,103,915	15.92	11,510,581	16.08	12,739,351	15.87	13,848,283	15.60
Allianz Life	919,144	1.71	1,040,269	1.64	1,178,817	1.65	1,301,254	1.62	1,403,858	1.58
Amara Life	928,294	1.73	820,727	1.29	792,174	1.11	827,948	1.03	851,293	0.96
Arpico	482,447	0.90	745,386	1.17	1,038,085	1.45	1,387,432	1.73	1,635,336	1.84
Ceylinco Life	13,456,828	25.06	15,027,600	23.67	15,765,484	22.03	17,812,774	22.18	18,718,553	21.08
Cooplife	494,598	0.92	466,997	0.73	626,972	0.88	619,881	0.77	774,601	0.87
HNB Life	2,788,715	5.19	3,554,078	5.60	3,963,642	5.54	4,420,513	5.51	5,175,044	5.83
Janashakthi Life	2,550,782	4.75	2,943,963	4.64	2,902,873	4.06	3,008,842	3.75	3,511,660	3.96
LIC	386,885	0.72	473,867	0.75	582,114	0.81	522,698	0.65	598,897	0.67
LOLC Life	1,209,578	2.25	1,896,558	2.99	2,467,166	3.45	2,610,785	3.25	2,682,522	3.02
MBSL	203,235	0.38	235,533	0.37	123,732	0.17	65,839	0.08	54,757	0.06
Sanasa Life	311,434	0.58	367,637	0.58	454,056	0.62	521,193	0.65	527,464	0.59
SLIC	10,470,079	19.50	11,893,640	18.74	12,517,119	17.49	13,205,802	16.45	14,820,025	16.69
Softlogic Life	4,091,042	7.62	5,635,701	8.88	7,530,935	10.52	10,005,733	12.46	12,531,283	14.11
Union Life	6,964,390	12.97	8,270,751	13.03	10,117,630	14.14	11,243,915	14.00	11,647,757	13.12
<b>Total</b>	<b>53,690,783</b>	<b>100</b>	<b>63,476,622</b>	<b>100</b>	<b>71,571,380</b>	<b>100</b>	<b>80,293,960</b>	<b>100</b>	<b>88,781,332</b>	<b>100</b>
<b>Growth Rate(%)</b>	<b>20.40</b>		<b>18.23</b>		<b>12.75</b>		<b>12.19</b>		<b>10.57</b>	

Similar to previous years, Ceylinco Life was able to secure its position as the market leader by generating GWP of LKR 18,719 million for the year 2019 (2018: LKR 17,813 million) and accounted for 21.08% of the total GWP. However, the market share of the market leader deteriorated along the period of 2015 to 2019 by 3.98% with the increased competition of other players. The decline of the market share of Ceylinco Life for the year ended 2019 recorded as 1.1%.

SLIC and AIA Life affirmed the second and the third positions in terms of GWP in 2019 by recording GWP amounted to LKR 14,820 million (2018: LKR 13,206 million) and LKR 13,848 million (2018: LKR 12,739 million) respectively with market shares of 16.69% and 15.60%. Market share of AIA Life has dropped

by 0.27% in 2019 while SLIC has been able to marginally gain its market share by 0.24%. However, SLIC has lost 2.81% of market share during the period of 2015 to 2019. These three companies' contribution towards total GWP has slightly dropped to 53.37% in 2019 compared to 54.50% in 2018.

Softlogic Life had acquired the fourth place in terms of GWP by generating LKR 12,531 million (2018: LKR 10,006 million) with a market share of 14.11% (2018: 12.46%) surpassing Union Life who was the fourth largest contributor to GWP for many years. Union Life had recorded GWP worth LKR 11,648 million (2018: LKR 11,244 million) and the market share recorded as 13.12% (2018: 14.00%).

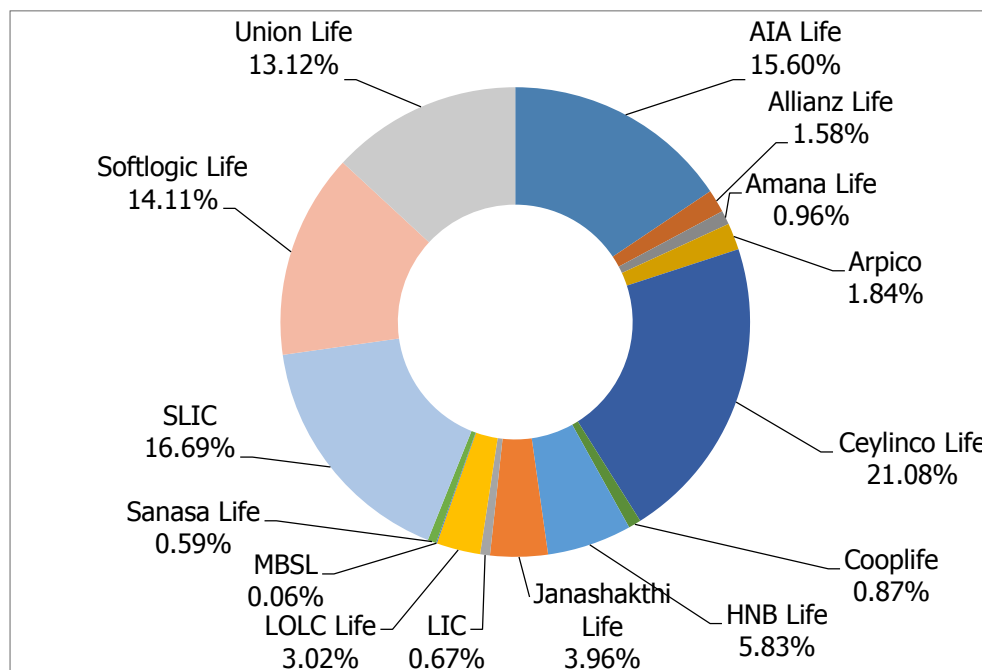
Despite the industry growth rate, Softlogic Life has doubled its share of the market in the last five years to reach 14.1% which portrays a fast growing company, mainly due to marketing strategy adopted by the company catering to unique customer requirements.

All long term insurers reported growth in GWP compared to previous year except MBSL which was suspended during the period 28<sup>th</sup> June 2017 to 2<sup>nd</sup> April 2019. Further, significant growth was visible from Cooplife and LIC in terms of recording growth rates equivalent to 25% and 15% in 2019 against 2018. Further, drop in GWP growth rate was highlighted from Arpico and Sanasa Life as 18% and 1% recorded in year 2019 compared to 34% and 15% recorded in year 2018.

Chart 6 depicts each long term insurer's market share in terms of GWP.

**Chart 6**

**Company - wise Market Share of Gross Written Premium - Long Term Insurance Business for the year ended 31<sup>st</sup> December 2019**



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

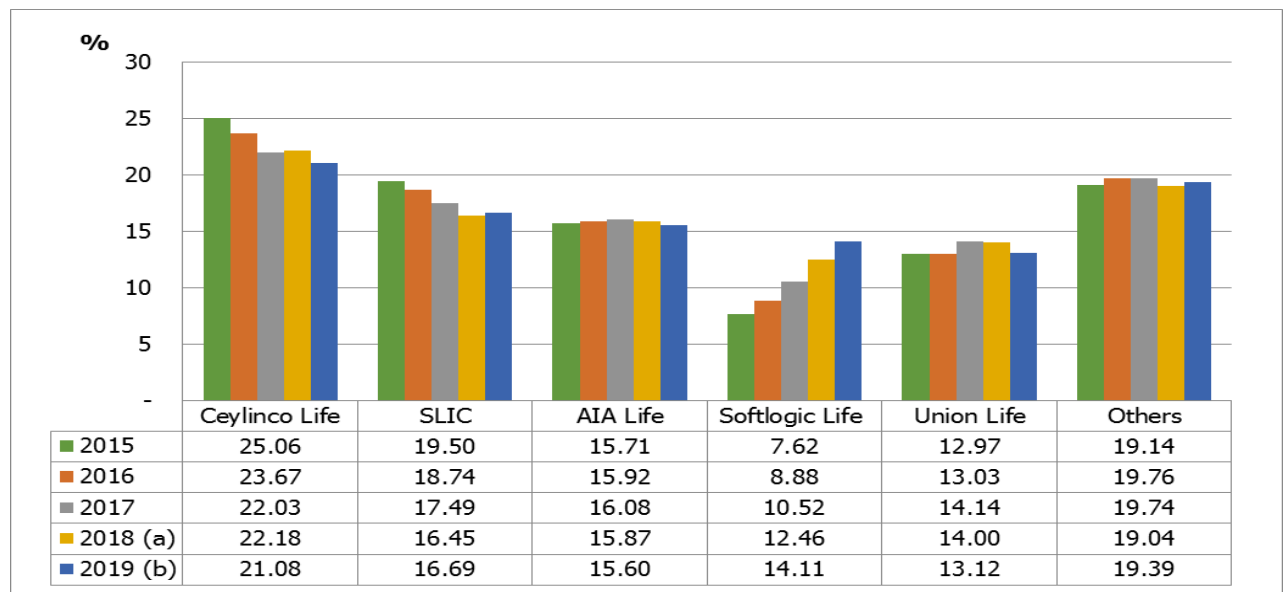
Market share of top five contributors to GWP and other insurers during 2015 to 2019 are illustrated in Chart 7.

Gross Written Premium of long term insurance industry is concentrated with top five contributors accounting to 80.60% of the total GWP worth LKR 71,566 million (2018: LKR 65,008 million), while the remaining 10 insurers hold 19.38% worth LKR 17,215 million (2018: LKR 15,286 million) collectively. Ceylinco Life, SLIC, AIA Life, Softlogic Life and Union Life achieved the top five market shares in the long term insurance market in 2019. Softlogic Life outpaced and attained the fourth position in the year 2019 from fifth position in previous year.

The dominant player, Ceylinco Life remains in the top position for many years servicing customers. However, Ceylinco Life depicted a decline in market share during the last five years. The second largest contributor – SLIC could marginally increase its market share by 0.24% in the year 2019. Third and fifth contributors AIA Life and Union Life have slightly decreased GWP in 2019 against 2018. Softlogic Life as the fourth contributor has taken 14.11% of the market and indicated a continuous progress in their market share during last five years. However, the total market share of the remaining players almost held consistent during the last five years as depicted in Chart 7. Accordingly, approximately 80% of market share in the long term insurance business exchanged between top five players during the last five years.

**Chart 7**

### Top Five Contributors and Other Insurers for the years 2015 to 2019 - Long Term Insurance Business



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

Gross written premium of long term insurance business consists 24.08% (2018: 25.61%) of participating business, 36.52% (2018: 38.51%) of non participating business, 37.27% (2018: 33.32%) of universal life and 2.13% (2018: 2.57%) of linked long term business in year 2019. SLIC owned 47% worth of participating business portfolio out of total participating business. SLIC, Ceylinco Life and Softlogic Life collectively contributed 92% of total participating business reported in 2019.

A trend towards universal life business has been drawn by the long term insurers since the contribution to total GWP of universal life business has been improved by 3.95% in 2019 against 2018. The contribution from linked long term products declined over the years and generated GWP of LKR 1,892 million in 2019.

Overall retention ratio of life insurance business was 95.84% in 2019 (2018: 95.81%) as depicted in Table 8. An increase of 10% in premium ceded to reinsurers recorded in overall life insurance business mainly recorded from non participating business which corresponds to the reported growth of GWP.

**Table 8**

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

Class	2017			2018 (a)			2019 (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	19,187,271	148,134	99.23	20,560,064	152,573	99.26	21,380,056	151,684	99.29
Non Participating	50,327,490	2,661,364	94.71	30,922,561	2,214,357	92.84	32,422,036	2,984,257	90.80
Universal Life				26,751,609	900,185	96.64	33,087,161	473,569	98.57
Linked Long Term	2,056,618	59,872	97.09	2,059,725	98,671	95.21	1,892,079	84,394	95.54
<b>Total</b>	<b>71,571,380</b>	<b>2,869,370</b>	<b>95.99</b>	<b>80,293,960</b>	<b>3,365,786</b>	<b>95.81</b>	<b>88,781,332</b>	<b>3,693,903</b>	<b>95.84</b>

### Assets of Long Term Insurance Business

Total assets of long term insurance business have recorded a considerable growth of 12.76% amounting to LKR 485,723 million as at 31<sup>st</sup> December 2019, surpassing the previous year growth of 9.65% amounted to LKR 430,759 million recorded as at 31<sup>st</sup> December 2018 as depicted in Table 9.

The growth in total assets was mainly driven by the increase in financial investments. Further, adopting SLFRS 16 with effect from 1<sup>st</sup> January 2019 allowed the insurers to recognize additional right-of-use lease assets in the Balance Sheet.

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

Insurer	2018 (a)		2019 (b)	
	Long Term Insurance (LKR '000)	%	Long Term Insurance (LKR '000)	%
AIA Life	54,405,486	12.63	61,973,401	12.76
Allianz Life	5,256,584	1.22	6,314,300	1.30
Amana Life	2,877,575	0.67	2,919,019	0.60
Arpico	2,996,478	0.70	3,719,090	0.77
Ceylinco Life	118,059,390	27.41	133,458,907	27.48
Cooplif	2,502,305	0.58	3,054,977	0.63
HNB Life	18,678,274	4.34	22,152,378	4.56
Janashakthi Life	20,921,406	4.86	22,508,304	4.63
LIC	2,766,230	0.64	3,110,665	0.64
LOLC Life	4,683,738	1.09	5,985,833	1.23
MBSL	850,132	0.20	1,287,877	0.16
Sanasa Life	1,893,220	0.44	2,209,112	0.45
SLIC	128,418,012	29.81	141,097,026	29.05
Softlogic Life	17,332,967	4.02	20,682,874	4.26
Union Life	49,116,729	11.40	55,249,152	11.37
<b>Total</b>	<b>430,758,524</b>	<b>100.00</b>	<b>485,722,913</b>	<b>100.00</b>

Total Assets of Long term insurance industry is highly concentrated in two companies (SLIC & Ceylinco Life) accounting for about 56.53% of the total long term industry assets. SLIC and Ceylinco Life holds 29.05% and 27.48% of total assets amounting to LKR 141,097 million and LKR 133,459 million respectively. AIA Life and Union Life owned 12.76% (LKR 61,973 million) and 11.37% (LKR 55,249 million) worth of assets in the market securing the third & fourth positions respectively. Accordingly, these four firms accounted for 80.66% of total long term insurance assets collectively.

Janashakthi Life, HNB Life and Softlogic Life were able to secure fifth, sixth and seventh positions respectively in terms of the total assets of long term insurance business. All companies were able to enhance their total assets during the year 2019 while MBSL, LOLC Life, Arpico, Cooplif and Alliance Life depicted a growth exceeding 20% against the year 2018. Chart 8 visualizes company - wise analysis of total assets as at 31st December 2019 & 2018.

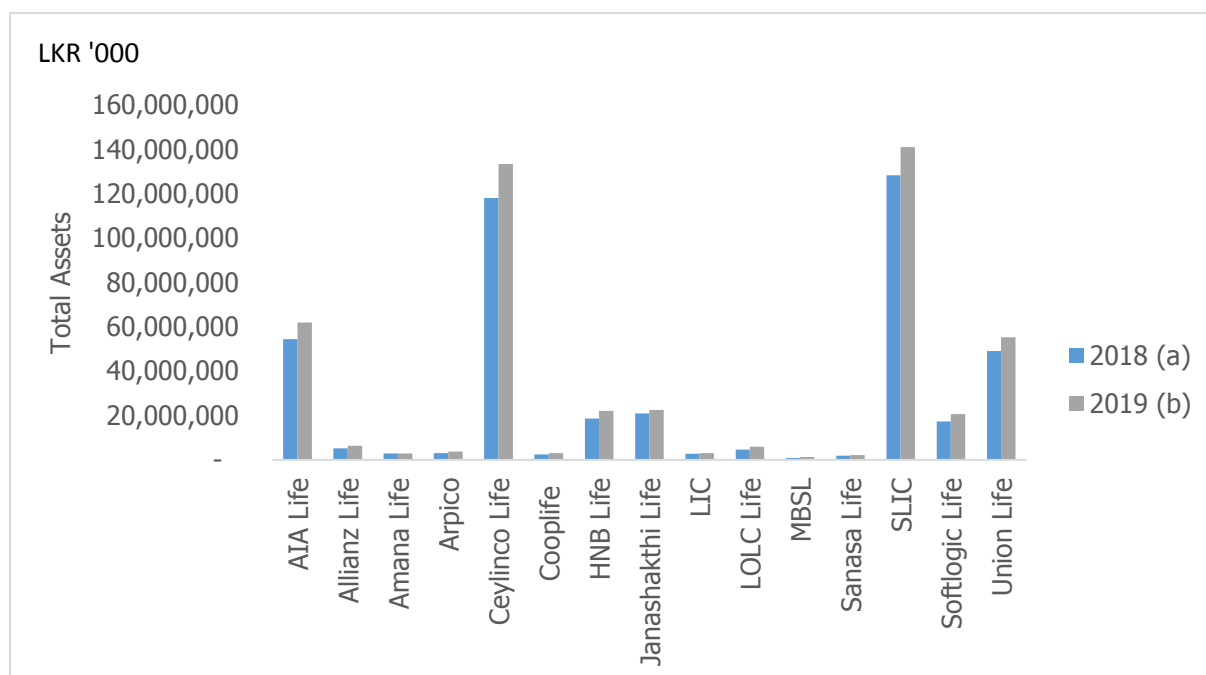
**Chart 8****Company - wise Analysis of Total Assets as at 31<sup>st</sup> December 2018 & 2019 - Long Term Insurance Business****Concentration of Assets as at 31<sup>st</sup> December 2018 & 2019 - Long Term Insurance Business**

Table 10 and Chart 9 provide detailed information on concentration of assets of long term insurance business among diverse asset categories as at 31<sup>st</sup> December 2018 and 2019.

**Table 10****Concentration of Assets as at 31<sup>st</sup> December 2018 and 2019 - Long Term Insurance Business**

Type of Asset	2018 (a)		2019 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	177,085,744	41.11	193,384,762	39.81
Equities	35,112,119	8.15	35,864,744	7.38
Corporate Debt	81,180,677	18.85	106,694,774	21.97
Land & Buildings	13,606,144	3.16	15,547,326	3.20
Deposits	66,853,162	15.52	76,097,450	15.67
Unit Trusts	6,884,886	1.60	5,584,810	1.15
Policy Loans	6,048,322	1.40	6,810,982	1.40
Other Assets	40,084,935	9.31	41,229,509	8.49
Cash and cash equivalents	3,902,535	0.91	4,508,555	0.93
<b>Total</b>	<b>430,758,524</b>	<b>100</b>	<b>485,722,913</b>	<b>100</b>

Similar to previous years, long term insurers have given primacy on investing in government debt securities to remain liquid and comply with the regulatory requirements. Hence, government debt securities amounting to LKR 193,385 million (2018: LKR 177,086 million) continues to be the main portion, occupying 39.81% of total assets. However, assets in government securities as a share of its total assets slightly declined to 39.81% at the end of 2019 compared to 41.11% at the end of 2018.

A trend towards investment in corporate debt was visible in 2019 recording a growth of 31.43% compared to previous year. Corporate debt amounting to LKR 106,695 million (2018: LKR 81,181 million) in 2019 represents 21.97% (2018: 18.85%) of total assets and became the second largest attractive investment instrument of long term insurers.

Investments in deposits amounted to LKR 76,097 million (2018: LKR 66,853 million) and accounted 15.67% (2018: 15.52%) of total assets. Unlike the accelerated growth in deposits (63.13%) recorded in previous year, only 13.83% increase has been recorded in year 2019 due to slashing interest rates aftermath the Easter terrorists attack in April.

Equity investments reached to LKR 35,865 million (2018: LKR 35,112 million) and accounted 7.38% (2018: 8.15%) of total assets recording only 2.14% growth against year 2018 mainly due to volatile movement in price indices in equity market throughout the year.

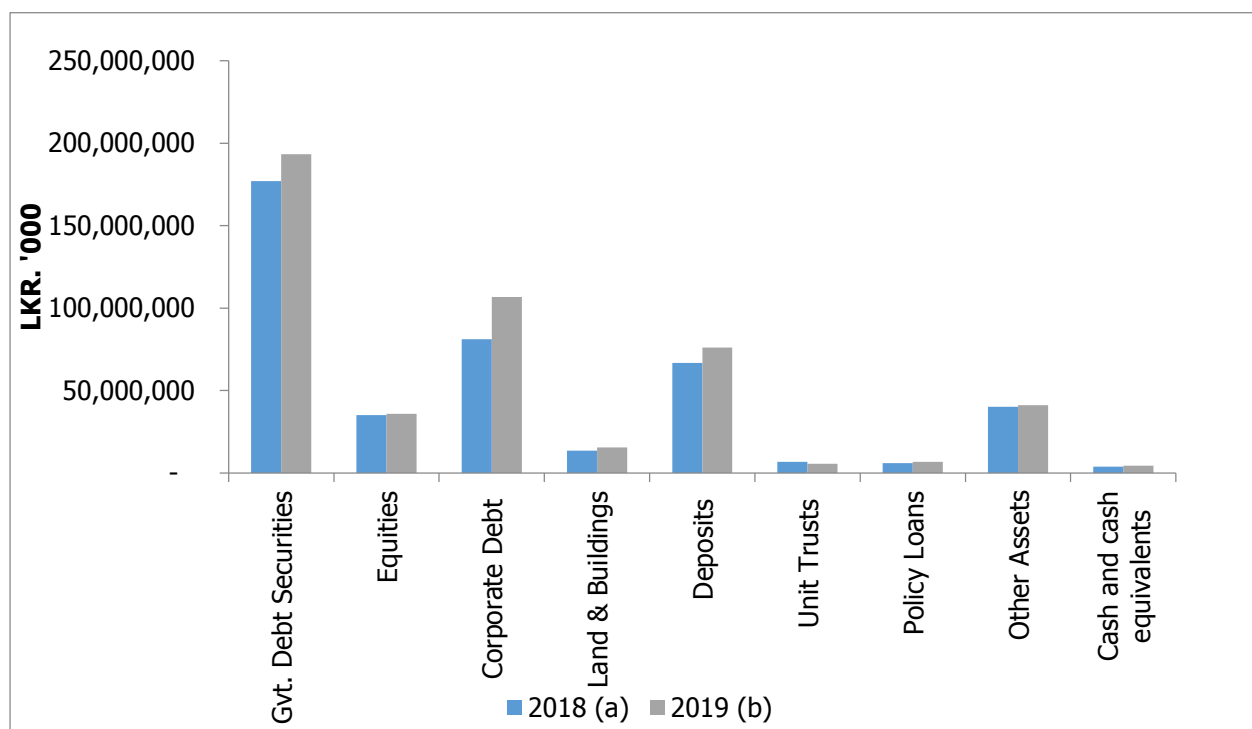
Main investment categories namely, government debt securities, corporate debt, deposits and equity collectively accounted 84.83% (2018: 83.63%) of the total assets of long term insurance business.

Further, other assets as at 31st December 2019 amounted to LKR 41,230 million and represented 8.49% of total asset portfolio. This category reported 2.86% increase compared to the previous year and, mainly comprised of deferred tax assets, property plant & equipment, premium receivable, intangible assets etc.

The decrease in unit trusts was mainly due to selling large volume of unit trusts by one long term insurer during the year 2019.

**Chart 9**

**Concentration of Assets as at 31<sup>st</sup> December 2018 & 2019 - Long Term Insurance Business**



**Investment Income – Long Term Insurance Business**

Surpassing the subdued economic conditions fueled by slashing interest rates and volatile equity market throughout the year, overall investment income presented a rigorous growth of 18.26% (2018: 7.71%) amounting to LKR 43,538 million compared to LKR 36,817 million reported in 2018. The growth was largely driven by bank deposits, equity and government treasury bonds. Further, income from government debt securities, corporate debts and bank deposits collectively contributed to 95.38% of the total investment income. Average investments of long term insurance business in 2019 reached to LKR 407,738 million (2018: LKR 367,586 million) recording an increase of 10.92%

In 2019, average amount of investment in government debt securities which represented the largest portion of total average investments amounted to LKR 185,235 million (2018: LKR 180,218 million) and generated an investment yield of 10.77% (2018: 10.58%) which represented an increase in investment yield compared to 2018. Corporate debt which represented a significant portion of the investment portfolio had generated an investment income of LKR 10,461 million (2018: LKR 9,525 million) and grew by 9.83% year on year. However, investment yield of corporate debt declined to 11.14% in 2019 compared to 12.36% reported in 2018.

Deposits generated an investment income of LKR 9,717 million (2018: LKR 6,521 million) from banks and finance companies. Interest income from average investments in deposits generated an investment yield

of 13.59% in 2019 compared to 12.09% earned in 2018. Accordingly, the highest investment yield ratio was reported by deposits out of all financial investments in 2019.

Investment income generated from equities aggregated to LKR 2,651 million (2018: LKR 1,271 million) in 2019 and reflected an investment yield of 8.88% (2018: 4.09%). The increase in investment income from equities was largely driven by capital gains of LKR 1,515 million in 2019, which includes realized gains against LKR. 26 million reported in preceding year.

Unit trusts and policy loans generated relatively moderate investment returns in 2019 with investment yield ratios of 5.71% (2018: 3.39%) and 5.01% (2018: 2.00%) respectively.

The overall investment yield was 10.68% in 2019 compared to 10.02% in 2018.

**Table 11**

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

Category	2018 (a)			2019 (b)		
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)
<b>Government Debt Securities</b>	19,071,108	180,217,863	10.58	19,949,101	185,235,253	10.77
- Treasury Bonds	17,323,247			18,756,653		
- Treasury Bills	296,376			208,077		
- Others (REPO)	1,451,485			984,370		
<b>Equity</b>	1,271,035	31,042,874	4.09	2,651,114	29,848,261	8.88
- Capital Gain/Losses	26,459			1,514,819		
- Dividend	1,244,576			1,136,295		
<b>Corporate Debts</b>	9,524,794	77,060,034	12.36	10,460,658	93,937,725	11.14
- Debentures	9,433,711			10,288,882		
- Commercial Papers	91,083			157,358		
- Asset Backed Securities	-			-		
- Other Similar Financial Instruments	-			14,418		
<b>Land and Buildings</b>	73,859	12,341,897	0.60	82,742	14,576,735	0.57
<b>Deposits</b>	6,520,896	53,950,925	12.09	9,716,917	71,475,306	13.59
- Bank	5,975,784			9,009,462		
- Finance Companies	545,112			707,455		
<b>Unit Trust</b>	233,578	6,883,088	3.39	355,937	6,234,848	5.71
<b>Policy Loans</b>	121,875	6,089,456	2.00	321,937	6,429,652	5.01
<b>Others</b>	610,768	1,151,807		(88,103)	1,762,070	
<b>Total</b>	<b>36,817,146</b>	<b>367,586,137</b>	<b>10.02</b>	<b>43,538,406</b>	<b>407,737,781</b>	<b>10.68</b>

Note:

Investment income recorded under "Other" category does not fully represent the corresponding assets as it includes various income items such as Notional Tax Income for withholding tax on treasury bonds and bills, staff loan interest, savings account interest etc. Hence, figures representing "Other" category were removed from the total amounts and "Investment Yield" was not computed for same.

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

In accordance with Solvency Margin (Risk Based Capital) Rules, the IRCSL continues to monitor that insurers take on a risk-focused approach to assess capital adequacy and seek to reflect the relevant risks with the objective of enhancing both policyholder and insurer's protection and ensure that they perform in a sustainable basis. Timely and appropriate regulatory and supervisory measures assured the overall steadiness of the industry without causing any major concerns during the year.

Under RBC Rules, insurers are required to maintain a minimum Total Available Capital (TAC) of LKR 500 million and Capital Adequacy Ratio (CAR) of 120% in order to comply capital adequacy requirements. Table 12, 13 and 14 demonstrate details relating to Risk Based Capital (RBC) of long term insurers for the year 2018 & 2019.

The average CAR and total TAC of long term insurance business recorded for the year 2019 as 298% (2018: 304%) and LKR 220,371 million (2018: LKR 197,574 million) respectively. CAR under the Risk Based Capital (RBC) regime measures adequacy of the Total Available Capital as against the Risk Capital Required which indicates the capability of insurers to absorb risk in relation to its capital position. All long term insurance companies had satisfied the minimum CAR requirement as at 31<sup>st</sup> December 2019 and one insurer had recorded a CAR below 160% which is the Enforcement Level prescribed by the IRCSL. All long term insurers except one insurer have complied the minimum TAC of LKR 500 million as at 31<sup>st</sup> December 2019. Accordingly, necessary action has been taken for the non-compliant in terms of the Solvency Margin (Risk Based Capital) Rules 2015.

Further, SVCC which reflects the risk of extreme adverse scenario if all life insurance contracts are surrendered simultaneously amounted to LKR 3,853 million as at 31<sup>st</sup> December 2019 and significantly decelerated compared to year 2018.

**Table 12**

### Company-wise Analysis of Solvency Position – Long Term Insurance Business as at 31<sup>st</sup> December 2018 & 2019

Insurer	As at 31st December 2018 (a)				As at 31st December 2019 (b)			
	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)
AIA Life	19,221,556	2,934,346	974,079	655	23,479,150	3,674,691	121,861	639
Allianz Life	1,209,377	297,583	98,240	406	1,447,524	223,007	471,435	307
Amana Life	493,210	282,745		174	508,242	267,470		190
Arpico	1,618,804	413,912	406,492	391	1,802,462	485,405	349,870	371
Ceylinco Life	53,860,075	14,813,327	8,129	364	61,948,169	17,865,001	10,631	347
Cooplif	773,800	321,092		241	885,437	469,593		189
HNB Life	6,636,693	2,082,131	451,835	319	7,921,589	2,461,800	416,272	322
Janashakthi Life	9,841,633	2,923,139	728,421	337	9,376,364	3,125,593	119,593	300
LIC	476,371	248,126		192	395,312	275,015		144
LOLC Life	634,156	455,978		139	1,280,311	588,513		218
MBSL	141,348	57,775		245	548,464	199,502		275
Sanasa Life	577,288	282,015	2,953	205	711,479	390,784	19,312	182
SLIC	79,905,443	18,286,644	1,325,178	437	83,505,746	19,148,373	1,046,379	436
Softlogic Life	7,828,045	3,935,366	1,450,442	199	8,151,141	4,489,448	1,041,915	182
Union Life	14,356,049	5,495,622	164,406	261	18,409,499	5,002,806	255,663	368
<b>Total/Overall</b>	<b>197,573,848</b>	<b>52,829,802</b>	<b>5,610,175</b>	<b>304</b>	<b>220,370,890</b>	<b>58,667,000</b>	<b>3,852,929</b>	<b>298</b>

*Note:*

*Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRC SL for year ended 31st December 2019 except for MBSL where figures submitted for the Annual Report were used.*

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

TAC of long term insurers mounted up to LKR 220,371 million (2018: LKR 197,574 million) as at 31<sup>st</sup> December 2019 and posted an enriched growth of 11.54% against previous year. According to Solvency Margin (Risk Based Capital) Rules, TAC is computed by adding 'Tier 1' and 'Tier 2' capital and subtracting items specified as 'deductions'. Table 13 provides the composition of TAC pertaining to long term insurers as at 31<sup>st</sup> December 2019. Substantial improvement in TAC was noted from Ceylinco Life mainly from Tier 1 capital backed by adjusted retained earnings and valuation surplus and growth was reached to LKR 8,088 million in 2019. Furthermore, AIA Life, Union Life and SLIC also recorded significant improvements in TAC basically which arrived from Tier 1 capital. All long term insurers recorded growth in TAC in 2019 compared to previous year except Janashakthi Life and LIC where both insurers recorded contraction in Tier 1 capital.

Tier 1 capital which comprised of share capital, retained earnings, any adjustments to retained earnings, unallocated valuation surplus and 50% of future projected bonuses for participating business are defined as the permanent capital fully available to cover the losses. Tier 1 capital amounted to LKR 234,867 million as at 31<sup>st</sup> December 2019 compared to LKR 212,586 million as at 31<sup>st</sup> December 2018 and improved by 10.48%.

Tier 2 capital which lacks some characteristics of higher quality capital paralleled to Tier 1 comprised of cumulative irredeemable preference shares, redeemable preference shares, etc., and improved by 1.70% against the previous year 2018. The deductions mainly comprised of intangible or illiquid assets amounted to LKR 33,728 million (2018: LKR 33,923 million) almost unchanged compared to previous year.

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

Insurer	As at 31 <sup>st</sup> December 2018 (a) - (LKR '000)	As at 31 <sup>st</sup> December 2019 (b) - (LKR '000)			
	TAC (LKR '000)	Tier I (LKR '000)	Tier II (LKR '000)	Deductions (LKR '000)	TAC (LKR '000)
AIA Life	19,221,556	21,454,885	6,273,764	4,249,499	23,479,150
Allianz Life	1,209,377	2,144,362		696,838	1,447,524
Amana Life	493,210	475,917	88,127	55,801	508,242
Arpico	1,618,804	2,283,238		480,776	1,802,462
Ceylinco Life	53,860,075	68,914,794	3,753,287	10,719,912	61,948,169
Cooplif	773,800	1,050,665	99,888	265,115	885,437
HNB Life	6,636,693	10,589,626	381,156	3,049,192	7,921,589
Janashakthi Life	9,841,633	9,715,399	1,795,829	2,134,864	9,376,364
LIC	476,371	398,314	61,899	64,901	395,312
LOLC Life	634,156	1,291,704	256,134	267,527	1,280,311
MBSL	141,348	769,573		221,109	548,464
Sanasa Life	577,288	1,253,400	4,060	545,981	711,479
SLIC	79,905,443	85,681,871	155,614	2,331,739	83,505,746
Softlogic Life	7,828,045	10,418,385	890,713	3,157,957	8,151,141
Union Life	14,356,049	18,424,468	5,471,340	5,486,309	18,409,499
<b>Total</b>	<b>197,573,848</b>	<b>234,866,600</b>	<b>19,231,811</b>	<b>33,727,521</b>	<b>220,370,890</b>

Note:

Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRC SL for year ended 31st December 2019 except for MBSL where figures submitted for the Annual Report were used.

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

Table 14 depicts the company– wise analysis of RCR which comprises of main risk categories computed under the RBC Rule. It consists of credit risk, concentration risk, market risk, reinsurance risk, liability risk and operational risk as at 31<sup>st</sup> December 2018 and 2019. RCR can be defined as aggregate of the capital required to address relevant and material categories of risk.

Total risk capital charges after diversification grew at a modest rate in year 2019 and increased by 11.05% to LKR 58,667 million compared LKR 52,830 million in 2018. Prior to diversification same amounted to LKR 76,581 million in 2019. Market risk continues to be the major risk encountered by the long term insurers in 2019 similar to preceding years, occupying 54.65% of total RCR before diversification and equaled to LKR 41,848 million. 23.29% and 8.97% of total RCR before diversification occupied by liability risk and concentration risk respectively. Thereupon, these three risk categories represented 86.91% (2018: 87.80%) of total risk capital charges prior to diversification.

**Table 14****Company - wise Analysis of Risk Capital Required (RCR) as at 31<sup>st</sup> December 2018 and 2019 – Long Term Insurance Business**

Insurer	As at 31 <sup>st</sup> December 2018 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	420,637	574,443	1,007,142	-	2,074,536	545,703	4,622,461	2,934,346
Allianz Life	2,375	5,900	216,028	791	189,745	43,419	458,258	297,583
Amana Life	18,882	153,823	104,693	512	43,188	29,076	350,175	282,745
Arpico	33,831	121,978	135,120	264	292,926	26,911	611,030	413,912
Ceylinco Life	1,426,249	733,458	12,362,089	4,393	2,659,740	1,162,007	18,347,936	14,813,327
Cooplif	53,770	41,319	193,484		138,573	24,960	452,107	321,092
HNB Life	239,892	405,478	1,352,803	2,235	547,326	184,588	2,732,322	2,082,131
Janashakthi Life	247,969	66,591	2,468,861	2,397	863,013	197,909	3,846,741	2,923,139
LIC	27,673	67,415	143,172	117	63,359	26,978	328,715	248,126
LOLC Life	15,260	26,772	202,240		382,183	46,723	673,179	455,978
MBSL	2,342	4,692	43,589		26,513	8,505	85,641	57,775
Sanasa Life	25,283	164,414	88,412	341	40,565	18,776	337,791	282,015
SLIC	1,264,435	2,382,087	14,045,424		4,449,082	1,265,728	23,406,756	18,286,644
Softlogic Life	167,517	608,112	1,990,814		2,793,684	170,954	5,731,081	3,935,366
Union Life	218,989	603,863	4,542,621	-	1,089,026	477,063	6,931,561	5,495,622
<b>Total</b>	<b>4,165,104</b>	<b>5,960,347</b>	<b>38,896,493</b>	<b>11,050</b>	<b>15,653,460</b>	<b>4,229,299</b>	<b>68,915,755</b>	<b>52,829,802</b>

Insurer	As at 31 <sup>st</sup> December 2019 (b) (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	41,291	141,501	194,599	211	303,031	34,744	715,377	485,405
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
Cooplif	87,808	13,345	331,666		179,742	29,625	642,187	469,593
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	5,786	151,119	40,484	37	25,653	12,878	235,957	199,502
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
<b>Total</b>	<b>5,161,880</b>	<b>6,870,671</b>	<b>41,848,153</b>	<b>16,534</b>	<b>17,836,939</b>	<b>4,846,489</b>	<b>76,580,665</b>	<b>58,667,000</b>

Note:

Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRCSL for year ended 31st December 2019 except for MBSL where figures submitted for the Annual Report were used.

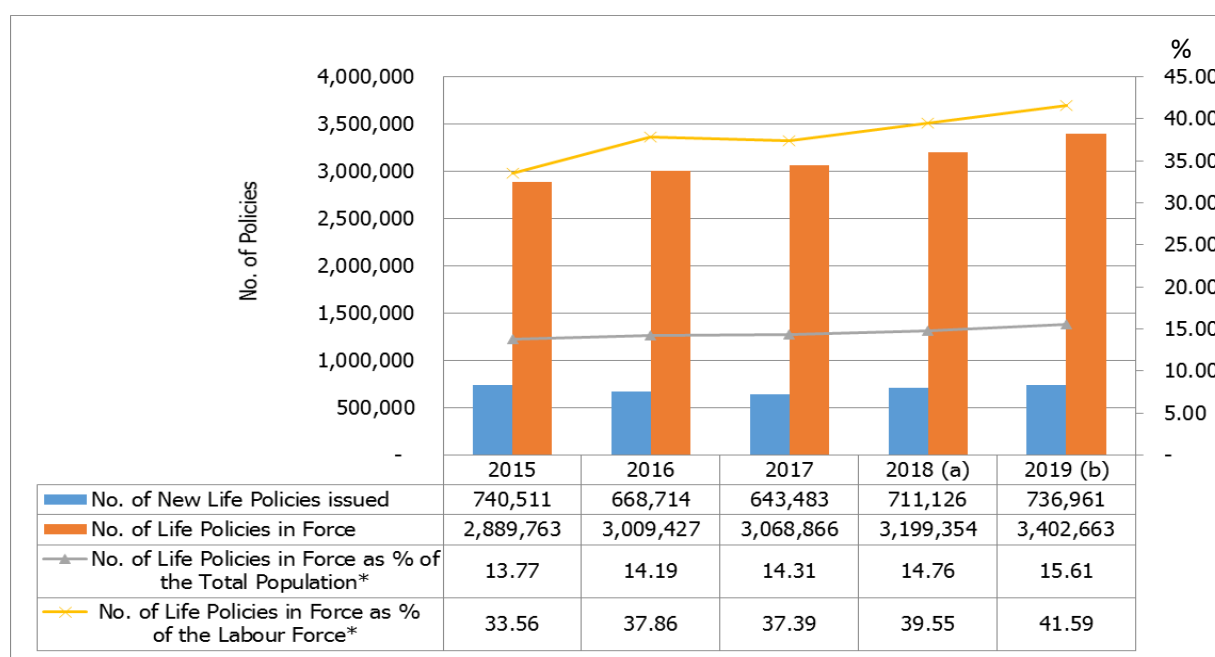
## Number of Insurance Policies Issued and Policies in Force – Long Term Insurance Business

At the end of 2019, total number of long term insurance policies inforce was 3,402,663 and increased by 6.35% compared to 3,199,354 policies in force at the end of 2018. The life insurance industry in Sri Lanka continued expanding during year 2019 and issued 736,961 new life insurance policies, increasing by 3.63% compared to 711,126 new policies issued in 2018 as indicated in chart 10.

Number of life insurance policies in force as a percentage of total population was 15.61% in 2019 compared to 14.76% recorded in 2018. Number of life policies in force as a percentage of labour force has been continued to rise over time except in year 2017. This trend continued in 2019 and increased to 41.59% which demonstrate to the fact that the sector as a whole continues to thrive.

The trend line reflects the way forward for life insurance business in Sri Lanka and the potential of expansion in a market known for its low penetration rates.

**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

Table 15 provides detailed information on product-wise policies in force and sum insured for the year 2018 and 2019. Mainly products are categorized in to endowment, universal life, term, whole and others which includes health plans, unit linked, annuity & group life. In 2019, total sum assured amounted to LKR 3,849,146 million and grew by 25.97% against LKR 3,055,587 million recorded in 2018. Total number of policies in force expanded to 3,402,663 as at the end of 2019 against 3,199,354 recorded in year 2018.

Similar to previous years, Endowment products represent the majority of policies in force amounting to 1,225,008 though number of policies decelerated over the years and recorded 2.83% drop compared to previous year. However, in terms of sum assured, endowment category claims only LKR 439,951 million out of total sum assured for the year 2019. Conversely, number of policies in the category of 'other' has been grown rigorously by 43.97% compared to previous year due to innovative product characteristics introduced by the insurers and growth recorded was mainly driven by two insurers due to increase in mortgage protection plans and group life policies. Accordingly, there were 710,021 (2018: 493,169) life policies in force in the category of 'other' at the end of the year 2019 with a total sum assured amounting to LKR 1,801,924 million (2018: LKR 1,323,437 million).

Number of Universal Life policies also marginally increased by 5.48% and recorded as 942,677 (2018: 893,697) with a total sum assured amounting to LKR 433,120 million (2018: LKR 393,397 million). Term insurance also represented significant portion of the sum assured and slightly decreased by 4.96% in terms of policies in force in the year 2019. Unlike the previous year, category of whole life insurance depicted a declining trend in terms of both policies in force and sum assured.

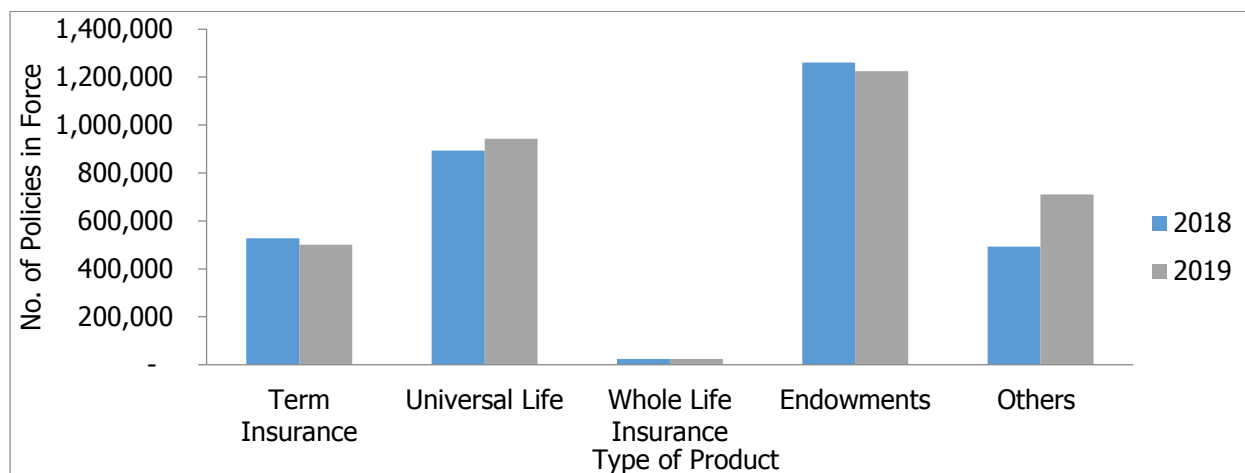
**Table 15**

**Product-wise Policies in Force and Sum Insured for 2018 and 2019 - Long Term Insurance Business**

Type of Product	2018		2019	
	No. of Policies in Force	Sum Insured (LKR '000)	No. of Policies in force	Sum Insured (LKR '000)
Term Insurance	527,307	920,092,488	501,176	1,172,542,129
Universal Life	893,697	393,397,498	942,677	433,120,480
Whole Life Insurance	24,435	1,635,183	23,781	1,608,526
Endowments	1,260,746	417,025,131	1,225,008	439,950,741
Others	493,169	1,323,437,053	710,021	1,801,923,679
<b>Total</b>	<b>3,199,354</b>	<b>3,055,587,353</b>	<b>3,402,663</b>	<b>3,849,145,555</b>

**Chart 11**

**Product-wise Policies in Force for 2018 and 2019 - Long Term Insurance Business**



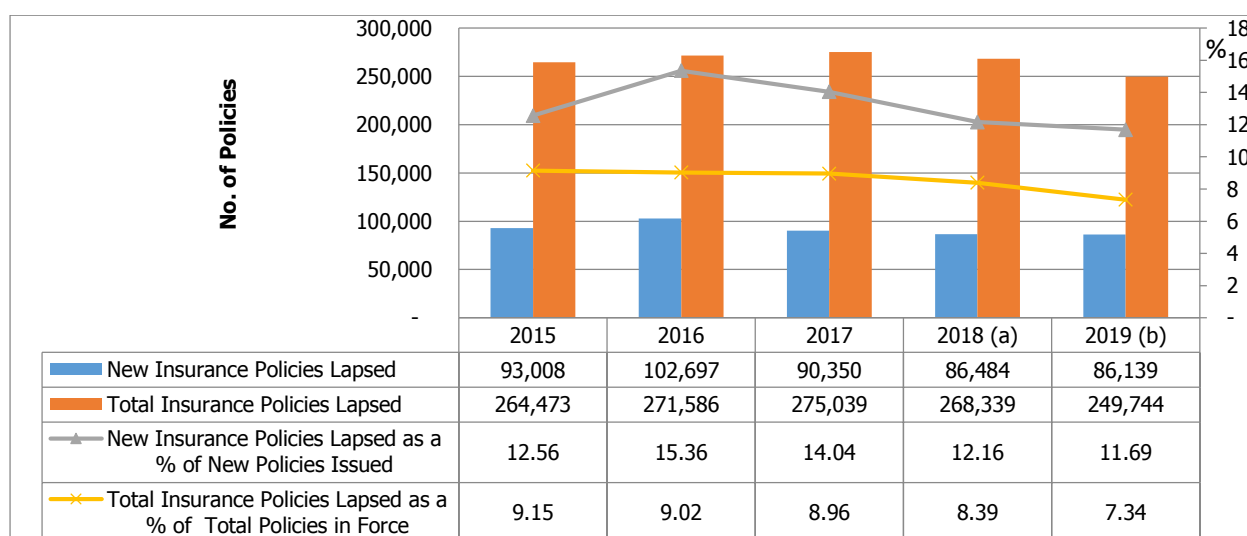
**Insurance Policy Lapses – Long Term Insurance Business**

Chart 12 depicts a slight reduction in lapse rates in terms of new insurance policies and total insurance policies in year 2019. Total lapsed life insurance policies amounted to 249,744 (2018: 268,339) in year 2019 and 86,139 (2018: 86,484) out of same consists of new lapsed policies. Accordingly, new insurance policy lapses also slightly decreased by 345 policies during the year 2019.

Further, total policy lapses as a percentage of total policies in force was 7.34% (2018: 8.39%) while new policy lapses as a percentage of new policies issued was 11.69% (2018: 12.16%) in 2019.

**Chart 12**

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



## Claims Incurred by Insurance Companies – Long Term Insurance Business

A total of LKR 36,079 million (2018: LKR 34,416 million) claims incurred was reported during the year 2019, which is an increase of 4.83% over 2018. As depicted in Chart 13, total claims incurred comprised of disability benefits, death benefits, surrenders, maturity benefits and other benefits paid to policyholders.

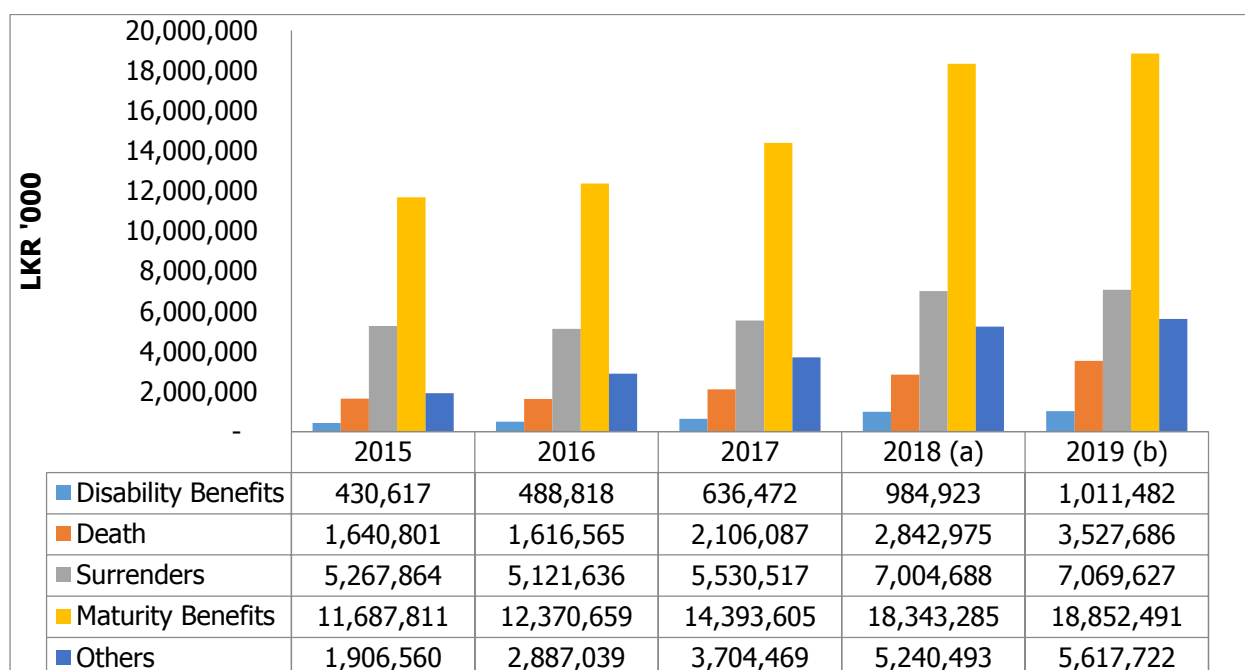
Maturity benefits account for the largest percentage of the total claims incurred, accounting 52.25% of total claims and amounted to LKR 18,852 million (2018: LKR 18,343 million) for the year 2019 and in line with the contractual obligations.

Surrender claims represented a significant portion of the claims incurred which amounted to LKR 7,070 million and represented 19.59% of the total claims and had grown by 0.93% against previous year. Further, death claims witnessed a significant growth of 24.08% in terms of value and represented 9.78% of total claims incurred in 2019.

Other benefits which include health benefits, advance payments, bonus, cancellations and refunds etc. amounted to LKR 5,618 million which is 15.57% of the total claims incurred and recorded a significant growth of 7.20% year on year. During 2019, disability benefits have gone up by 2.70% which amounted to LKR 1,011 million.

**Chart 13**

## Claims Incurred by Insurance Companies – Long Term Insurance Business



## Number of Insurance Claims - Long Term Insurance Business

An increasing trend of number of claims incurred has been posted during the last five years and total number of claims for the year 2019 has slightly climbed by 3.85% to 429,606 (2018: 413,685). The category of 'other' accounts for the largest percentage of the total number of claims incurred. Number of claims from 'other benefits' accounted 46.07% of total claims and reached to 197,906 (2018: 166,745) and continued rising year on year.

The number of maturity benefit claims was 130,723 (2018: 153,856) and represented 30.43% of the total claims and depicted a decline of 15.04% in the year 2019. Surrender claims represented 17.84% of total number of long term insurance claims and amounted to 76,630 (2018: 70,412). Further, disability benefits had slightly risen in 2019 and recorded as 11,427 (2018: 10,737)

Table 16 depicts the category wise break up of number of long term insurance claims incurred for the years 2015 to 2019.

**Table 16**

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 (a)</b>	<b>2019 (b)</b>
Disability Benefits	14,081	9,521	10,749	10,737	11,427
Death	6,747	8,418	11,247	11,935	12,920
Surrenders	42,814	46,484	47,191	70,412	76,630
Maturity Benefits	120,661	108,680	128,266	153,856	130,723
Other benefits	112,337	143,336	145,452	166,745	197,906
<b>Total</b>	<b>296,640</b>	<b>316,439</b>	<b>342,905</b>	<b>413,685</b>	<b>429,606</b>

## General Insurance Business

### Gross Written Premium

As depicted in Table 17, general insurance industry of Sri Lanka grew at a rate of 7.10% with the overall Gross Written Premium (GWP) of LKR 107,732 million in year 2019, being one of the most challenging years in the recent past. The slower growth can be explained with reduction in motor premium due to sustained tax rises on imported vehicles, intense price competition among general insurers, adverse weather conditions and subdued economic activities that caused mainly by the Easter Sunday attacks in April 2019.

The growth momentum of general insurance business was driven mainly by non-motor lines in 2019 changing the history of general insurance industry. The contribution of Government introduced insurance schemes to cater national interest such as 'Suraksha Student Insurance Policy', 'Agrahara Health Insurance Scheme', 'National Natural Disaster Scheme' etc. became the main driving force of the growth.

The GWP of general insurance business in terms of value witnessed 56% improvement from the period 2015 to 2019. The general insurance industry depicts enhanced competition among eleven insurance companies who are registered to carry on only general insurance business and two composite companies who are handling both general and long term insurance businesses.

However, the impact of COVID-19 pandemic which has been spreading during the latter part of the year would affect the financial outlook of general insurers in terms of reducing insurable exposures due to negative impact across a range of products like health, travel, event cancellation, business interruption, employer's liability, income protection etc.

Amongst these challenges general insurers can explore new opportunities since the general insurance industry has the potential to grow by recovering from economic downturn. Accordingly, pursuing new developments in the global arena such as Insurtech to introduce innovative, cost effective insurance products to the general public is expected to be one major development that insurers will focus on, going forward.

As depicted in Table 17 and Chart 14, Ceylinco General led the market by achieving a market share of 17.08% (2018: 18.03%) and recorded a premium income of LKR 18,401 million in 2019. SLIC achieved the second largest market share by recording GWP of LKR 18,163 million (2018: LKR 17,916 million) which reflected a marginal increase in GWP 2018 year on year with the market share of 16.86% in year 2019 (2018: 17.81%). Allianz General generated GWP worth of LKR 18,095 million (2018: LKR 17,984 million) to achieve the third largest market share of 16.80% (2018:17.88%).

NITF has achieved a remarkable milestone while recording a double digit market share of 12.40% (2018: 9.59%) and became the fourth largest market player in terms of GWP worth of LKR 13,358 million (2018: LKR 9,645 million), surpassing Fairfirst who was the fourth largest contributor to GWP in year 2018. NITF had improved its performance significantly during 2019 in terms of GWP mainly due to increase in premium paid by the Government of Sri Lanka for "National Natural Disaster Insurance Scheme" (NNDIS) from LKR 500 million to LKR 1,500 million coupled with increase in contribution received from Agrahara and premium income generated via Strike, Riot, Civil Commotion and Terrorism (SRCC & T) cover managed by the NITF. There had been a sudden spike in demand for terrorism cover in the country under SRCC & T due to the Easter bombings in April 2019, that snuffed out over 250 lives. Accordingly, SRCC & T recorded a rigorous growth in GWP amounting to LKR 6,307 million (growth rate 37.67%) as at 31st December 2019, the highest reported during last five years.

Fairfirst generated GWP worth of LKR 11,248 million in 2019 (2018: LKR 10,981 million) to achieve the fifth largest market share of 10.44% (2018:10.92%).

Except Amana General all general insurers showed improved performance in terms of GWP during the year.

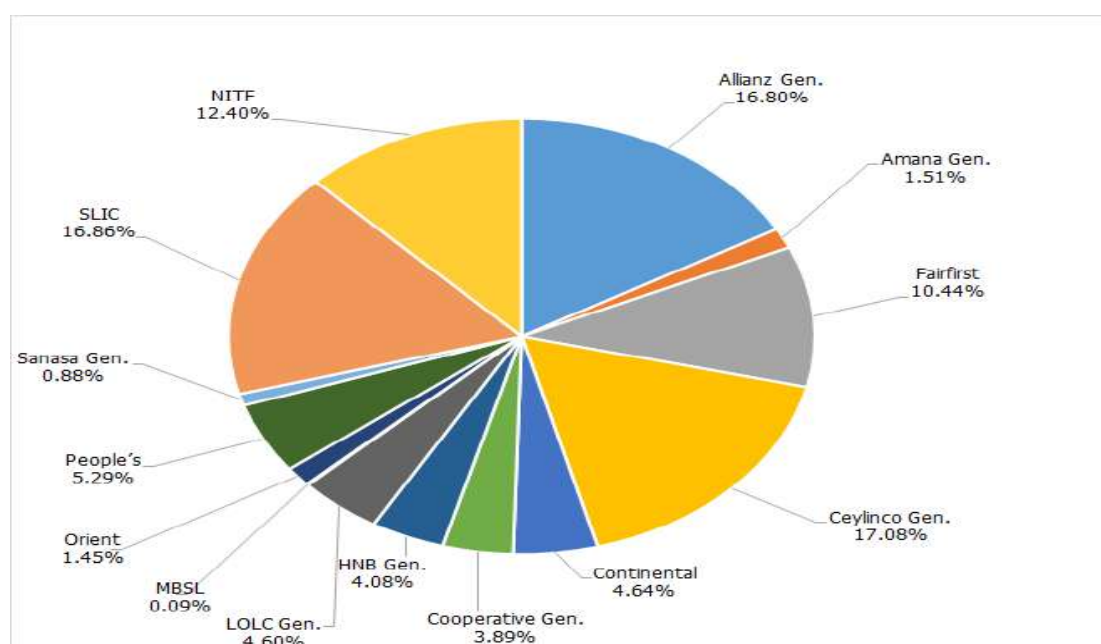
**Table 17**

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

Insurer	2015		2016		2017		2018 (a)		2019 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Gen.	3,297,840	4.76								
AIG	3,141	0.00								
Allianz Gen.	3,244,844	4.68	4,247,691	5.34	5,956,142	6.38	17,983,748	17.88	18,095,258	16.80
Amana Gen.	1,438,732	2.08	1,474,186	1.85	1,686,270	1.81	1,841,067	1.83	1,621,461	1.51
Ceylinco Gen.	12,921,561	18.65	15,265,433	19.18	17,012,087	18.22	18,137,933	18.03	18,401,405	17.08
Continental	2,309,413	3.33	3,088,064	3.88	3,892,780	4.17	4,545,405	4.52	5,002,548	4.64
Cooperative Gen.	1,691,705	2.44	2,420,130	3.04	2,966,679	3.18	3,692,397	3.67	4,192,960	3.89
Fairfirst	1,908,901	2.76	2,361,614	2.97	9,610,990	10.29	10,980,850	10.92	11,247,669	10.44
HNB Gen.	2,577,224	3.72	2,982,385	3.75	3,662,008	3.92	4,062,171	4.04	4,394,457	4.08
Janashakthi Gen.	7,406,160	10.69	10,137,864	12.74	11,740,185	12.57				
LOLC Gen.	2,476,961	3.58	3,096,834	3.89	3,795,106	4.06	4,318,721	4.29	4,954,896	4.60
MBSL	1,159,208	1.67	972,976	1.22	260,806	0.28	(512)	0.00	96,217	0.09
NITF	4,961,413	7.16	6,420,822	8.07	8,114,412	8.69	9,644,901	9.59	13,358,203	12.40
Orient	746,935	1.08	810,728	1.02	1,179,000	1.26	1,376,398	1.37	1,564,902	1.45
People's	3,637,404	5.25	4,166,727	5.24	4,587,432	4.91	5,354,368	5.32	5,694,164	5.29
Sanasa Gen.	349,527	0.50	384,481	0.48	569,509	0.61	732,379	0.73	945,162	0.88
SLIC	13,583,222	19.61	15,198,381	19.10	18,355,361	19.65	17,916,274	17.81	18,163,072	16.86
Union Gen.	5,557,189	8.02	6,561,571	8.23						
<b>Total</b>	<b>69,271,380</b>	<b>100</b>	<b>79,589,888</b>	<b>100</b>	<b>93,388,766</b>	<b>100</b>	<b>100,586,101</b>	<b>100</b>	<b>107,732,375</b>	<b>100</b>
<b>Growth Rate (%)</b>	<b>13.18</b>		<b>14.90</b>		<b>17.34</b>		<b>7.71</b>		<b>7.10</b>	

**Chart 14**

**Company-wise Market Share of Gross Written Premium - General Insurance Business for the year ended 31st December 2019**



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

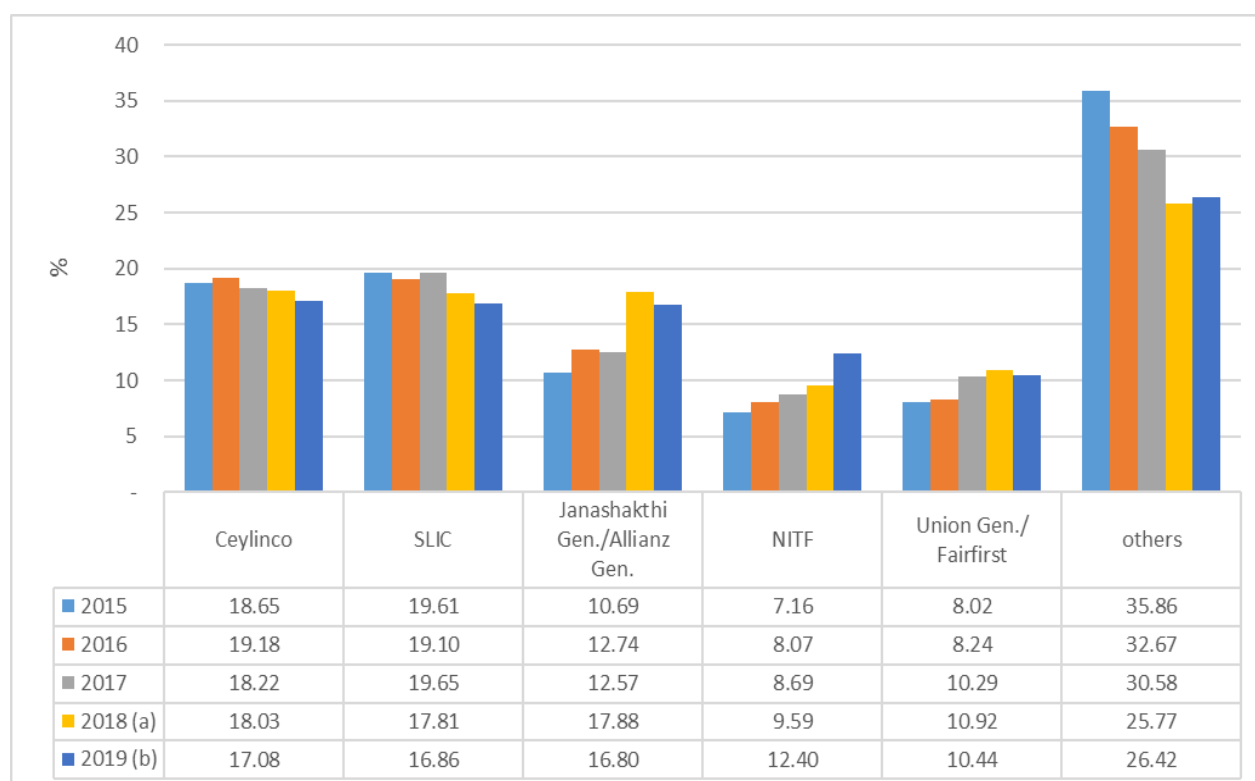
In 2019 general insurance industry largely driven by few players namely Ceylinco General, SLIC, Allianz General, NITF and Fairfirst which controlled total of 73.58% and recorded total GWP worth of LKR 79,266 million (2018: LKR 74,664 million), while the remaining ten insurers held a market share of 26.42% and generated GWP worth LKR 28,467 million (2018: LKR 25,922 million) collectively.

As illustrates in Chart 15 Ceylinco General and SLIC were leading the general insurance market by contributing to aggregate market share of 33.94 % in 2019 (2018: 35.84%). However, market shares of both Ceylinco General and SLIC have slightly dropped in year 2019 compared to 2018. Allianz General’s market share has declined to 16.80% in 2019 compared to 17.88% in 2018 and became the third in the market. NITF as the fourth largest contributor has captured 12.40% of the market and indicated a noticeable progress in their share in year under review compared to previous years.

Fairfirst achieved the fifth position in the general insurance market by recording market share of 10.44% (2018:10.92%).

### Chart 15

#### Market Share of Top Five Contributors to GWP and Other Insurers for the Years 2015 to 2019 - General Insurance Business



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

Class wise analysis of gross written premium during the period 2015 to 2019 is shown in Table 18 and Chart 16. Fire, marine, motor, health and miscellaneous insurance businesses constitute the main sub-classes of general insurance business. In addition, premiums pertaining to SRCC & T cover provided by NITF is also depicted separately.

Motor insurance business has reported GWP of LKR 63,733 million in 2019 (2018: LKR 62,363 million) and market share of 59.16% (2018: 62.00%). In 2019, motor has reported the lowest growth rate of 2.20% compared to the consecutive double digit growths reported during last four years. This was mainly due to the decline in personal vehicle imports coupled with the increased tax structure on most categories of personal vehicle imports in the government Budget 2019 as reported by the Central Bank of Sri Lanka.

Health represented the second largest category of the general insurance business by recording GWP of LKR 16,579 million (2018: LKR 14,162 million) with a significant growth of 17.07% year on year. Government introduced insurance schemes such as 'Suraksha Student Insurance Policy' and 'Agrahara Health Insurance Scheme' witnessed the growth in health insurance business.

Miscellaneous insurance business generated premium income of LKR 10,458 million (2018: LKR 8,254 million) and represented 9.71% of the total GWP. Growth rate of miscellaneous insurance business has significantly increased to 26.69% compared to 4.93% recorded in the year 2018. This is mainly due to increase in premium generated through NNDIS and Contractors' All Risk insurance covers.

GWP of fire insurance business amounted to LKR 8,270 million (2018: LKR 8,822 million) and accounted 7.68% share of the total GWP (2018: 8.77%) while recorded a negative growth of 6.25% compared to year 2018 (2018: 2.61%).

As stated aforesaid SRCC & T subscriptions has risen to 37.67% to LKR 6,307 million (2018: LKR 4,582 million) in 2019 by reporting the highest growth over the last five years.

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

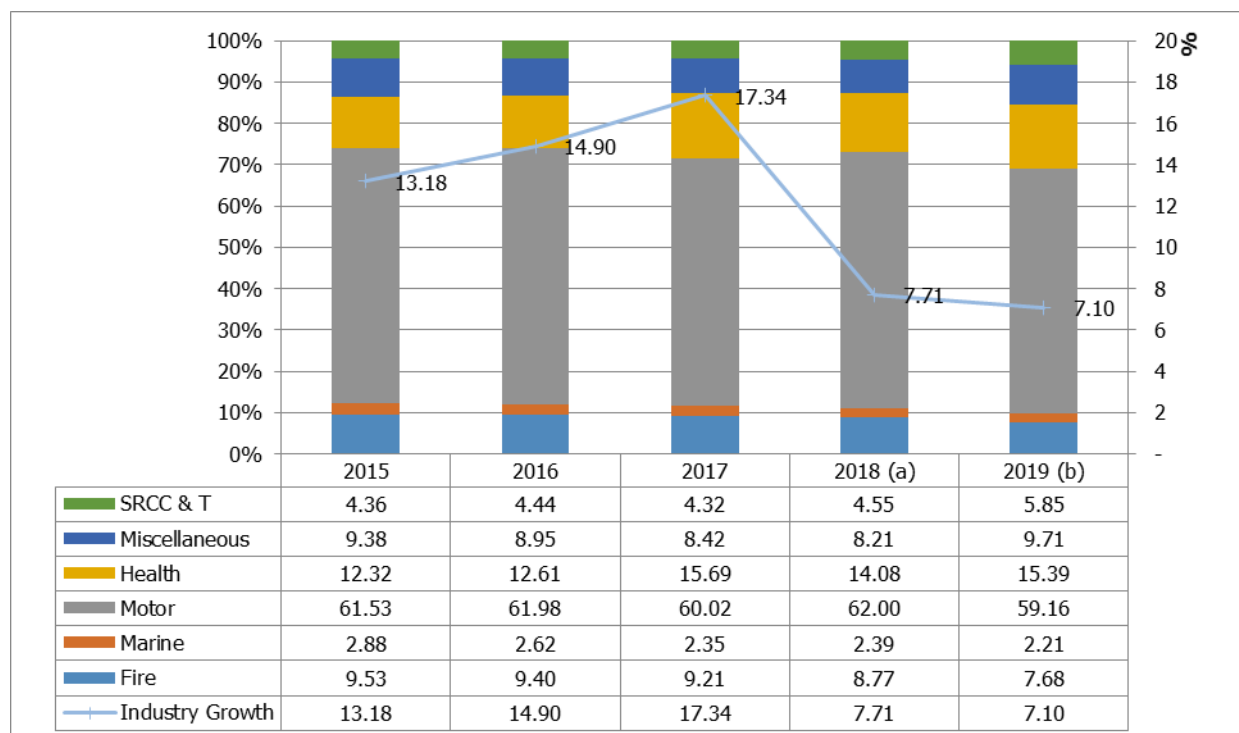
Class	Gross Written Premium (LKR '000)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	6,604,074	7,479,910	8,597,489	8,821,655	8,270,010
Marine	1,996,862	2,086,394	2,191,654	2,403,366	2,385,567
Motor	42,622,205	49,333,000	56,047,640	62,363,476	63,732,958
Health	8,534,364	10,036,518	14,649,440	14,161,542	16,578,713
Miscellaneous	6,495,454	7,120,742	7,866,260	8,254,421	10,457,778
<b>Sub Total</b>	<b>66,252,959</b>	<b>76,056,564</b>	<b>89,352,484</b>	<b>96,004,460</b>	<b>101,425,025</b>
SRCC & T	3,018,421	3,533,324	4,036,283	4,581,641	6,307,350
<b>Total</b>	<b>69,271,380</b>	<b>79,589,888</b>	<b>93,388,766</b>	<b>100,586,101</b>	<b>107,732,375</b>

Class	Growth (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	3.95	13.26	14.94	2.61	(6.25)
Marine	4.44	4.48	5.05	9.66	(0.74)
Motor	19.10	15.74	13.61	11.27	2.20
Health	12.39	17.60	45.96	(3.33)	17.07
Miscellaneous	(3.37)	9.63	10.47	4.93	26.69
<b>Sub Total</b>	<b>13.51</b>	<b>14.80</b>	<b>17.48</b>	<b>7.44</b>	<b>5.65</b>
SRCC & T	6.46	17.06	14.23	13.51	37.67
<b>Total</b>	<b>13.18</b>	<b>14.90</b>	<b>17.34</b>	<b>7.71</b>	<b>7.10</b>

Class	Percentage Share (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	9.53	9.40	9.21	8.77	7.68
Marine	2.88	2.62	2.35	2.39	2.21
Motor	61.53	61.98	60.02	62.00	59.16
Health	12.32	12.61	15.69	14.08	15.39
Miscellaneous	9.38	8.95	8.42	8.21	9.71
<b>Sub Total</b>	<b>95.64</b>	<b>95.56</b>	<b>95.68</b>	<b>95.45</b>	<b>94.15</b>
SRCC & T	4.36	4.44	4.32	4.55	5.85
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Chart 16**

**Class-wise Analysis of GWP from 2015 to 2019 - General Insurance Business**



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

Table 19 illustrates the GWP generated from different insurance segments categorized under miscellaneous insurance business in 2018 and 2019. Miscellaneous insurance business mainly consists of Personal Accident, Air Craft Hull, NNDIS, Contractors' All Risk, Others etc. Total GWP generated from miscellaneous insurance excluding SRCC & T was LKR 10,458 million (2018: LKR 8,254 million) and significantly increased by 26.69% compared to year 2018. This growth in GWP mainly generated mainly through the sub class, NNDIS which amounted to LKR 1,500 million in 2019 (2018: LKR 500 million) and was introduced by the Sri Lankan government since 01st April 2016. This is a protection scheme to cover damages caused to uninsured lives, properties etc. Further, there was a noticeable growth recorded in terms of GWP via Contractors' All Risk which amounted to LKR 1,140 million (2018: LKR 468 million).

Personal Accident had generated the highest GWP under miscellaneous insurance business which amounted to LKR 1,694 million (2018: LKR 1,674 million) while reporting a slight growth of 1.22% in 2019 compared to year 2018. Moderate growth was visible in few miscellaneous insurance business categories, such as Air Craft Hull, Professional Indemnity, Public Liability and Products Liability year on year.

Others showed in the Table 19 mainly comprised of Hull All Risk, Personal Insurance Products etc. and recorded GWP of LKR 1,102 million in 2019 showing a positive growth of 22.12% compared to GWP worth of LKR 902 million generated in 2018.

**Table 19****Category - wise Analysis of GWP of Miscellaneous Insurance premium for 2018 & 2019**

Category	GWP LKR '000	
	2018 (a)	2019 (b)
Title	488,362	399,180
Personal Accident	1,673,887	1,694,374
Contractors' All Risk	467,916	1,140,043
Professional Indemnity	334,698	441,897
Travel Insurance	532,025	477,130
Fidelity Guarantee	117,853	92,779
Burglary	395,880	401,421
Cash in transit including cash in safe	436,850	433,592
Goods in Transits	125,159	115,912
Products Liability	148,401	167,535
Public Liability	450,273	535,243
Bankers' Indemnity	397,674	413,313
Air Craft Hull	1,061,979	1,616,254
WCI	709,476	696,591
National Natural Disaster Insurance Scheme	500,000	1,500,000
Others	902,693	1,102,389
<b>Subtotal</b>	<b>8,743,127</b>	<b>11,227,652</b>
Less: Total of SRCC & T due to NITF	(460,879)	(711,516)
Coinsurance Premium	(27,827)	(58,360)
<b>Total</b>	<b>8,254,421</b>	<b>10,457,776</b>

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

Table 20 and Chart 17 depict the GWP generated by insurance companies, reinsurance premium ceded to reinsurers and retention levels of main classes of general insurance business from 2015 to 2019. As indicated in Table 20, general insurance business has ceded reinsurance premium amounting to LKR 17,813 million (excluding SRCC & T) out of the total GWP of LKR 101,425 million (2018: LKR 96,004 million) in 2019.

Accordingly, general insurers recorded an overall retention ratio of 82.44% (excluding SRCC & T) in year 2019 (2018: 81.42%), a slight increase compared to the previous year. Motor insurance business

remained the highest retained class of general insurance business for last five years and recorded a retention ratio of 93.36 % (2018: 93.11%) in year 2019.

Health insurance recorded significant retention ratio of 91.11% in 2019 (2018: 87.49%) and indicated an increase of 3.62%. Accordingly, premium ceded to reinsurance for health insurance has decreased to LKR 1,473 million in 2019 from LKR 1,771 million recorded in 2018.

Fire class of insurance business recorded the lowest retention ratio for last five years which amounted to 26.70% and declined further compared to the retention ratio of 30.81% recorded in 2018. Similarly, marine insurance business also recorded low retention ratios for last five years and recorded 48.58% for the year 2019 (2018: 50.07%). These classes recorded low retention ratio due to high risk in claim exposure transfer to reinsurers to minimize the claim risk.

**Chart 17**

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

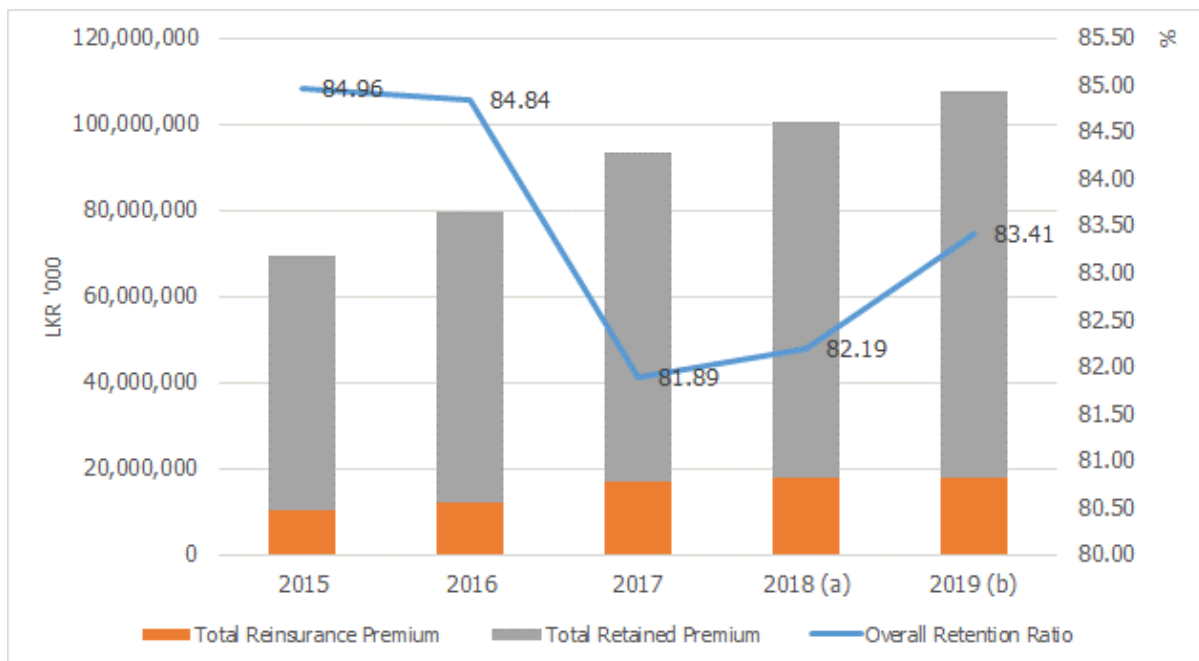


Table 20

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

Class	GWP (LKR'000)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	6,604,074	7,479,910	8,597,489	8,821,655	8,270,010
Marine	1,996,862	2,086,394	2,191,654	2,403,366	2,385,567
Motor	42,622,205	49,333,000	56,047,640	62,363,476	63,732,958
Health	8,534,364	10,036,518	14,649,440	14,161,542	16,578,713
Miscellaneous	6,495,454	7,120,742	7,866,260	8,254,421	10,457,778
<b>Sub Total</b>	<b>66,252,959</b>	<b>76,056,563</b>	<b>89,352,484</b>	<b>96,004,460</b>	<b>101,425,025</b>
SRCC & T	3,018,421	3,533,324	4,036,283	4,581,641	6,307,350
<b>Total</b>	<b>69,271,380</b>	<b>79,589,888</b>	<b>93,388,766</b>	<b>100,586,101</b>	<b>107,732,375</b>

Class	Reinsurance Premium (LKR '000)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	5,137,042	5,959,242	6,947,675	6,103,609	6,061,765
Marine	1,154,511	1,174,266	1,177,400	1,200,069	1,226,580
Motor	1,115,036	1,233,466	2,152,508	4,296,451	4,229,957
Health	3,012,362	486,984	2,682,617	1,771,091	1,473,033
Miscellaneous		3,213,645	3,840,459	4,462,894	4,821,722
<b>Sub Total</b>	<b>10,418,951</b>	<b>12,067,604</b>	<b>16,800,660</b>	<b>17,834,113</b>	<b>17,813,058</b>
SRCC & T	-	-	108,750	81,656	55,564
<b>Total Reinsurance Premium</b>	<b>10,418,951</b>	<b>12,067,604</b>	<b>16,909,410</b>	<b>17,915,770</b>	<b>17,868,622</b>

Class	Retention (LKR '000)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	1,467,033	1,520,667	1,649,814	2,718,046	2,208,244
Marine	842,351	912,129	1,014,254	1,203,297	1,158,987
Motor	41,507,169	48,099,534	53,895,132	58,067,024	59,503,000
Health	12,017,456	9,549,533	11,966,823	12,390,451	15,105,680
Miscellaneous		3,907,097	4,025,800	3,791,528	5,636,056
<b>Sub Total</b>	<b>55,834,008</b>	<b>63,988,960</b>	<b>72,551,823</b>	<b>78,170,347</b>	<b>83,611,967</b>
SRCC & T	3,018,421	3,533,324	3,927,533	4,499,984	6,251,787
<b>Total Net Written Premium</b>	<b>58,852,429</b>	<b>67,522,284</b>	<b>76,479,356</b>	<b>82,670,331</b>	<b>89,863,753</b>

Class	Retention as a Percentage of GWP (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	22.21	20.33	19.19	30.81	26.70
Marine	42.18	43.72	46.28	50.07	48.58
Motor	97.38	97.50	96.16	93.11	93.36
Health	79.96	95.15	81.69	87.49	91.11
Miscellaneous		54.87	51.18	45.93	53.89
<b>Sub Total</b>	<b>84.27</b>	<b>84.13</b>	<b>81.20</b>	<b>81.42</b>	<b>82.44</b>
SRCC & T	100.00	100.00	97.31	98.22	99.12
<b>Overall Retention Ratio</b>	<b>84.96</b>	<b>84.84</b>	<b>81.89</b>	<b>82.19</b>	<b>83.41</b>

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

Table 21 & Chart 18 depict the distribution of assets among general insurance companies as at 31st December 2018 and 2019.

Total assets of general insurance business grown at slow phase of 4.01% to LKR 203,870 million in 2019 (2018: LKR 196,005 million) due to unfavorable market and economic conditions prevailed in the country. Similar to previous years SLIC constituted the largest portion of assets among general insurers and represented 34.86% (2018: 36.15%) of general insurance industry assets by recording assets worth of

LKR 71,059 million (2018: LKR 70,854 million). However, their share of assets had slightly decreased by 1.29% compared to year 2018.

Allianz General assets has been notably reduced by 13.23% to LKR 29,548 million in 2019 compared to LKR 34,053 million reported in 2018. Ceylinco General, Fairfirst and NITF represented 14.02% (2018: 14.23%), 7.86% (2018: 7.61%) and 7.20% (2018: 6.08%) of total assets and claimed third, fourth and fifth positions respectively in the year 2019.

It is interesting to note that 78.43% (2018: 81.44%) of total assets of insurance companies are concentrated among top five companies while the balance 21.57% (2018: 18.56%) are owned by other ten companies.

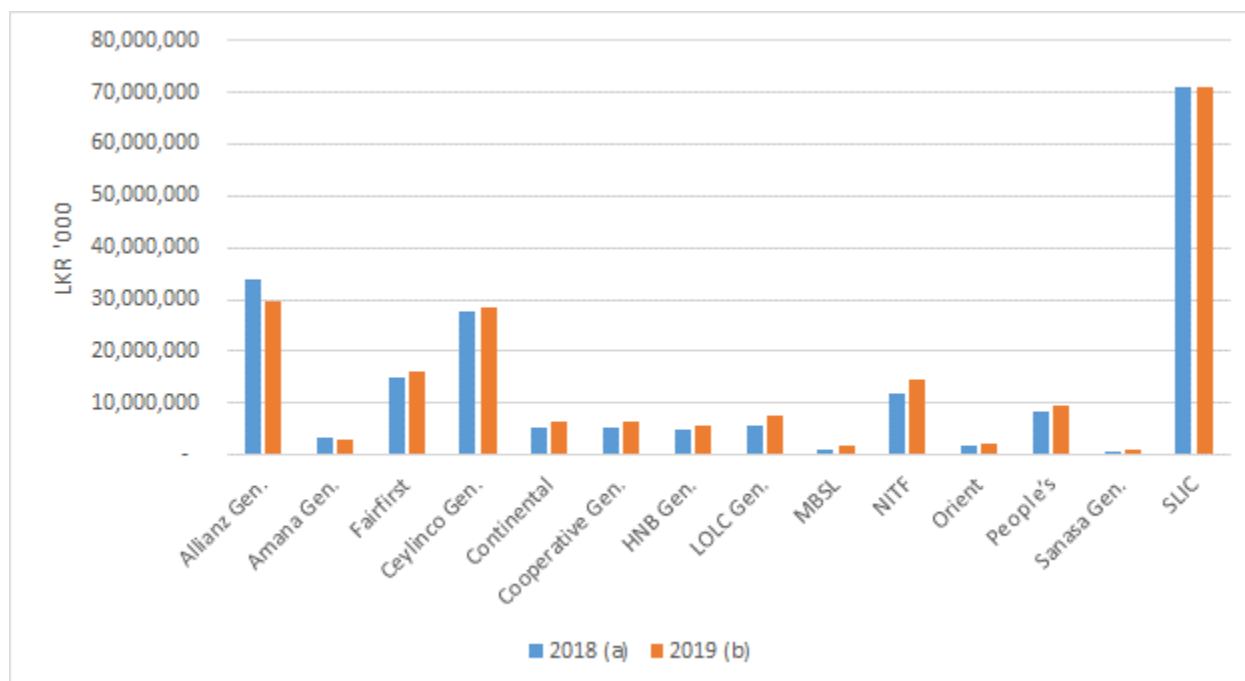
**Table 21**

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

Insurer	2018 (a)		2019 (b)	
	(LKR'000)	%	(LKR'000)	%
Allianz Gen.	34,052,708	17.37	29,547,615	14.49
Amana Gen.	3,327,423	1.70	2,822,858	1.38
Ceylinco Gen.	27,899,029	14.23	28,586,500	14.02
Continental	5,284,712	2.70	6,610,621	3.24
Cooperative Gen.	5,492,747	2.80	6,622,720	3.25
Fairfirst	14,917,948	7.61	16,025,516	7.86
HNB Gen.	4,773,910	2.44	5,644,112	2.77
LOLC Gen.	5,505,042	2.81	7,540,029	3.70
MBSL	868,408	0.44	1,682,661	0.83
NITF	11,909,582	6.08	14,679,797	7.20
Orient	2,007,118	1.02	2,208,665	1.08
People's	8,417,568	4.29	9,600,978	4.71
Sanasa	694,728	0.35	1,238,079	0.61
SLIC	70,854,183	36.15	71,059,444	34.86
<b>Total</b>	<b>196,005,105</b>	<b>100</b>	<b>203,869,596</b>	<b>100</b>

## Chart 18

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



### Concentration of Assets of General Insurance Business

Concentration of assets of general insurance business among different asset categories as at 31st December 2018 and as at 31st December 2019 is reflected in Table 22 and Chart 19.

Government debt securities continued to be the main investment category due to low risk and regulatory requirements. Hence, out of total assets government debt securities accounted for LKR 54,814 million (2018: LKR 53,189 million) representing 26.89% (2018: 27.14%).

Investments in equities amounted to LKR 32,329 million (2018: LKR 34,260 million) as at 31st December 2019 and recorded negative growth of 5.63% as a result of downturn in the stock market during 2019 amidst adverse developments in the domestic & global environment. However, equity investment represented the second largest asset category in general insurance business and accounted for 15.86% (2018: 17.48%) of total asset in 2019.

Deposits in Banks and Finance companies represented 11.72% of total assets and accounted for LKR 23,897 million in 2019 (2018: LKR 20,351 million) while recording a growth of 17.42% compared to 2018.

Premium receivable from policyholders and intermediaries amounted to LKR 22,862 million (2018: LKR 23,668 million) in 2019 representing 11.21% of total assets and slightly dropped by 3.4% compared to the year 2018.

Corporate debts are also one of the main investment categories of general insurance business which represented 8.15% of total assets in 2019 (2018: 6.89%). In the year 2019, there was an increase in

corporate debts up to LKR 16,613 million (2018: LKR 13,505 million) and had recorded a growth of 23.02% corresponding to 2018. The said growth was largely due to interest rate applicable on corporate debt instruments remaining high during 2019 as reported by Central Bank of Sri Lanka.

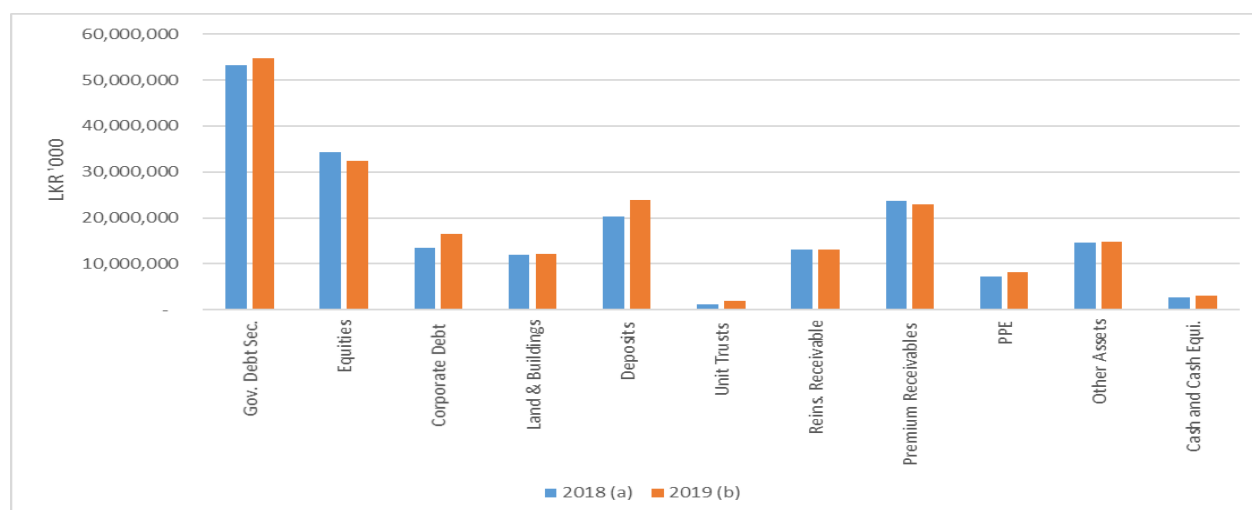
**Table 22**

**Concentration of Assets as at 31st December 2018 & 2019 - General Insurance Business**

Type of Asset	2018 (a)		2019 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	53,189,008	27.14	54,813,771	26.89
Equities	34,259,179	17.48	32,329,010	15.86
Corporate Debts	13,504,819	6.89	16,613,054	8.15
Land & Buildings	11,984,083	6.11	12,205,956	5.99
Deposits	20,351,392	10.38	23,896,705	11.72
Unit Trusts	1,229,474	0.63	1,962,072	0.96
Reinsurance receivables	13,059,051	6.66	13,071,993	6.41
Premium receivable from policyholders and intermediaries	23,666,720	12.07	22,862,086	11.21
Property Plant and Equipment	7,314,626	3.73	8,245,249	4.04
Other Assets	14,659,052	7.48	14,863,884	7.29
Cash and cash equivalents	2,787,702	1.42	3,005,818	1.47
<b>Total</b>	<b>196,005,106</b>	<b>100</b>	<b>203,869,597</b>	<b>100</b>

**Chart 19**

**Concentration of Assets as at 31st December 2018 & 2019 - General Insurance Business**



**Investment Income – General Insurance Business**

Table 23 illustrates the breakup of investment income, average investments and investment yield ratio of different asset categories in general insurance business for the years 2018 and 2019. The average investment amounted to LKR 138,464 million has increased by 6.69% compared to LKR 129,787 million recorded in the year 2018. The total investment income recorded for the year 2019 amounted to LKR

12,578 million (2018: LKR 9,380 million) and reached an overall investment yield of 9.08% in 2019 (2018: 7.23%).

Similar to previous year, average amount of investment in government debt securities which represented the largest portion of average investments amounted to LKR 54,001 million (2018: LKR 47,534 million) and generated an investment yield of 9.17%, (2018: 9.91%) at slashing interest rates over government debt securities during 2019.

Average investment in equities represented a significant portion of the investment portfolio and generated investment income of LKR 2,872 million and grew by LKR 2,567 million year on year resulting investment yield of 8.63% (2018: 0.84%). The increase in investment income from equities was largely driven by the dividend income of LKR 2,783 million by one large insurer out of its unlisted subsidiary investment. Except to the aforesaid dividend income the overall listed equity market showed a poor performance in 2019.

Deposits generated an investment income of LKR 2,589 million (2018: LKR 2,139 million) inclusive of interest income from Banks and Finance companies and reflected an investment yield of 11.70% (2018: 11.07%). Accordingly, the highest investment yield ratio was reported by deposits out of all financial investments.

Further, corporate debts continued to be attractive by recording an average investment amounting to LKR 15,060 million (2018: LKR 13,130 million) while representing an investment yield of 11.44% (2018: 11.74%).

**Table 23**

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

Category	2018 (a)			2019 (b)		
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Yield Ratio (%)
<b>Government Debt Securities</b>	4,712,050	47,534,405	9.91	4,950,605	54,001,390	9.17
- Treasury Bonds	2,499,753			2,743,083		
- Treasury Bills	1,315,775			1,363,360		
- Others (REPO)	896,522			844,162		
<b>Equity</b>	305,772	36,307,360	0.84	2,872,148	33,294,094	8.63
- Capital Gain/Losses	(259,131)			88,909		
- Dividend	564,903			2,783,239		
<b>Corporate Debts</b>	1,541,159	13,130,058	11.74	1,722,851	15,058,937	11.44
- Debentures	1,483,310			1,623,188		
- Commercial Papers	57,849			99,663		
<b>Land and Buildings</b>	-	11,676,822	-	-	12,095,019	-
<b>Deposits</b>	2,139,716	19,336,823	11.07	2,588,873	22,124,048	11.70
- Banks	1,669,174			2,054,773		
- Finance Companies	470,543			534,100		
<b>Unit Trusts</b>	88,013	1,378,872	6.38	58,203	1,595,773	3.65
<b>Others</b>	593,076	422,698		384,991	294,799	
<b>Total</b>	<b>9,379,785</b>	<b>129,787,038</b>	<b>7.23</b>	<b>12,577,671</b>	<b>138,464,061</b>	<b>9.08</b>

## **Solvency position of Insurance Companies- General Insurance Business**

In year 2019, the IRCSL entrusted its supervisory and regulatory framework through timely and appropriate measures over the risk based capital level of general insurers with a view to enhancing the policyholders' protection by minimizing risk of default and to bring more transparency and resilience to the insurance sector.

The RBC methodology measures the amount of available capital relative to the risks inherent in liabilities and the adequacy of capital to absorb unforeseen losses.

Table 24, 25 and 26 demonstrate the details relating to Risk Based Capital (RBC) of general insurers in terms of the Solvency Margin (Risk Based Capital) Rules 2015. Further, the aforesaid tables illustrate RBC details for the year 2019 as per SLFRS 16 where companies are required to recognize leases in the Balance Sheet for lease contracts as 'Right of Use Asset' and 'Lease Liability' with effect from 01<sup>st</sup> January 2019. Accordingly, Clarification on Application of SLFRS 16 – Leases to the Solvency Margin Rules 2015 has been provided by the IRCSL which came to effect from 31<sup>st</sup> December 2019

The average CAR of general insurance business recorded for the years 2018 and 2019 stood at 166% and 213% respectively. All general insurers have exhibited resilience amidst a challenging business environment prevailed in both global and domestic contexts by reporting CAR well above the regulatory minimum CAR requirement of 120% as at 31<sup>st</sup> December 2019 unlike previous year. As depicted in Table 24, all general insurance companies reported CAR above the enforcement level of 160% as at 31<sup>st</sup> December 2019 as stipulated in the Enforcement Strategy on RBC issued by the IRCSL.

Further except Amana General all insurance companies were able to comply with the minimum TAC requirement of LKR 500 million as at 31<sup>st</sup> December 2019.

The CAR reported by general insurance segment of NITF was 563% and 660% as at 31<sup>st</sup> December 2018 and 2019 which was not considered in the Table 24 below. Though the CAR of general insurance business is computed by considering SRCC & T, the Directions were imposed by the IRCSL stressing the fact that SRCC & T fund should utilized for the purpose of same was established as per SRCC & T Regulation No.1 of 2008. Accordingly, without SRCC & T, the CAR of NITF was very much below the minimum CAR requirement of 120% and has turned to negative ratios of 331% and 399% as at 31<sup>st</sup> December 2018 and 31<sup>st</sup> December 2019.

**Table 24****Company-wise Analysis of Solvency Position - General Insurance Business as at 31st December 2018 & 2019**

Insurer	As at 31st December 2018 (a)			As at 31st December 2019 (b)		
	TAC (LKR'000)	RCR (LKR'000)	CAR (%)	TAC (LKR'000)	RCR (LKR'000)	CAR (%)
Allianz Gen.	8,144,763	3,632,835	224	6,515,992	3,901,094	167
Amana Gen.	514,583	276,025	186	493,293	247,534	199
Ceylinco Gen.	5,260,754	3,044,281	173	5,978,705	3,220,685	186
Continental	1,545,782	623,260	248	1,836,265	721,772	254
Cooperative Gen.	1,353,242	759,566	178	1,698,652	907,055	187
Fairfirst	3,188,331	1,723,550	185	3,960,925	2,187,118	181
HNB Gen.	1,171,520	585,201	200	1,391,752	616,879	226
LOLC Gen.	1,093,268	634,029	172	1,742,118	832,159	209
MBSL	(244,292)	136,264	(179)	522,190	283,548	184
Orient	628,248	242,456	259	768,495	255,346	301
People's	3,036,641	1,279,479	237	3,141,246	1,264,299	248
Sanasa Gen.	116,699	148,533	79	533,062	256,532	208
SLIC	25,110,666	12,524,166	200	26,163,057	12,350,481	212
<b>Total</b>	<b>50,920,206</b>	<b>25,609,646</b>	<b>166</b>	<b>54,745,752</b>	<b>27,044,502</b>	<b>213</b>

Note: Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRCSL for year ended 31st December 2019 except for MBSL.

**Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2018 & 2019 - General Insurance Business**

Table 25 illustrates TAC pertaining to general insurance business as at 31st December 2018 and 31<sup>st</sup> December 2019. According to Solvency Margin (Risk Based Capital) Rules, TAC is an aggregate of Tier 1 and Tier 2 capital and subtracting items specified as deductions.

Overall TAC of the general insurance business was LKR 54,746 million as at 31st December 2019 and marginally increased by 7.51% compared to LKR 50,920 million recorded as at 31st December 2018. Tier 1 capital consists of issued and fully paid-up ordinary shares, capital reserves and other adjustments for retained earnings amounting to LKR 81,474 million in 2019 (2018: LKR 84,946 million). Tier 2 capital amounted to LKR 8,486 million which cannot exceed 50% of Tier 1 capital as per the Solvency Margin (RBC) Rules 2015. Deductions from TAC comprised of inadmissible loans and advances, prepayments, inventory, pledged assets, deferred income tax etc. which amounted to LKR 35,214 million in year 2019.

The TAC of NITF as general insurance segment was LKR 6,459 million and LKR 6,540 million as at 31st December 2018 and 2019 was considered in Table 25. However, NITF was directed to comply minimum TAC requirement of LKR 500 million separately for general insurance business without SRCC & T. Accordingly, without SRCC & T, the TAC of general insurance segment was negative LKR 2,083 million and LKR 3,822 million as at 31st December 2018 and 31st December 2019 respectively. These matters have been highlighted to the NITF and Treasury, which they expect to comply with the segregation of insurance and reinsurance businesses.

**Table 25****Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2018 & 2019 - General Insurance Business**

Insurer	TAC as at 31st December 2018 (a) (LKR'000)	As at 31st December 2019 (b)			
		Tier 1 (LKR'000)	Tier II (LKR'000)	Deductions (%)	TAC (LKR '000)
Allianz Gen.	8,144,763	9,262,690	-	2,746,697	6,515,992
Amana Gen.	514,583	1,386,604	302,432	1,195,743	493,293
Ceylinco Gen.	5,260,754	11,059,405	468,226	5,548,926	5,978,705
Continental	1,545,782	1,966,790	-	130,525	1,836,265
Cooperative Gen.	1,353,242	2,182,940	421,742	906,031	1,698,652
Fairfirst	3,188,331	5,789,907	-	1,828,982	3,960,925
HNB Gen.	1,171,520	1,546,966	-	155,215	1,391,752
LOLC Gen.	1,093,268	2,021,724	-	279,606	1,742,118
MBSL	(244,292)	892,131	(3,400)	366,541	522,190
Orient	628,248	858,278	-	89,783	768,495
People's	3,036,641	3,652,950	-	511,704	3,141,246
Sanasa Gen.	116,699	638,570	-	105,508	533,062
SLIC	25,110,666	40,215,323	7,296,794	21,349,060	26,163,057
<b>Total</b>	<b>50,920,206</b>	<b>81,474,279</b>	<b>8,485,794</b>	<b>35,214,321</b>	<b>54,745,752</b>

Note: Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRC SL for year ended 31st December 2019 except for MBSL

**Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2018 & 2019- General Insurance Business**

The RCR includes credit risk, concentration risk, reinsurance risk, market risk, insurance liability risk and operational risk. Table 26 illustrates the company wise composition of various risk charges relating to the Risk Based Capital requirement as at 31st December 2018 and 2019. Total RCR recorded by general insurance companies amounted to LKR 27,045 million (2018: LKR 25,610 million) after diversification. The general insurance sector is considered to be largely exposed to concentration risk being the main risk category which represented 31.15% (2018:31.45%) of the total risk capital charges before diversification in year 2019. Similar to previous year, liability risk charge was the second largest risk category of the industry, amounted to LKR 11,050 million in year 2019 compared to LKR 10,675 million recorded in 2018. However, as depicted in Table 26, liability risk is the major risk which has been encountered by majority of general insurers during 2019 similar to preceding year. Market risk represented 29.28% (2018:28.37%) of the total risk capital charges before diversification and became third largest risk category increased marginally by 8.90% in 2019 compared to year 2018. Accordingly,

these three risk categories represented above 90% share of total risk capital charges prior to diversification.

**Table 26**

**Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2018 & 2019- General Insurance Business**

Insurer	As at 31st December 2018 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	171,105	1,756,511	850,202	39,489	2,274,785	292,628	5,384,719	3,632,835
Amana Gen.	19,073	156,677	35,724	11,204	160,367	29,784	412,829	276,025
Ceylinco Gen.	200,544	1,310,057	784,432	201,960	1,724,169	244,779	4,465,941	3,044,281
Continental	110,459	72,465	238,212	23,173	434,587	46,655	925,551	623,260
Cooperative Gen.	102,980	216,076	296,847	8,623	429,092	52,797	1,106,416	759,566
Fairfirst	44,858	736,958	542,124	172,824	847,586	109,183	2,453,533	1,723,550
HNB Gen.	49,594	201,164	103,698	13,447	453,106	42,457	863,466	585,201
LOLC Gen.	12,200	130,323	185,458	21,123	526,920	49,737	925,762	634,029
MBSL	4,164	81,762	26,363	4,666	69,387	8,651	194,994	136,264
Orient	24,023	124,491	32,290	3,758	156,201	17,973	358,736	242,456
People's	136,663	612,648	237,891	6,239	802,455	78,781	1,874,677	1,279,479
Sanasa Gen.	5,793	87,400	43,982	1,852	51,805	7,040	197,873	148,533
SLIC	144,615	5,456,490	6,496,868	102,198	2,744,674	690,886	15,635,730	12,524,166
<b>Total</b>	<b>1,026,070</b>	<b>10,943,021</b>	<b>9,874,091</b>	<b>610,558</b>	<b>10,675,134</b>	<b>1,671,351</b>	<b>34,800,226</b>	<b>25,609,646</b>

Insurer	As at 31st December 2019 (b) (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	5,714,155	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	1,326,062	907,055
Fairfirst	50,803	942,834	880,683	141,810	839,011	121,529	2,976,669	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	7,590	228,732	30,136	4,380	82,290	16,600	369,727	283,548
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	1,264,299
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
<b>Total</b>	<b>1,156,156</b>	<b>11,440,310</b>	<b>10,753,318</b>	<b>591,840</b>	<b>11,050,217</b>	<b>1,734,600</b>	<b>36,726,441</b>	<b>27,044,502</b>

Note: Figures recorded for 2019 were obtained from the Annual Returns submitted to the IRCSL for year ended 31st December 2019 except for MBSL

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

As depicted in Table 27 and Chart 20 net earned premium generated from main sub-classes of general insurance business including SRCC & T was LKR 88,002 million and grew by 8.83% compared to LKR 80,863 million recorded in year 2018. The growth in GWP favorably influenced the said growth rate recorded in the net earned premium in year 2019.

Total net claims incurred including SRCC & T increased during the last five years. However, during 2019 it displayed a moderate increase and amounted to LKR 58,436 million depicting a year on year growth of 11.28% (2018: 9.85%). Net claims incurred by all sub classes of general insurance business had increased in year 2019 compared to previous year except for miscellaneous insurance business.

Similar to previous years, motor insurance business has recorded the highest net earned premium, which amounted to LKR 58,753 million (2018: LKR 56,891 million) and represented 71.27% (2018:74.05%) of the sub total of net earned premium while indicating a marginal increase of 3.27% compared to same recorded in 2018. Further, motor insurance business maintained its position as the largest sub sector of net claims incurred amounted to LKR 34,704 million (2018: LKR 34,682 million) which represented 59.39% (2018: 66.04%) of the total claims incurred including SRCC & T in 2019 which resulted in net claims ratio of 59.07% (2018: 60.96%).

Health insurance business has recorded a net earned premium amounting to LKR 15,315 million (2018: LKR 12,386 million) representing 18.58% of total net earned premium and recorded a growth of 23.65% for the year 2019 compared to the previous year. This class of business recorded the second highest net claims incurred amounting to LKR 16,739 million (2018: LKR 12,148 million) representing 28.65% (2018: 23.13%) of the total net claim incurred (including SRCC & T) and reported a significant growth of 37.79% year on year. However, high cost in health care industry was a challenge for all insurance companies which resulted in recording significant net claims ratio of 109.30% compared to 98.08% in 2018.

Miscellaneous insurance business recorded a net earned premium of LKR 5,008 million and increased by 11.48% compared to LKR 4,492 million recorded in year 2018. Despite the said growth in net earned premium, net claims incurred by miscellaneous insurance business had reduced by 5.81% compared to year 2018. Further this class of business has recorded net claims ratio of 65.03% in 2019 compared to claims ratio of 76.97% recorded in year 2018 by showing a reduction of 11.94%. The said decline of net claims incurred in miscellaneous class was largely due to decrease in net claims incurred by National Natural Disaster Insurance Scheme (NNDIS) under NITF to LKR 893 million in year 2019 compared to LKR 1,358 million reported in year 2018.

Net claims incurred for fire insurance business amounted to LKR 2,581 million which shows a notable growth of 52.12% compared to LKR 1,697 million recorded in year 2018. This sub class has reported the highest net claim ratio of 118.20% compared to the claim ratio of 86.68% recorded in year 2018, largely due to continuous hazards caused by adverse weather conditions coupled with Easter bombing in April 2019 causing significant damages to property under fire class.

Similar to previous years, marine insurance recorded the lowest net claims incurred amounting to LKR 463 million (2018: LKR 454 million) and reported claims ratio of 39.45% (2018:41.10%).

During the year under review, SRCC & T reported robust growth in net earned premium and net claims incurred amounting to LKR 5,569 million (2018: LKR 4,032 million) and LKR 693 million (2018: LKR 76 million) respectively due to the consequences of Easter Sunday attack in April 2019.

As reflected in Table 27 and Chart 20, general insurance companies have reported the highest expenses (including SRCC & T) which amounted to LKR 33,474 million in the year 2019 when compared to last five years. Accordingly, expenses showed an increase of 10.36% compared to LKR 30,333 million recorded in year 2018. Net expenses which considered for SRCC & T by NITF have increased to LKR 1,412 million in 2019 from LKR 843 million recorded in year 2018.

Net combined ratio which reflects the aggregate of net claims ratio and net expenses ratio has slightly increased to 104.44% in 2019 from 102.45% recorded in year 2018. The combined ratio which reflects the total claims and expenses incurred by the general insurance business recorded above 100% since 2017.

**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)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	1,283,463	1,213,542	1,721,160	1,957,237	2,183,580
Marine	797,026	903,170	991,573	1,104,376	1,173,537
Motor	37,958,834	44,593,900	50,580,010	56,891,349	58,752,984
Health	8,071,777	9,349,093	11,435,476	12,386,134	15,315,057
Miscellaneous	3,270,599	3,306,901	3,891,564	4,492,033	5,007,719
<b>Sub Total</b>	<b>51,381,699</b>	<b>59,366,606</b>	<b>68,619,783</b>	<b>76,831,128</b>	<b>82,432,877</b>
SRCC & T	2,914,630	3,274,297	3,734,321	4,031,846	5,568,739
<b>Total</b>	<b>54,296,329</b>	<b>62,640,903</b>	<b>72,354,104</b>	<b>80,862,975</b>	<b>88,001,616</b>

Class	Net Claims Incurred (LKR'000)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	645,231	1,024,290	1,640,062	1,696,698	2,581,074
Marine	295,624	266,057	345,331	453,917	462,919
Motor	24,274,415	28,966,019	31,134,209	34,681,762	34,703,545
Health	6,958,816	8,065,476	10,511,212	12,148,224	16,739,265
Miscellaneous	1,677,736	2,121,221	4,186,860	3,457,623	3,256,712
<b>Sub Total</b>	<b>33,851,822</b>	<b>40,443,063</b>	<b>47,817,674</b>	<b>52,438,224</b>	<b>57,743,515</b>
SRCC & T	780	33,677	(10,519)	76,068	692,926
<b>Total</b>	<b>33,852,602</b>	<b>40,476,740</b>	<b>47,807,154</b>	<b>52,514,292</b>	<b>58,436,440</b>

Class	Net Claims Ratio (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	50.27	84.40	95.29	86.69	118.20
Marine	37.09	29.46	34.83	41.10	39.45
Motor	63.95	64.96	61.55	60.96	59.07
Health	86.21	86.27	91.92	98.08	109.30
Miscellaneous	51.30	64.15	107.59	76.97	65.03
<b>Sub Total</b>	<b>65.88</b>	<b>68.12</b>	<b>69.68</b>	<b>68.25</b>	<b>70.05</b>
SRCC & T	0.03	1.03	(0.28)	1.89	12.44
<b>Total</b>	<b>62.35</b>	<b>64.62</b>	<b>66.07</b>	<b>64.94</b>	<b>66.40</b>

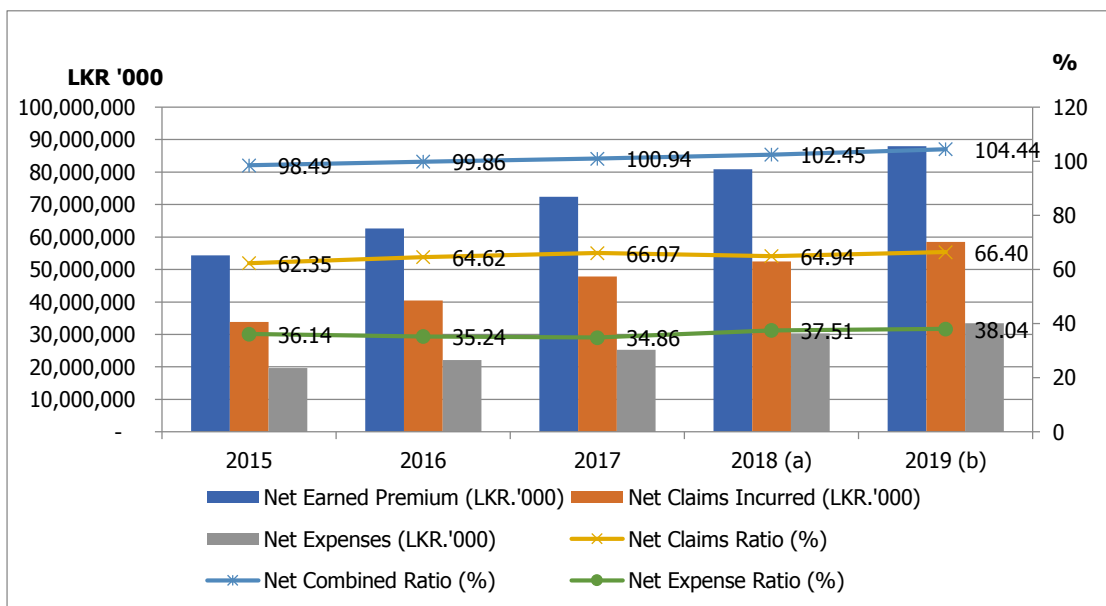
Description	Net Expenses (LKR '000)				
	2015	2016	2017	2018 (a)	2019 (b)
Net Expenses for all classes of General Insurance Business except SRCC & T	19,134,713	21,421,928	24,491,746	29,490,544	32,062,276
SRCC & T	486,985	653,706	732,786	842,515	1,411,974
<b>Total</b>	<b>19,621,698</b>	<b>22,075,634</b>	<b>25,224,532</b>	<b>30,333,059</b>	<b>33,474,250</b>

Description	Net Expense Ratio (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	37.24	36.08	35.69	38.38	38.90
Net Expense Ratio of General Insurance Business	36.14	35.24	34.86	37.51	38.04

Description	Net Combined Ratio (%)				
	2015	2016	2017	2018 (a)	2019 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	103.12	104.21	105.38	106.63	108.94
Net Combined Ratio of General Insurance Business	98.49	99.86	100.94	102.45	104.44

**Chart 20**

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



## Number of Policies representing Gross Written Premium - General Insurance Business

Table 28 reflects the number of insurance policies pertaining to different sub-classes of general insurance business which had contributed to generate GWP from 2015 to 2019.

The total number of insurance policies related to all sub-classes of general insurance business has increased by 3.64% to 6,728,073 in 2019 from 6,492,003 policies reported in 2018. The total number of policies of general insurance business had increased gradually since 2017.

Similar to previous year motor insurance business accounted for the largest number of policies from a single sub-class of general insurance business in the year 2019 and represented 88.60% (2018: 86.48%) of total policies in year 2018 which comprised of third party insurance policies of 2,895,485 (2018: 2,821,529) and comprehensive insurance policies of 3,065,956 (2018: 2,605,302). Accordingly, majority of motor policies was represented by comprehensive insurance policies indicating that people tend to obtain insurance to cover wider range of protection, than merely look for a minimum level of protection for low premium to fulfil compulsory requirement.

Number of insurance policies of health insurance business have increased by 35.47% in 2019 compared to the number of insurance policies recorded in 2018. However, the number of miscellaneous insurance policies have reduced substantially by 22.40% in 2019. Further number of marine & fire insurance policies have slightly decreased by 4.40% and 5.12% respectively in 2019 compared to 2018.

**Table 28**

### Number of Policies representing Gross Written Premium - General Insurance Business

	No. of policies				
	2015	2016	2017	2018 (a)	2019 (b)
Fire	227,800	246,058	241,884	245,027	232,469
Marine	190,720	191,966	172,733	187,338	179,084
Motor	4,531,187	5,075,622	5,390,222	5,614,901	5,961,441
3rd Party Only	2,460,596	2,628,255	2,784,920	2,821,529	2,895,485
Comprehensive	2,070,591	2,447,367	2,605,302	2,793,372	3,065,956
Health	15,053	16,040	11,893	17,267	23,393
Miscellaneous	202,038	238,921	311,084	427,470	331,686
<b>Total</b>	<b>5,166,798</b>	<b>5,768,607</b>	<b>6,127,816</b>	<b>6,492,003</b>	<b>6,728,073</b>

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

Table 29 and Chart 21 illustrate the details of new, renewed and policies in force for years 2018 and 2019. The total number of policies in force pertaining to all classes of general insurance business amounted to 6,672,241 in 2019 (2018: 6,393,900) and increased by 4.35% compared to 2018. Similar to previous years, motor insurance represented the largest number of insurance policies in force as at end of the year 2019 by recording 5,935,214 policies (2018: 5,571,194) comprising of third party policies of 2,897,534 (2018: 2,819,590) and 3,037,680 comprehensive policies (2018: 2,751,604). During the year, policies in force for marine, fire and miscellaneous have decreased by 3.55%, 5.65% and 18.89% respectively compared to previous year. Health policies in force have increased by 40.37% in 2019 compared to 2018.

In the year 2019, insurance companies had underwritten 3,285,509 new policies by recording 7.12% increase compared to previous year. Total renewed policies stood at 3,414,769 compared to 3,394,775 policies renewed in year 2018.

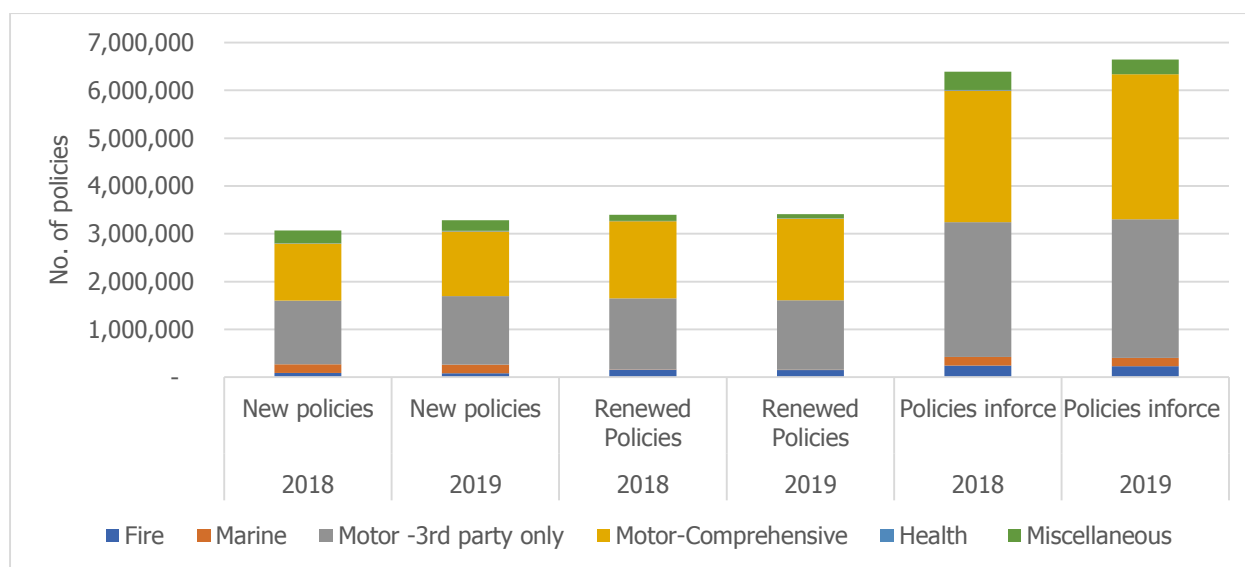
**Table 29**

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

	2018			2019		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	87,735	157,142	244,976	85,417	149,869	231,127
Marine	183,594	4,256	178,908	176,076	4,087	172,564
Motor	2,523,101	3,100,420	5,571,194	2,789,135	3,161,298	5,935,214
3rd party only	1,329,968	1,492,035	2,819,590	1,438,245	1,456,199	2,897,534
Comprehensive	1,193,133	1,608,385	2,751,604	1,350,890	1,705,099	3,037,680
Health	9,790	7,465	16,665	15,574	7,794	23,392
Miscellaneous	262,811	125,492	382,157	219,307	91,721	309,944
<b>Total</b>	<b>3,067,031</b>	<b>3,394,775</b>	<b>6,393,900</b>	<b>3,285,509</b>	<b>3,414,769</b>	<b>6,672,241</b>

**Chart 21**

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



**Reinsurance Business**

The NITF commenced accepting the risk of reinsurance from year 2008 with its primary objective of being the 'National Reinsurer' to all primary insurance companies operating in Sri Lanka. It is mandatory for general insurance companies in Sri Lanka to obtain 30% of the total sum of reinsurance business from NITF since 2013 in terms of the Government Gazette Notification No. 1791/4 of 31st December 2012.

During the year 2019, the NITF has reported LKR 4,174 million as reinsurance premium income, increased by 2.89% compared to LKR 4,056 million recorded in 2018. In 2019, LKR 449 million had been ceded to reinsurers as retrocession premium by NITF which reduced by 22.23% year on year.

The NITF has incurred claims amounted to LKR 3,560 million in 2019 compared to LKR 1,504 million in 2018 which showed a notable growth of 137% year on year due to relevant share of few large claims ceded to NITF by an insurer.

However, due to high retention levels retained by NITF, only LKR 498 million had been claimed from reinsurers in 2019. Further, no claims had been ceded to reinsurers during 2018 and 2017. Accordingly, IRCSL informed NITF to revisit the effectiveness of retrocession arrangement. Due to substantial increase in claims incurred in year 2019, reinsurance business of NITF had incurred underwriting loss and Net loss before tax of LKR 763 million and LKR 662 million respectively compared to underwriting profit and Net profit before tax of LKR 1,130 and LKR 1,342 respectively generated in year 2018.

Total assets of reinsurance operation had showed a notable growth of 81.63% to LKR 6,690 million in 2019 compared to 2018. Investments in government debt securities reported under NITF's reinsurance business has significantly improved by 318% to LKR 2,484 million as at 31st December 2019 against LKR

594 million reported as at 31st December 2018. Accordingly, out of total assets under reinsurance business, Government debt securities represented 37.13%. Further receivables from retrocession arrangements represented 23.61% of the total assets. However, there is no adequate financial investments to support the reinsurance business where only 47% of the reinsurance liability has been covered via Financial Investments.

The CAR reported by reinsurance segment of NITF was very much below the minimum CAR requirement of 120% and has turned to negative ratios of 67% and 64% as at 31st December 2018 and 31st December 2019. Similarly, the TAC of reinsurance business was far below the minimum TAC requirement of LKR 500 million and further deteriorated to negative figures of LKR 1,085 million and LKR 899 million as at 31st December 2018 and 31st December 2019 respectively. These matters have been highlighted to the NiTF and Treasury, which they expect to comply with the segregation of insurance and reinsurance businesses.

### **Insurance Brokering Companies**

By the end of 2019, 67 insurance brokering companies operated in the market and generated a Gross Written Premium (GWP) amounting to LKR 29,317 million. Accordingly, total GWP generated through insurance brokering business recorded a growth of 16.97% in 2019 when compared to LKR 25,063 million generated in 2018. This total GWP consisted of premium income generated through long term insurance business and general insurance business which amounted to LKR 1,095 million and LKR 28,222 million respectively. Out of the total GWP generated, 96.26% represented GWP of general insurance business and only 3.74% represented GWP of long term insurance business.

Insurance brokering companies have generated 26.20% of the total GWP of general insurance business which amounted to LKR 107,732 million (including SRCC & T premium). Similar to previous years, the contribution of insurance brokering companies towards long term insurance business was insignificant in 2019. As per the details provided by the brokering companies, only 1.23% of the total GWP of long term insurance business (LKR 88,781 million) was generated through them.

In 2019, thirty-one insurance brokering companies procured GWP exceeding LKR 100 million each and these insurance brokering companies collectively generated GWP amounting to LKR 27,897 million. The remaining thirty-six insurance brokering companies generated LKR 1,420 million as depicted in Table 30.

**Table 30****Gross Written Premium generated through Insurance Brokering Companies - 2019**

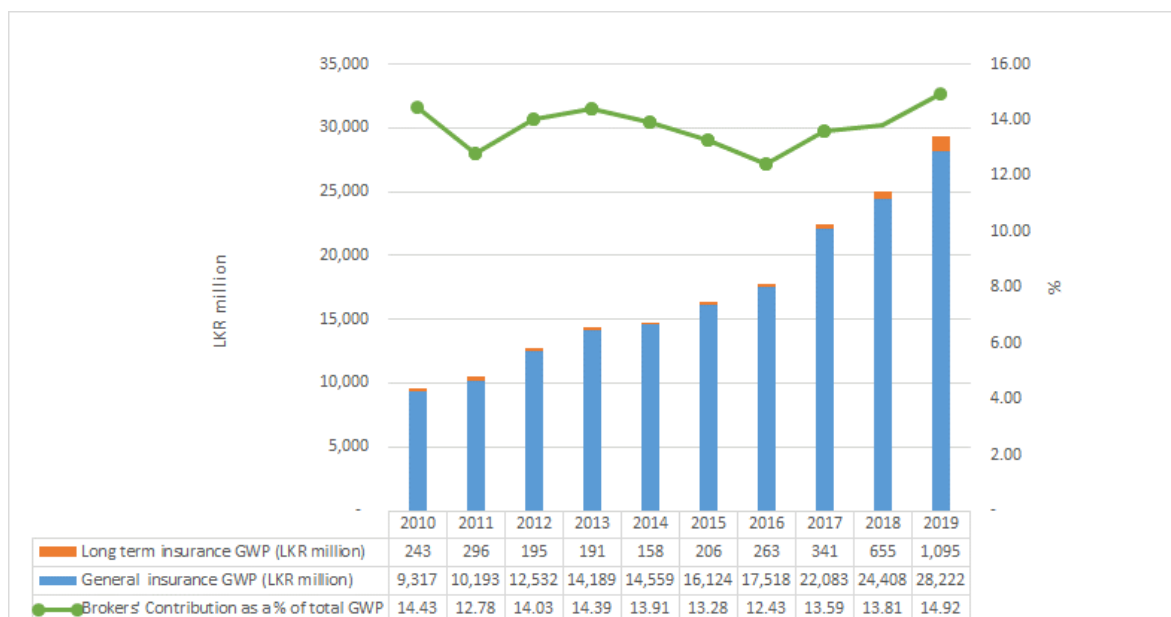
No.	Name of the Broker	Gross Written Premium					
		Long Term Insurance Business		General Insurance Business		Total	
		LKR ('000)	Market Share (%)	LKR ('000)	Market Share (%)	LKR ('000)	Market Share (%)
1	ADZ Insurance Brokers (Pvt) Limited	24,536	2.24	985,649	3.49	1,010,184	3.45
2	Aitken Spence Insurance Brokers (Pvt) Ltd.	-	-	857,685	3.04	857,685	2.93
3	Alfinco Insurance Brokers (Pvt) Limited	208	0.02	946,017	3.35	946,225	3.23
4	Allion Insurance Brokers (Pvt) Ltd.	33,806	3.09	86,644	0.31	120,450	0.41
5	AMTRUST Insurance Brokers (Pvt) Ltd.	2,503	0.23	152,818	0.54	155,320	0.53
6	Aseki Insurance Brokers (Pvt) Ltd.	-	-	2,127,693	7.54	2,127,693	7.26
7	Assetline Insurance Brokers Limited	28,858	2.64	2,117,281	7.50	2,146,139	7.32
8	Ceynergy Insurance Brokers (Pvt) Ltd.	21,977	2.01	146,430	0.52	168,406	0.57
9	CF Insurance Brokers (Pvt) Limited	846	0.08	3,385,228	11.99	3,386,074	11.55
10	Colombore Insurance Brokers (Pvt) Ltd.	7,416	0.68	311,527	1.10	318,943	1.09
11	Commercial Insurance Brokers (Pvt) Ltd.	25,565	2.34	2,487,291	8.81	2,512,856	8.57
12	Delmege Insurance Brokers (Pvt) Limited	202,480	18.50	1,237,916	4.39	1,440,396	4.91
13	Essajee Carimjee Insurance Brokers (Pvt) Limited	137,288	12.54	547,992	1.94	685,280	2.34
14	Equity Insurance (Pvt) Limited	19	0.00	106,529	0.38	106,547	0.36
15	Find My Insurance & Reinsurance Brokers (Pvt) Ltd.	14,926	1.36	142,861	0.51	157,787	0.54
16	Finlay Insurance Brokers (pvt) ltd	24,316	2.22	1,176,712	4.17	1,201,028	4.10
17	George Steuart Insurance Brokers (Pvt) Limited	26,996	2.47	874,878	3.10	901,875	3.08
18	Global Insurance Brokers and Services (Pvt) Ltd.	9,018	0.82	151,098	0.54	160,116	0.55
19	InsureMe Insurance Brokers (Pvt) Ltd.	66,410	6.07	510,271	1.81	576,681	1.97
20	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	7,230	0.66	181,784	0.64	189,014	0.64
21	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	31,714	2.90	997,180	3.53	1,028,894	3.51
22	Mercantile Insurance Brokers (Pvt) Ltd.	9,506	0.87	383,300	1.36	392,806	1.34
23	Nations Insurance Brokers Limited	105,282	9.62	2,155,293	7.64	2,260,575	7.71
24	Procure Insurance Brokers (Pvt) Limited	8,708	0.80	363,020	1.29	371,728	1.27

25	Protection & Assurance Ins. Brokers (Pvt) Ltd.	915	0.08	621,724	2.20	622,639	2.12
26	Protection & Utmost Insurance Brokers (Pvt) Ltd.	103,239	9.43	74,703	0.26	177,942	0.61
27	Reliance Insurance Brokers (Pvt) Ltd.	48,743	4.45	1,103,794	3.91	1,152,537	3.93
28	Senaratne Insurance Brokers (Pvt) Ltd	21,728	1.98	1,279,658	4.53	1,301,386	4.44
29	Senkadagala Insurance Brokers (Private) Ltd.	-	-	976,401	3.46	976,401	3.33
30	Strategic Insurance Brokers (Pvt) Limited	12,782	1.17	87,835	0.31	100,617	0.34
31	Zenith Insurance Brokers (Pvt) Limited	36,456	3.33	307,031	1.09	343,487	1.17
	<b>Sub Total</b>	<b>1,013,469</b>	<b>92.60</b>	<b>26,884,242</b>	<b>95.25</b>	<b>27,897,711</b>	<b>95.17</b>
	<b>Other Insurance Brokering Companies (35)</b>	<b>81,176</b>	<b>7.40</b>	<b>1,338,402</b>	<b>4.75</b>	<b>1,419,579</b>	<b>4.83</b>
	<b>Grand Total</b>	<b>1,094,645</b>	<b>100.00</b>	<b>28,222,645</b>	<b>100.00</b>	<b>29,317,290</b>	<b>100.00</b>

Note: Names are stated in alphabetical order.

## Chart 21

### Gross Written Premium generated through insurance brokering companies from 2010 to 2019



Note: In 2019, GWP of Redmo Swiss Insurance Brokers has been excluded from general insurance due to non-submission of data.