

Statistical Review

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

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

1. Information in this report is based on the statistics provided by Insurance Companies and Insurance Brokering Companies.
2. Data submitted by NITF regarding Risk Based Capital were not taken into account in order to maintain comparability because NITF handles both reinsurance and insurance business.
3. 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'.
4. 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.
5. Differences as compared with previously published figures are due to subsequent revisions.
6. Values indicated within parenthesis are negative values.
7. The following symbols have been used throughout: -
 - (a) = Reinstated and Audited figures
 - (b) = Provisional figures
 - = nil

Overview of Sri Lankan Insurance Industry

Global Insurance Market at a Glance

The outbreak of the COVID-19 pandemic and its continued revival created long-lasting influences on the global economy. Despite the enormous challenges, the global economy is making a strong recovery with an estimated 6.1% growth in 2021, according to the publications of the International Monetary Fund (IMF). Similarly, the insurance sector has also reported a rebound during the year 2021, mainly benefiting from the increasing risk awareness in both long-term and general insurance segments, as individuals and businesses seek more insurance protection following the circumstances created by the COVID-19 pandemic. Heightened natural catastrophic risks and the further rise of emerging markets have also influenced better growth prospects.

According to the estimations of Swiss Re, the global insurance premiums grew by 3.4% in real terms during 2021 displaying a solid recovery after the premium contraction witnessed in 2020. The pandemic led to shocks that highlighted the importance of the insurance industry as a risk absorber that provides financial relief for both individuals and businesses in a crisis. Many individuals felt under-insured and aimed to buy more protection. Companies have also increased their awareness of supply chain issues, business disruptions, and cyber risks. These factors have become strong demand drivers for insurance, which has resulted in premium growth. Premium rates in the general insurance business, especially in commercial lines, continue to rise in accordance with the impacts of growing demand and inflationary pressure. However, worldwide motor premium growth was affected by de-tarrification rate cuts in China and accordingly the growth momentum continued to delay the recovery after being severely dropped in 2020. Global health and medical insurance posted an upward trend in 2021, driven by higher risk awareness and strong demand. Similarly, premiums of long-term insurance businesses demonstrated a moderate growth influenced by mounting demand supported by risk awareness, and increased digital interaction. Some advanced markets in Europe experienced a strong rebound in unit-linked businesses as the consumer's investment appetite continued to grow. Premium growth in emerging markets in Asia occurred due to economic revival, enhanced risk awareness and the use of digital distribution channels. Apart from the worldwide increased risk awareness induced by the pandemic, the rudimentary nature of social security systems in most emerging markets and accelerating demographic change continued to create opportunities for long-term insurance businesses for strong development and growth.

A persistent low-interest rate environment coupled with elevated inflation constricted the real investment returns of insurers worldwide. Many long-term insurance companies are adjusting their product portfolio to

match with low-interest rate trajectory as re-designed products, repricing and capital optimization are crucial to boosting insurer profitability.

Claim cost of general insurance business is highly affected by significant catastrophe losses and elevated inflationary pressures. The motor class was gradually returning to pre-pandemic claim levels after lifting mobility restrictions in many jurisdictions. Furthermore, rising motor vehicle parts had put additional upward pressure on motor claims. Increases in healthcare and medical costs had a severe impact on liability and workmen compensation claims. Property losses became substantially higher due to catastrophic events steered by extreme weather conditions. According to the Swiss Re's Sigma Report, the insured losses from natural catastrophes totaled around USD 111 billion in 2021 making it one of the costliest years for the insurance industry in terms of catastrophic losses. Several large natural catastrophic events such as Hurricane Ida in USA, European Floods and Floods in China largely contributed to global insurance losses. Pandemic-related claims of long-term insurance business displayed notable improvements in several jurisdictions such as USA, Brazil and Mexico in 2021. Death benefits paid increased in the first half of the year and eventually, the mortality rates declined with the enhanced vaccination programs.

Digitalization is one of the key factors that contributed to the resilience in the insurance industry during the pandemic. Many insurers have smoothly shifted to digital processes in sales and operational activities, which largely aided to continue business functions during the periods where mobility restrictions were implemented. The industry is now moving forward with these new technological developments by going beyond the sales and operational processes to areas like assessment and prediction of risks. Another key transformative change is Asia becoming the leader of global insurance development. It is forecast that over the next decade, the region will contribute more than 50% of global premium growth.

Over the years it has been a major concern for insurers all over the world to accurately assess climate change and natural catastrophic risks and thereby minimize insured losses. Most climate forecasting models anticipate more extreme weather events from climate change in the future and highlight the importance of significant investments in hardening critical infrastructure to mitigate the impact of volatile weather conditions.

Sri Lankan Economy at a Glance

The Sri Lankan economy recovered in 2021 by recording a growth of 3.7% after witnessing a 3.6% contraction in 2020 primarily due to the impact of the COVID-19 pandemic. All three major sectors of the economy displayed progress during 2021 as the economic activities resumed normal functioning with the gradual easing of pandemic-related disturbances. The agriculture sector grew by 2.0% mainly because of the expansion in coconut and animal production activities. However, the contraction in the growing of rice, fruits, vegetables and other beverage crops affected negatively the performance of the sector. The short supply of required fertilizer and agrochemicals for farming led to a lower yield, particularly during the second half of the year. In contrast to the previous year's sharp decline, Industry sector recorded 5.3% growth in 2021. The recovery in manufacturing activities steered the growth of the industry sector while construction and mining activities recorded moderate expansions. Service sector activities enhanced by 3.0% in 2021, largely due to the expansion in financial services and wholesale and retail trade activities. IT programming, telecommunication and health activities also expanded during the period, primarily driven by the pandemic-induced demand.

Although the key sectors of the economy demonstrated growth momentum, the country is still facing several structural issues and vulnerabilities induced by pre-existing macroeconomic weaknesses that have elevated social and political pressure since the beginning of the year 2022. (Source – Central Bank Annual Report 2021)

In 2021, the government and the Central Bank of Sri Lanka took numerous countermeasures to safeguard the economy. Monetary policy easing and providing sufficient liquidity to the markets facilitated both public and private sectors the required funds for working capital and investment needs and thereby ensured the uninterrupted deployment of public services, utilities and goods and services to the general public. However, amidst the heightening balance of payments deficit, substantial debt servicing obligations and decreased remittances from foreign employees, the foreign exchange reserves began to shrink severely, and as a result, the domestic foreign exchange market remained largely illiquid. Despite the subsequent increase in interest rates and price controls imposed by the Government, inflationary pressure is expected to remain strong amid currency depreciation and rising global commodity pricing. Food prices further elevated and shortages of essential items continued in the latter part of 2021 and the beginning of 2022, which could worsen the food insecurity and poverty lines.

These negative economic outlooks pose challenges to the insurance industry in multiple means. Decreasing disposable income would limit both existing and potential policyholder's premium payment viability and eventually could lead to higher surrenders and lapses. Insurers' operational and claim expenses would

increase in a higher inflationary environment and compel insurers to adjust their reserves and liability provisions accordingly, and further reprice their products by increasing the premium rates.

Sri Lankan Insurance Market

As the prolonged effects of the pandemic threatened economic activities and the normality of society, the insurance industry quickly responded and sustained its business progress with innovations and digital capabilities that has gained positive returns and better openings for growth. Similar to the global context, the Sri Lankan insurance industry remained strong in 2021 and managed to outperform the pandemic-induced challenges, which subdued the industry growth in 2020.

By the end of 2021, the insurance industry comprised 27 insurance companies, i.e., 13 long-term insurers, 12 general insurers and 2 composite insurers providing both long-term and general insurance services. In 2021, the total Gross Written Premium (GWP) of the industry increased up to LKR 233,512 million in comparison to LKR 208,265 million reported in 2020 demonstrating a solid growth rate of 12.12%. Premium growth is mainly contributed by long-term insurance business that show significant progress during the year as the outbreak of the pandemic heightened the risk awareness of the public and enhanced the need for life protection. Furthermore, public confidence in insurance started to grow as many insurers implemented hassle-free claim settlement processes and provided extended benefits to customers who have affected by the pandemic.

In contrast to the negative premium growth of 2.25% reported in last year, the general insurance business rebounded in 2021 and achieved a moderate growth of 3.32%. However, the growth momentum is still lagging behind the pre-pandemic context where the general insurance business witnessed premium growth of around 7% in 2018 and 2019. The government's decision to prohibit motor vehicle imports was the prime reason, which hindered the premium recovery of the general insurance business. The motor insurance class, which accounts for more than half of the total GWP of general insurance business, reported negative premium growth in 2021, owing primarily to the ban on motor vehicle importation. The recovery was worsened by subsequent insurgences the in COVID-19 pandemic. Country lockdowns and mobility restrictions continued particularly during the third quarter of the year as highly infectious Delta variant spread rapidly in the country. Even under these adverse conditions, all other insurance classes of general insurance business have demonstrated positive business growth during the year.

As displayed in Chart 1 and Table 1 below, the long-term insurance business continued its progressive trend and reported a remarkable GWP growth of 21.12% and reached the LKR 125 billion mark in terms of premium income. As people experienced the consequences of a pandemic situation and were alerted to the importance

of having themselves covered from potential risks posed by such a crisis, demand for life insurance increased. These emerging market needs are addressed by long-term insurers through implementing various strategies such as the rollout of innovative new products, digitalization of processes, diversified distribution channels and further strengthened agency force etc.

Reinsurance premium income that represents the reinsurance premium ceded by general insurers to NITF has increased from LKR 3,235 million to LKR 3,549 million in 2021 since NITF resumed the acceptance of facultative reinsurance, which was halted in 2020 due to the absence of Retrocession cover.

Even with a notable expansion in total GWP, the insurance penetration ratio remains unchanged at 1.39% compared to the previous year due to similar proportional increase observed in Gross Domestic Product at the current market price. Despite having relatively low insurance penetration in the region, Sri Lanka has a wide protection gap between insured losses and uninsured losses, which lead to economic and social issues as the country is exposed to frequent natural disasters, and loss events arising from accidents and sicknesses. The industry is assiduous in bridging the protection gap by expanding insurance services into different segments and different niches, although the low disposable income levels and less concentration on insurance remained as prime obstacles affecting the insurance penetration in Sri Lanka. Nevertheless, the insurance density, which represents the amount of insurance premium per person, displayed a favorable increase from LKR 9,502 to LKR 10,539 during the year.

The future will be challenging for insurers considering the complex economic vulnerabilities in the country and rapidly changing insurance landscape. Inflationary pressure, narrowed consumer spending and changed consumer lifestyles are expected to affect the insurance demand in the short term. However, tightening monetary policy and a resulting interest rate hike would benefit the investment portfolio of insurers.

While the industry navigated the pandemic era, many insurers were conscious of enhancing customer interactions and building strong customer relationships through digitalized platforms, which would increase the accuracy of data, exchanged and facilitate more prudent risk assessment. Simultaneously, higher customer satisfaction may be achieved because insurers will be able to provide personalized insurance covers that meet individual needs, and pricing will be more accurate based on the various risk exposures. Alongside the rising focus on technological improvements and data exchange through digital modes, the industry needs to pay more attention to cybersecurity in order to ensure data protection and consumers' privacy requirements.

Chart 1

Premium Income & Growth Rate of the Insurance Industry

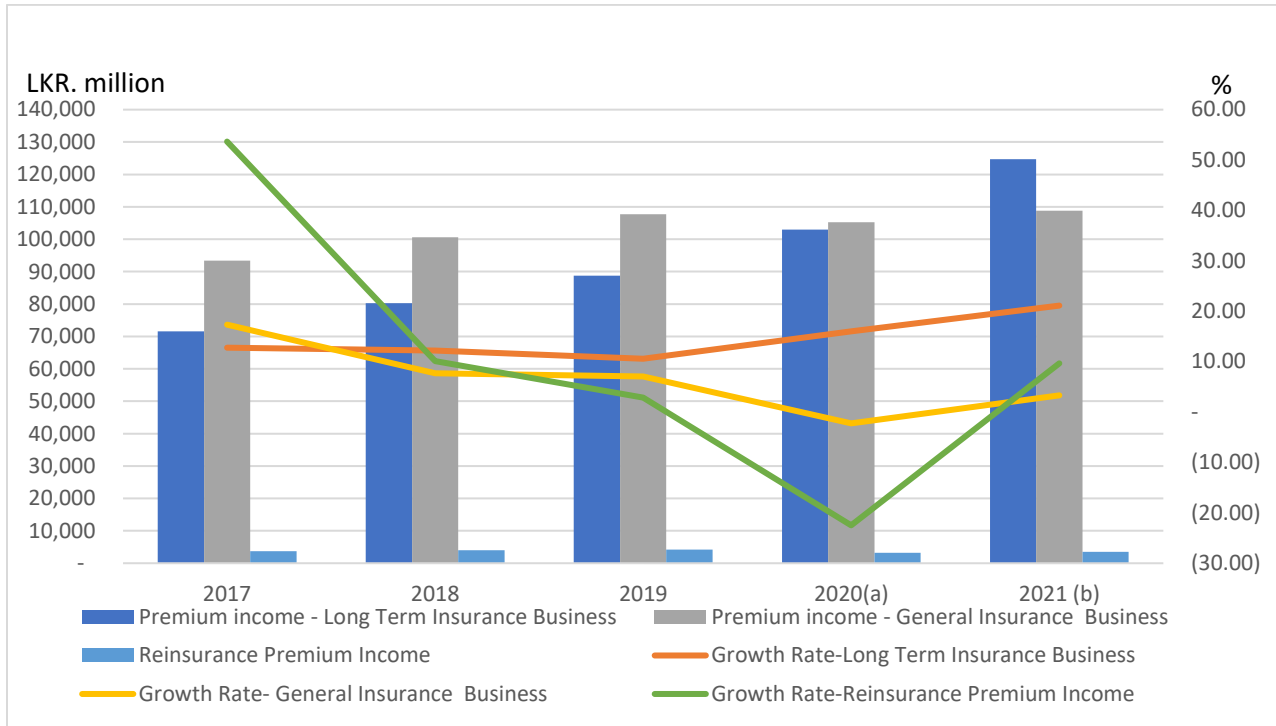


Table 1**Premium Income & Penetration**

	2017	2018	2019	2020 (a)	2021 (b)
Premium Income - Long Term Insurance Business (LKR. millions)	71,571	80,294	88,787	103,000	124,752
Growth Rate in Premium Income - Long Term Insurance Business (%)	12.75	12.19	10.58	16.01	21.12
Premium Income - General Insurance Business (LKR. millions)	93,389	100,586	107,685	105,265	108,760
Growth Rate in Premium Income - General Insurance Business (%)	17.34	7.71	7.06	(2.25)	3.32
Total Premium Income - Insurance Business (LKR. millions)	164,960	180,880	196,472	208,265	233,512
Growth Rate in Total Premium Income - Insurance Business (%)	15.30	9.65	8.62	6.00	12.12
Reinsurance Premium Income (LKR. millions)**	3,683	4,056	4,174	3,235	3,549
Gross Domestic Product at current market price (LKR. billions)*	13,328	14,291	14,997	15,027	16,809
GDP Growth Rate % *	3.6	3.3	2.3	-3.60	3.7
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.24	1.27	1.31	1.39	1.39
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.54	0.56	0.59	0.69	0.74
Penetration % (Premium of General Insurance Business as a % of GDP)	0.70	0.70	0.72	0.70	0.65
Insurance Density - (Total Premium Income - Insurance Business / Population) LKR.	7,693	8,347	9,011	9,502	10,539
Population '000 (Mid Year) *	21,444	21,670	21,803	21,919	22,156

* Source: Central Bank of Sri Lanka and Department of Census and Statistics. Gross Domestic Product at current market price has been updated from 2017 onwards based on the Annual Report of Central Bank of Sri Lanka 2021.

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

Total Assets of Insurance Companies

The total asset portfolio of the insurance industry reached LKR 888,377 million by the end of 2021 displaying a reasonable growth of 11.55% in comparison to LKR 796,411 million assets reported in 2020. An increase in the overall asset base was mainly attributable to expansion in the business volumes and resultant elevation in liability reserves, as insurers are required to maintain adequate assets to meet future liabilities according to the regulatory requirements. However, as shown in Chart 2, the rate of growth has slowed in 2021. Increased dividend distributions by insurers during the year after lifting dividend restrictions imposed in 2020 and the resultant usage of assets to fund such distributions made a notable impact on the asset growth of the industry.

Long-term insurance businesses represented the majority of total industry assets which amounted to LKR 632,627 million as of 31st December 2021 (2020: LKR 562,706 million) and grew by 12.43% compared to the previous year. Assets of the general insurance business managed to maintain an increasing trend by recording a growth of 9.92% in 2021 against a 10.97% growth reported in 2020. Similar to previous years, financial investments accounted for nearly 80% of the overall asset base of the industry. Government Securities, Corporate Debts and Equity investments became the key drivers of asset growth, as each category reported over 14% increase in assets during 2021. Low-interest rate environment subdued the attractiveness of deposit investments, albeit achieving growth after interest rates began to rise in the latter part of the year.

SLIC dominated the overall asset portfolio of the industry in terms of highest contribution, followed by Ceylinco Life, AIA Life, Union Life, Ceylinco Gen and Allianz Gen. Assets held by the reinsurance business of NITF decreased in 2021 by 8.79% primarily due to settlement of one large claim in 3rd quarter of the year.

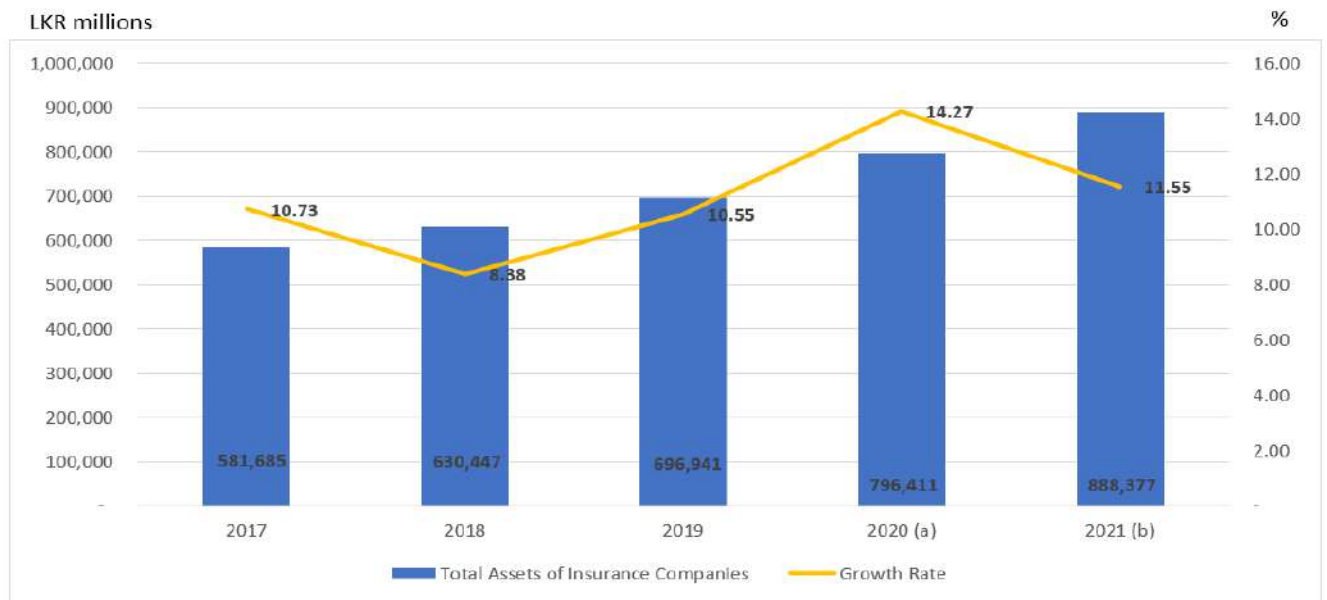
Table 2

Total Assets of Insurance Companies

	2017	2018	2019	2020 (a)	2021 (b)
Long Term Insurance (LKR millions)	391,890	430,759	485,121	562,706	632,627
Growth Rate - Long Term Insurance (%)	13.40	9.92	12.62	15.99	12.43
General Insurance (LKR millions)	185,583	196,005	205,130	227,640	250,217
Growth Rate - General Insurance (%)	6.67	5.62	4.66	10.97	9.92
Reinsurance (LKR millions)	4,212	3,683	6,690	6,066	5,533
Growth Rate - Reinsurance (%)	(26.82)	(12.54)	81.63	(9.33)	(8.79)
Total (LKR millions)	581,685	630,447	696,941	796,412	888,377
Growth Rate - Total (%)	10.73	8.38	10.55	14.27	11.55

Chart 2

Total Assets and Assets Growth Rate of the Insurance Industry



Distribution of Total Assets of Major Financial Sectors

The Sri Lankan financial sector remained stable during 2021 and achieved a moderate performance amidst numerous challenges stemming from the COVID-19 pandemic and resultant economic headwinds. As illustrated in Table 3, overall assets of the financial sector expanded by 14.14% in 2021 which was primarily driven by Banking Sector and followed by contractual savings institutions. The performance of the overall financial sector experienced a considerable improvement in terms of profitability and credit growth. Both interest and non-interest income of banking and other financial institutions increased, eventually enhancing the profitability of the sector. The foreign currency liquidity shortage amplified during the latter part of the year mainly due to subdued foreign remittances, slower recovery of tourism sector earnings and increased import expenditure, creating negative influences to the banking sector.

Similar to previous years, the Banking Sector dominated the financial sector exhibiting 74.7% of total assets as at end 2021 (2020: 72.9%). 24 Licensed Commercial Banks and 6 Licensed Specialized Banks represented the Banking Sector in 2021 and managed to maintain reasonable growth in loans and advances and investments, achieving an overall asset increase of 16.87%. The continued low-interest rate trajectory

facilitated the increase in the loan portfolio as some of the loan products such as overdrafts, pawning advances and credit cards reported high growth during the year. Investments of the sector grew by 16.4% as at the end 2021 mainly because of increased investments in Treasury Bonds.

Total assets of the Other Deposit Taking Financial Institutions amounted to LKR 1,636.7 billion as at 31st December 2021 which represented licensed finance companies, rural banks and credit co-operative societies. The sector has achieved 6.1% asset growth during the year largely induced by the favorable expansion in assets of licensed finance companies. Although the growth of the leasing portfolio declined mainly due to restrictions imposed on motor vehicle imports, other loans and advances granted by licensed finance companies recorded notable improvements during the year. The Specialized Financial Institutions managed to report only marginal growth in asset portfolio as the assets of Unit Trust Management Companies experienced a contraction during the year.

Table 3
Distribution of Total Assets of Major Financial Sectors

Financial Sectors	2017		2018		2019		2020		2021	
	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%
Banking Sector	11,897.4	69.7	13,711.4	72.2	14,442.1	71.9	17,087.9	72.9	19,969.9	74.7
Other Deposit Taking Financial Institutions	1,370.4	8.0	1,603.2	8.4	1,553.2	7.7	1,536.5	6.6	1,636.7	6.1
Specialized Financial Institutions	388.9	2.3	241.1	1.3	286.7	1.4	386.5	1.6	387.7	1.4
Contractual Savings Institutions	2,838.0	16.6	2,807.4	14.8	3,097.9	15.4	3,635.9	15.5	3,876.3	14.5
Insurance Companies*	581.7	3.4	630.4	3.3	696.9	3.5	796.4 (a)	3.4	888.4 (b)	3.3
Total	17,076.4	100.0	18,993.5	100.0	20,076.8	100.0	23,443.2	100.0	26,759.0	100.0

Source: Central Bank of Sri Lanka Annual Report – 2021

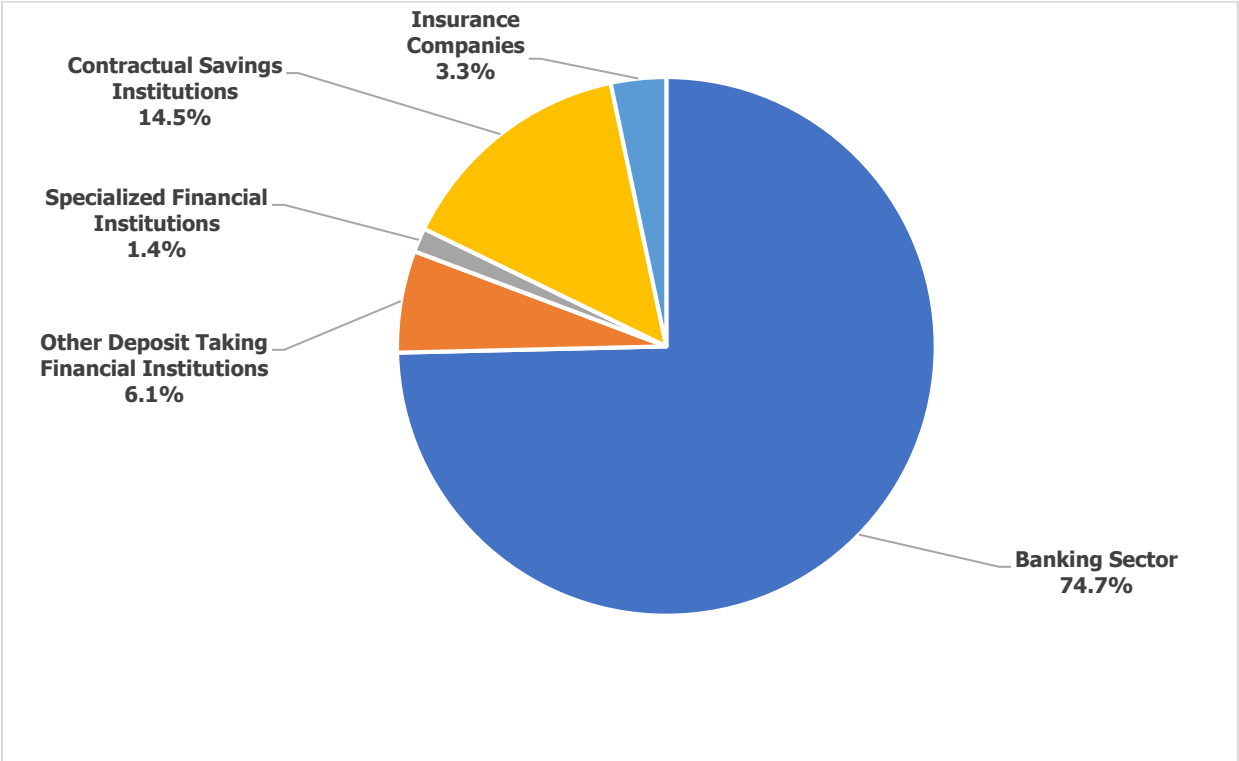
* Assets of insurance companies were reinstated based on data received from insurance companies

The Contractual Savings Institutions accounted for the second highest contribution to the overall asset base of the financial sector in Sri Lanka by recording LKR 3,876.3 billion assets as at 31st December 2021, and displayed 6.61% growth in comparison to LKR 3,635.9 billion assets reported by the end of 2020. Employees’

Provident Fund (EPF), Employees' Trust Fund (ETF) and Other Approved Pension and Provident Funds are the main components of Contractual Savings Institutions, whose assets grew as an outcome of the combined effect of the net contributions of EPF and ETF members, and the income generated through investments of the funds. EPF and ETF investment portfolios were primarily made up of government securities, with small amounts of money invested in equities, fixed deposits, and corporate debentures. (Source – Central Bank Annual Report 2021)

Insurance Companies continued its positive contribution to the overall asset portfolio of the financial sector by reporting LKR 888.4 billion assets by end 2021, showing a moderate growth of 11.55%.

Chart 3
Distribution of Total Assets of Major Financial Sectors as at 31st December 2021



Profitability

After witnessing a commendable financial performance last year, the insurance industry unveiled a slight decline in overall profitability (profit before tax) by 2.03%, mainly because of the weakened performance of the general insurance business. As shown in Table 4 below, the industry's profitability amounted to LKR 42,762 million for the year 2021 as against LKR 43,649 million reported for the year 2020.

The long-term insurance business rebounded strongly during 2021 in terms of performance and achieved a profitability growth of 20.82% (2020: -9.36%). The majority of long-term insurance companies reported increased profitability during the year, with AIA Life, Softlogic Life, and Union Life emerging as key profit growth drivers. Increased performance during the last two quarters of 2021 aided LIC to display reasonable profits for the year 2021, contrasting to the losses experienced in previous years. In overall, the strong growth in GWP, favorable net investment income generated during the year and stringent cost optimization and containment measures adopted by many long-term insurers were primary contributors to the uplift in profitability. However, claims and benefits to policyholders saw a moderate improvement mainly because of death benefits, maturity payouts, and increase in surrender payouts, which had an adverse impact on profitability. Despite witnessing a contraction in profits compared to last year, Ceylinco Life managed to record the highest profitability among long-term insurers in 2021 reporting a profit of LKR 8,545 million. Softlogic Life, SLIC, Union Life and AIA Life exhibited subsequent highest profits respectively.

The year 2020 highlighted as a promising year for the general insurance business in terms of profitability as the outcome of declined claim exposure had improved the performance of almost all general insurers. However, in 2021, all general insurance companies except Fairfirst have exhibited reduced profits, resulting in the overall profitability of general insurance business dropping by 18.48% on year-over-year basis. General insurance claims increased by 13.72% during the year, reflecting the normalization of economic activity and mobility. Nevertheless, motor claims remained subdued even though the cost of spare parts sharply increased in 2021. NITF accounted for a large proportion of overall profit decrease mainly because of substantially increased claim volume of health policies pertaining to Agrahara Insurance Scheme, which was induced by high intimation of COVID-19-related claims. Allianz Gen also reported a notable decrease in profits due to the impact of reduction in business volumes from motor and property lines, and elevated claim experience during the year.

Table 4
Profitability of Insurance Companies

Insurer	2020(a)			2021(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	724,428		724,428	2,567,127		2,567,127
Allianz Gen.		2,135,071	2,135,071		1,542,889	1,542,889
Allianz Life	80,751		80,751	77,487		77,487
Amana Gen.		38,763	38,763		23,762	23,762
Amana Life	(34,712)		(34,712)	8,443		8,443
Arpico	278,595		278,595	337,563		337,563
Ceylinco Gen.		1,862,479	1,862,479		1,747,523	1,747,523
Ceylinco Life	8,766,512		8,766,512	8,545,374		8,545,374
Continental		1,086,086	1,086,086		1,000,329	1,000,329
Cooperative Gen.		870,078	870,078		748,541	748,541
Cooplife	69,805		69,805	71,516		71,516
Fairfirst		765,687	765,687		882,991	882,991
HNB Life	999,363		999,363	1,452,211		1,452,211
HNB Gen.		631,131	631,131		411,168	411,168
Janashakthi Life	1,020,903		1,020,903	661,673		661,673
LIC	(371,145)		(371,145)	130,073		130,073
LOLC Gen.		1,537,397	1,537,397		1,271,403	1,271,403
LOLC Life	453,650		453,650	585,138		585,138
MBSL	36,696	(99,118)	(62,422)	33,595	(87,360)	(53,765)
NITF *		7,721,134	*8,865,905		5,342,569	*5,932,368
Orient		185,814	185,814		183,938	183,938
People's		1,667,520	1,667,520		1,125,882	1,125,882
Sanasa Life	44,874		44,874	128,673		128,673
Sanasa Gen.		136,105	136,105		75,251	75,251
Softlogic Life	2,130,347		2,130,347	2,965,674		2,965,674
SLIC	3,149,448	4,822,335	7,971,783	2,937,771	4,733,490	7,711,261
Union Life	1,793,841		1,793,841	2,627,307		2,627,307
Total	19,143,355	23,360,482	43,648,608	23,129,625	19,042,376	42,761,800

* Includes profit before tax of crop amounting to LKR 1,115 million (2020: LKR 86 million loss) and loss before tax of reinsurance business amounting to LKR 545 million (2020: 1,230 million profit) respectively.

Shareholders' Funds of Insurance Companies

Shareholders' funds of insurance companies reported a reasonable growth of 9.45% during the year and reached LKR 259,360 million (2020: LKR 236,971 million) by end of 2021. Enhancement of shareholders' funds is predominantly supported by profits earned during the year, while marginally increased stated capital also provided a minor contribution to the above growth. Cooperative Gen, Continental, LIC, Sanasa Life, LOLC Gen and LOLC Life increased their share capital during 2021 and accordingly Total Stated Capital was raised by 3.60% and reported as LKR 45,248 million (2020: LKR 43,696 million).

Total Other Reserves recorded in Table 5 below mainly comprised of retained earnings, revaluation reserves and other general reserves, and exhibited an 11.76% improvement compared to the previous year, although the upswing in dividend distributions had shrunken overall retained earnings. One-off Surplus of insurance companies is maintained as 'Restricted Regulatory Reserve' totaling to LKR 16,248 million.

Similar to previous year, the composite insurer SLIC accounted for the highest shareholders' funds in the industry while Ceylinco Life and AIA Life reported second and third positions. NITF remained the top contributor to total shareholders' funds among general insurers, due to profits generated by SRCC&T fund and Crop insurance scheme during the year. LIC managed to show a positive movement in terms of shareholders' funds, which grew from LKR 61 million to LKR 325 million by end of 2021 after the company had infused its share capital by LKR 189 million. Despite achieving a slight improvement, LIC and Amana Life continue to report the lowest shareholders' funds in the insurance industry because of aggregate losses generated in previous financial years.

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

Insurer	2020 (a)		2021 (b)				
	Total Shareholders' Funds (LKR.'000)	%	Stated Capital (LKR.'000)	Restricted Regulatory Reserve (LKR.'000)	Total Other Reserves (LKR.'000)	Total Shareholders' Funds (LKR.'000)	%
AIA Life	20,579,684	8.68	511,922	6,080,848	13,156,326	19,749,096	7.93
Allianz Gen.	11,559,232	4.88	8,619,972		3,714,848	12,334,820	4.76
Allianz Life	2,079,140	0.88	739,624		584,901	1,324,525	0.51
Amana Gen.	1,505,015	0.64	1,860,001		(308,625)	1,551,376	0.60
Amana Life	459,612	0.19	500,000		(26,546)	473,454	0.18
Arpico	1,860,809	0.79	675,565		1,395,580	2,071,145	0.80
Ceylinco Gen.	12,972,646	5.47	500,200		13,967,904	14,468,104	5.58
Ceylinco Life	38,145,036	16.10	500,001	3,456,184	40,237,848	44,194,033	17.04
Continental	2,843,804	1.20	1,250,000		2,214,469	3,464,469	1.34
Cooperative Gen.	3,399,461	1.43	2,198,316		2,429,162	4,627,478	1.78
Cooplif	1,077,740	0.45	544,260		420,438	964,698	0.37
Fairfirst	6,304,508	2.66	3,131,949		3,745,463	6,877,412	2.65
HNB Life	7,260,988	3.06	1,171,875	381,156	5,479,354	7,032,385	2.71
HNB Gen.	2,083,242	0.88	1,150,000		1,090,623	2,240,623	0.86
Janashakthi Life	10,067,149	4.25	4,853,752	1,795,829	3,556,867	10,206,448	3.94
LIC	60,840	0.03	839,016		(513,860)	325,156	0.13
LOLC Gen.	3,063,539	1.29	800,000		3,204,018	4,004,018	1.54
LOLC Life	1,797,256	0.76	1,350,000	256,134	795,682	2,401,816	0.93
MBSL	1,029,668	0.43	2,280,022		(1,313,041)	966,981	0.37
NITF	13,087,460	5.52			14,751,327	14,751,327	5.69
Orient	1,016,320	0.43	825,000		329,136	1,154,136	0.44
People's	4,619,185	1.95	1,350,000		3,591,619	4,941,619	1.91
Sanasa Life	1,092,456	0.46	1,045,346		176,549	1,221,895	0.47
Sanasa Gen	732,349	0.31	508,996		231,819	740,815	0.29
Soft logic Life	9,936,247	4.19	1,062,500	798,004	8,727,926	10,588,430	4.08
SLIC	63,229,026	26.68	6,000,000	98,237	65,130,454	71,228,691	27.46
Union Life	15,108,489	6.38	1,000,000	3,381,934	11,073,159	15,455,093	5.96
Total	236,970,901	100.00	45,268,317	16,248,326	197,843,400	259,360,043	100

Note: 2020 published figures have been revised in line with the audit adjustments.

Analysis of Branches, Employees and Agents of Insurers

The total branch network of the insurance industry contracted from 1,953 to 1,896 during the year primarily because of two insurers who restructured their branch network by moving to their own premises from earlier occupied spaces belonging to their related financial institutions. However, amidst the challenging operating environment, most other insurance companies opened new branches in 2021 by expanding the footprint across the island since an extensive coverage of branches is essential to facilitate the development of business operations. Accordingly, by end of the year, there were 964 long-term insurance branches, 775 general

insurance branches and 157 composite insurance branches in the country. Majority of them are located in the Western Province, followed by Southern Province and Central Province.

The number of staff employed at insurance companies totalled 20,032 by the end of 2021, displaying a slight increase of 2.36% compared to the 19,571 reported in the year 2020. Similar to previous years, more than 60% of employees based in Western Province. The general insurance business accounted for 10,999 employees while long-term insurance companies and composite insurers accounted for 6,212 employees and 2,821 employees respectively.

A minor improvement was observable in overall agency force during the year owing to several insurers such as LIC, HNB Life, Softlogic Life, Janashakthi Life, LOLC Life and Sanasa Life who have reported notable increases in their agent network. However, the majority of general insurance companies and composite insurers constricted the number of agents primarily on the grounds of non-qualification and poor performance. Many companies concentrated on strengthening the productive agent force and accordingly non-performing agents have been terminated, while a certain number of resignations are also observed during the year. Long-term insurers claimed 61.42% of total agency force by the end 2021 whereas composite insurance companies and general insurers represented 30.77% and 7.81% of total agents respectively.

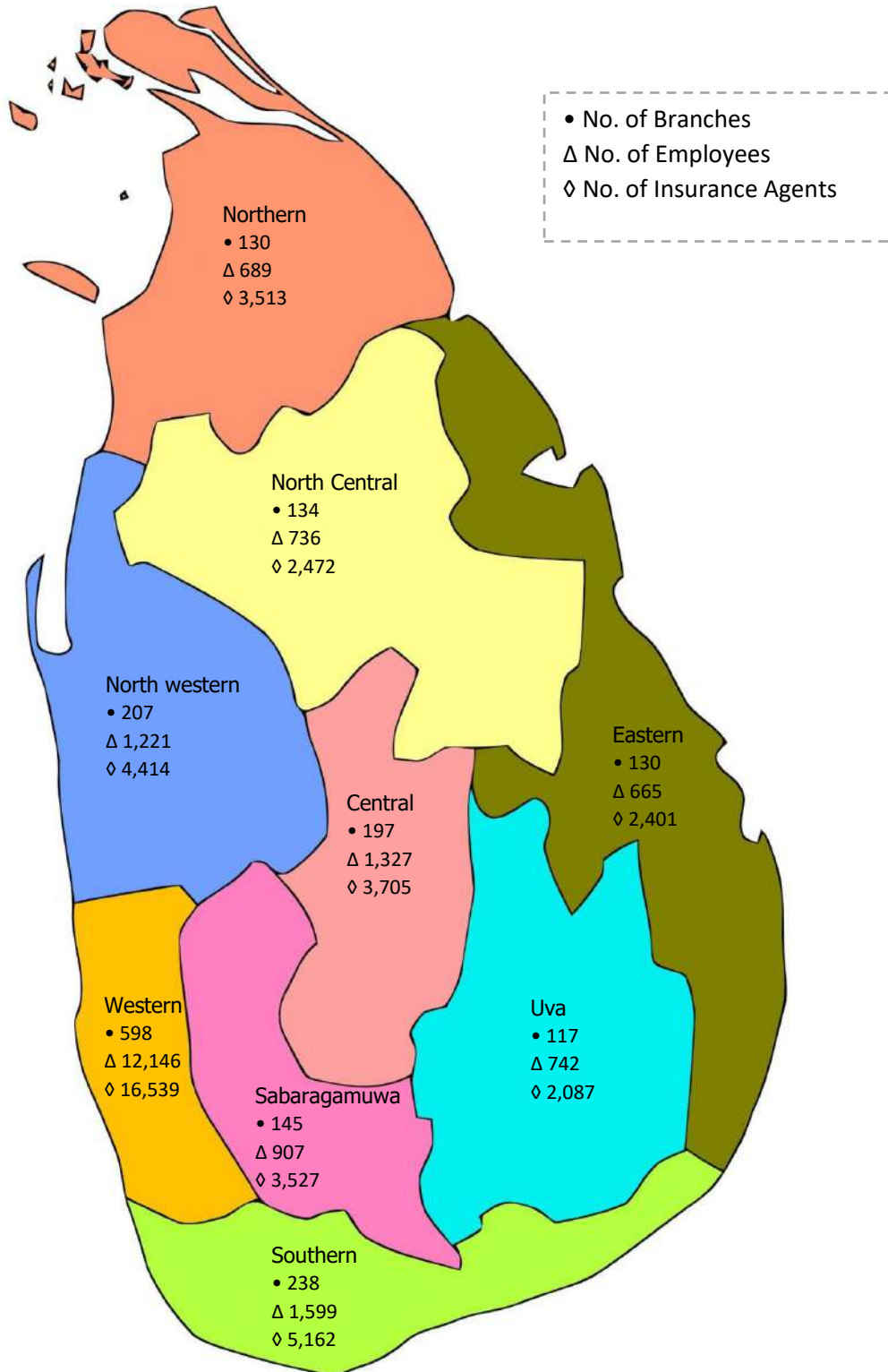
Table 6

Number of Branches, Employees and Agents as at 31st December 2020 and 2021

Province	No of Branches		No. of Employees		No. of Agents	
	2020	2021	2020	2021	2020	2021
Central Province	207	197	1,214	1,327	3,741	3,705
Eastern Province	126	130	605	665	2,112	2,401
North Central Province	137	134	663	736	2,520	2,472
North Western Province	221	207	1,244	1,221	4,676	4,414
Northern Province	133	130	615	689	2,683	3,513
Sabaragamuwa Province	148	145	835	907	3,088	3,527
Southern Province	242	238	1,527	1,599	5,124	5,162
Uva Province	107	117	580	742	2,153	2,087
Western Province	632	598	12,288	12,146	16,622	16,539
Total	1,953	1,896	19,571	20,032	42,719	43,820

Chart 4

Number of Branches, Employees and Agents as at 31st December 2021



Distribution Channels of Insurance Companies

Channel diversification has become a key concern for insurers as the persisting pandemic environment strongly influenced the way insurers to sell their products to customers. The tendency to adopt digital channels in lieu of face-to-face sales increased as it facilitates better alignment with the demands of the younger generation whose awareness on insurance outstretched with the outbreak of the pandemic. This is evidenced by the gradual increase observed in premiums generated through the internet, social media and mobile applications, which are represented by 'Direct' category in Chart 5 below.

During 2021, agents channel continued its dominance in the overall premium distribution in Sri Lankan insurance market with 80.55% contribution to GWP of long-term insurance business and 23.89% contribution to GWP of general insurance business. While long-term insurance products are still being primarily sold through agency network, general insurance companies utilized direct channel, exclusive sales force, agents and brokers as their prime distribution modes, which altogether accounted for 89.68% of total premium income of general insurance business in 2021. Bancassurance channel remained crucial particularly for long-term insurers as many companies have strengthened existing bancassurance partnerships and optimized technology to widen its reach. Premium income produced from walking customers, mobile applications, internet and government insurance schemes implemented through NITF, were the key components of direct channel, which reported the highest contribution to total GWP of general insurance business. GWP generated from entities within the same group that the respective insurer belongs to, was reported under the related/group companies' channel, which exhibited the same level of contribution to total GWP in comparison to previous year.

Chart 5

Distribution Channels of Insurance Companies



Long-Term Insurance Business

Gross Written Premium

The COVID-19 pandemic continued to disrupt economic activities in 2021. However, despite the increasingly challenging business landscape that prevailed throughout the year, the successful roll-out of the vaccination drive supported by continuing economic activity has further strengthened the growth momentum of long term insurers by recording a 21.12% (2020: 16.01%) growth in 2021 with an overall GWP of LKR 124,752 million (2020: LKR 103,000 million). Digitization of business and operating models, innovative product offerings, distribution channel optimization etc. have contributed to this commendable growth in the topline of the life insurance segment. Furthermore, the pandemic boosted the life insurance industry by raising public awareness of uncertainties, the importance of insurance, and public trust in the industry. The low-interest rate regime prevailed in the market during the early part of the year resulted in growth of short-term life covers due to the attractive guaranteed returns provided.

Maintaining the upward trajectory of GWP growth rate demonstrated in 2020, the overall GWP growth rate further accelerated to 21.12% in 2021, whilst recording the highest growth rate in the life insurance segment over the last five years, indicating the resilient performance of life insurers amidst the challenges. In terms of value, GWP has improved by 74.30% from 2017 to 2021.

Life insurance market penetration, even though it is on an upward trajectory, still remains underpenetrated when compared to other countries. Reaching the underserved customer segments whilst addressing emerging trends in the market will help insurers to seize growth in coming years. However, life insurers will have to navigate through turbulence in the backdrop of a challenging macroeconomic environment in the next few years.

The Sri Lankan long-term insurance industry is highly competitive with 13 long-term insurance companies and 02 composite insurers. Four companies have collaborations with foreign insurance companies, namely AIA Life, Allianz Life, LIC and Softlogic Life.

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	2017		2018		2019		2020 (a)		2021 (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	11,510,581	16.08	12,739,351	15.87	13,848,283	15.60	14,049,559	13.64	16,517,328	13.24
Allianz Life	1,178,817	1.65	1,301,254	1.62	1,403,858	1.58	1,476,069	1.43	1,886,703	1.51
Amana Life	792,174	1.11	827,948	1.03	851,293	0.96	767,232	0.74	929,830	0.75
Arpico	1,038,085	1.45	1,387,432	1.73	1,633,156	1.84	1,836,100	1.78	2,311,633	1.85
Ceylinco Life	15,765,484	22.03	17,812,774	22.18	18,718,553	21.08	22,076,250	21.43	25,565,050	20.49
Cooplife	626,972	0.88	619,881	0.77	772,782	0.87	775,410	0.75	840,604	0.67
HNB Life	3,963,642	5.54	4,420,513	5.51	5,175,044	5.83	5,487,039	5.33	7,091,470	5.68
Janashakthi Life	2,902,873	4.06	3,008,842	3.75	3,511,660	3.96	3,819,817	3.71	5,460,929	4.38
LIC	582,114	0.81	522,698	0.65	598,896	0.67	714,127	0.69	1,004,700	0.81
LOLC Life	2,467,166	3.45	2,610,785	3.25	2,682,522	3.02	3,236,480	3.14	4,420,081	3.54
MBSL	123,732	0.17	65,839	0.08	54,757	0.06	40,996	0.04	40,370	0.03
Sanasa Life	454,056	0.62	521,193	0.65	537,171	0.61	694,430	0.67	1,247,855	1.00
SLIC	12,517,119	17.49	13,205,802	16.45	14,820,025	16.69	19,257,997	18.70	21,975,988	17.62
Softlogic Life	7,530,935	10.52	10,005,733	12.46	12,531,283	14.11	15,660,116	15.20	20,053,302	16.07
Union Life	10,117,630	14.14	11,243,915	14.00	11,647,757	13.12	13,108,605	12.73	15,406,161	12.35
Total	71,571,380	100	80,293,960	100	88,787,041	100	103,000,228	100	124,752,003	100
Growth Rate (%)	12.75		12.19		10.58		16.01		21.12	

Similar to previous years, Ceylinco Life continued to dominate the long-term insurance market by crossing the LKR 25 billion mark by generating a GWP of LKR 25,565 million (2020: LKR 22,076 million) with a growth rate of 15.80% (2020: 17.94%) mainly driven by the growth in premium generated from endowment policies in 2021. The GWP generated by Ceylinco Life accounted for 20.49% of the market share (2020: 21.43%), which has slightly reduced compared to 2020.

SLIC Life and Softlogic Life secured second and third positions in the market by recording GWP of LKR 21,976 million (2020: LKR 19,258 million) and LKR 20,053 million (2020: LKR 15,660 million) respectively, with market shares of 17.62% (2020: 18.70%) and 16.07% (2020: 15.20%). Even though the market share has contracted compared to the previous year, SLIC Life has managed to grow its GWP by 14.11%, largely boosted by new policies issued for one existing non-participating product with an investment plan.

Softlogic Life further strengthened its strong growth momentum by capturing its highest market share over the last five years, amounting to 16.07%. Further, the company maintained its double-digit growth by recording a growth rate of 28.05% (2020: 24.97%) because of the execution and exceptional performance of the multi-channel strategy and expansion of the digital distribution channel, digitization of internal processes, etc.

These three companies together have captured 54.18% (2020: 55.33%) of the total long-term industry share, which has slightly reduced compared to 2020.

AIA maintained its position at fourth in the market, similar to the previous year, by significantly expanding its GWP by 17.56% (2020: 1.45%) reaching LKR 16,517 million (2020: LKR 14,050 million) which can be mainly attributed to the growth in both new business and renewal premiums through strong performance of agency and bancassurance distribution channels, digital adoption, etc. The company's market share stood at 13.24% (2020: 13.64%) during the year under review, which continued to further contract but at a lesser magnitude compared to the previous year.

Similar to previous years, Union Life proclaimed the fifth position in the market by recording a GWP of LKR 15,406 million (2020: LKR 13,109 million) whilst significantly growing its GWP by 17.53% (2020: 12.54%) driven by growth in both first year and renewal premiums, the strong performance of agency channel and bancassurance channel etc. The company secured a market share of 12.35% (2020: 12.73%).

HNB Assurance, Janashakthi Life and LOLC Life ranked in the sixth, seventh and eighth positions in the market by recording GWP of LKR 7,091 million (2020: LKR 5,487 million), LKR 5,461 million (2020: LKR 3,820 million) and LKR 4,420 million (2020: LKR 3,236 million) along with growth rates of 29.24% (2020: 6.03%), 42.96% (2020: 8.78%) and 36.57% (2020: 20.65%) respectively.

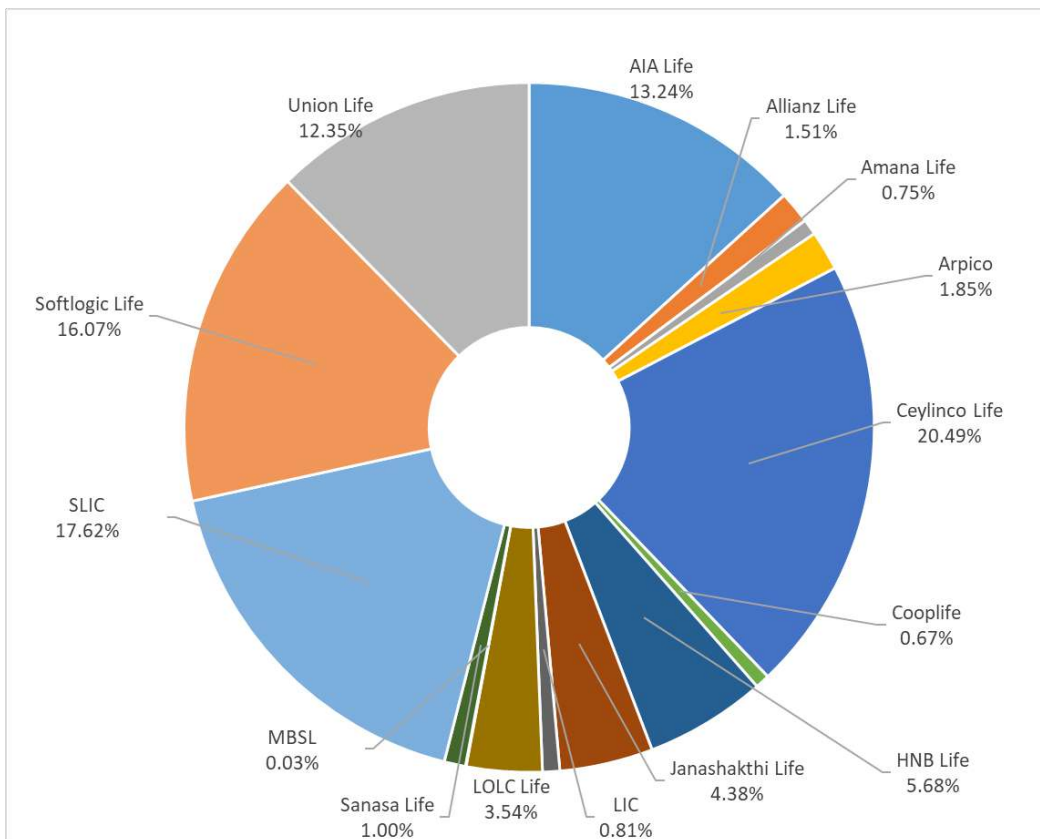
Further, significant GWP growth rates were noted from Sanasa Life, Allianz Life, Arpico and Amana Life which respectively amounted to 79.69% (2020: 29.28%), 27.28% (2020: 5.14%), 25.90% (2020: 12.43%) and 21.19% (2020: negative 9.87%) year on year.

It is noteworthy to mention that all life insurers managed to grow their topline compared to 2020 except for MBSL, which is an attestation to their resilience despite adversity. MBSL has planned to have a portfolio run-off only by servicing existing clients without underwriting new business.

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

Chart 6

Company - wise Market Share of Gross Written Premium - Long Term Insurance Business for the Year ended 31st December 2021



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

Chart 7 depicts the market share of the top five contributors to GWP and other insurers from 2017 to 2021.

In terms of GWP, the top five players in the market collectively captured a market share of 79.77% (2020: 81.70%) while generating a GWP of LKR 99,518 million (2020: LKR 84,153 million), and the remaining ten players collectively possessed a market share of 20.23% (2020: 18.30%) with a GWP of LKR 25,234 million (2020: LKR 18,848 million). Ceylinco Life, SLIC Life, Softlogic Life, AIA Life and Union Life achieved the top five positions in the market.

Ceylinco Life, ensuring its exceptional performance, secured the top position in the market similar to the last five years considered, but experienced a slight drop in market share. SLIC Life with revenue growth of 14.11% affirmed the second position in the market, however, the market share which had been on an increasing trend for the last couple of years slightly contracted.

Softlogic Life, continually demonstrating its drive towards success, became the third in the market whilst increasing its market share to 16.07% becoming the only player among top five to increase its GWP market share in 2021. Similar to last year, AIA and Union Life achieved fourth and fifth places in the long-term insurance market.

The GWP of top five players increased by 18.26% (2020: 17.59%) in 2021 but the collective market share they held diluted to 79.77% as the GWP growth rate of the rest of the ten players posted an enriched growth of 33.88% (2020: 9.45%) which resulted in an expansion of the market share they possessed by reaching to 20.23%.

Market share of top five insurers, which concentrated over 80% during last four years, dropped below 80% in the year under review whilst the combined market shares of the remaining ten players exceeded 20% for the first time in 2021 indicating the competitiveness of emerging players in the market.

Chart 7

Top Five Contributors and Other Insurers for the years 2017 to 2021 - Long Term Insurance Business



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

The GWP of long-term insurance business was comprised of 19.52% (2020: 20.88%) participating business, 41.98% (2020: 41.57%) non-participating business, 37.06% (2020: 35.93%) universal life business and 1.43% (2020: 1.63%) linked long-term business in 2021.

SLIC life, Ceylinco life, and Softlogic life accounted for 50.56%, 24.23% and 18.11% of the total participating business, which collectively accounted for 92.91% of the portfolio. Softlogic life, Ceylinco life and SLIC Life owned 27.74%, 25.55%, and 18.45% of the non-participating business by jointly possessing 71.74% of the business portfolio AIA life, Union life, and Ceylinco life led the universal life product portfolio by holding 33.87%, 24.78%, and 13.56% of the business and reported a combined portfolio share of 72.21%.

Premium ceded to reinsurers improved by 6.79% reaching LKR 5,025 million (2020: LKR 4,705 million) mainly driven by universal life and non-participating categories. The overall retention ratio of the long-term business amounted to 95.97% (2020: 95.43%).

Table 8**Category-wise Analysis of Gross Written Premium, Premium Ceded to Reinsurers and Retention Ratio - Long Term Insurance Business**

Class	2019			2020 (a)			2021 (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	21,394,970	156,759	99.27	21,501,412	168,082	99.22	24,355,960	151,310	99.38
Non Participating	32,370,493	2,977,659	90.80	42,817,109	3,994,124	90.67	52,374,038	4,107,457	92.16
Universal Life	33,129,499	473,575	98.57	37,007,344	471,295	98.73	46,234,646	673,178	98.54
Linked Long Term	1,892,079	84,245	95.55	1,674,363	71,743	95.72	1,787,359	92,843	94.81
Total	88,787,041	3,692,237	95.84	103,000,228	4,705,243	95.43	124,752,003	5,024,788	95.97

Assets of Long-Term Insurance Business

Long-term insurers have managed to improve their total asset base by demonstrating a growth rate of 12.43% (2020: 15.99%) and reaching LKR 632,627 million (2020: LKR 562,706 million) in value whilst maintaining efficient asset management as depicted in table 9.

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

Insurer	2020 (a)		2021 (b)	
	(LKR '000)	%	(LKR '000)	%
AIA Life	72,388,787	12.86	72,263,841	11.42
Allianz Life	7,758,471	1.38	8,191,271	1.29
Amana Life	3,099,222	0.55	3,337,501	0.53
Arpico	4,175,491	0.74	4,416,237	0.70
Ceylinco Life	150,801,386	26.80	173,762,954	27.47
Cooplif	3,510,426	0.62	3,719,827	0.59
HNB Life	26,042,871	4.63	29,463,951	4.66
Janashakthi Life	24,613,500	4.37	26,045,536	4.12
LIC	3,333,687	0.59	3,491,539	0.55
LOLC Life	7,752,075	1.38	9,622,145	1.52
MBSL	1,064,582	0.19	1,004,264	0.16
Sanasa Life	2,307,345	0.41	2,682,497	0.42
SLIC	160,051,510	28.44	184,519,748	29.17
Softlogic Life	33,206,203	5.90	39,343,732	6.22
Union Life	62,600,408	11.12	70,761,636	11.19
Total	562,705,964	100	632,626,679	100

Similar to the previous year, SLIC Life owned the highest share of assets in the long-term insurance industry, followed by Ceylinco Life, where the combined share of the two companies stood at 56.63% (2020: 55.24%) which slightly improved compared to 2020.

SLIC Life's asset base amounted to LKR 184,520 million (2020: LKR 160,052 million) by further growing it by 15.29% (2020 13.61%) predominantly due to the increase in government securities, whilst claiming a share of 29.17% (2020: 28.44%). Total assets of Ceylinco Life steadily grew by 15.23% (2020: 13.20%) amounting to LKR 173,763 million (2020: LKR 150,801 million) largely because of growth in both deposits and government securities, and owned a share of 27.47% (2020: 26.80%). Both companies have managed to increase their share of assets out of total assets in the long-term insurance industry in 2021.

AIA Life and Union Life affirmed third and fourth places in the market by possessing significant portions of total assets in the industry. However, AIA Life experienced a drop of 0.17% in the asset growth rate, which had been continually growing over the last few years, and the asset share amounted to 11.42% (2020: 12.86%). Total assets of AIA Life accounted for LKR 72,264 million (2020: LKR 72,389 million). Union Life consistently expanded its asset portfolio by recording a growth rate of 13.04% (2020: 13.31%) which amounted to LKR 70,762 million (2020: LKR 62,600 million) in 2021.

Accordingly, the four players collectively owned 79.24% (2020: 79.23%) of the total assets of the long-term insurance industry, which remained almost the same compared to 2020.

In terms of the long-term insurance sector assets, Softlogic Life, HNB Life and Janashakthi Life managed to secure fifth, sixth and seventh positions in the market by recording total assets amounting to LKR 39,344 million (2020: LKR 33,206 million), LKR 29,464 million (2020: LKR 26,043 million) and LKR 26,046 million (2020: LKR 24,614 million) respectively. These companies also recorded increasing asset portfolios with considerable growth rates. These seven companies together have proclaimed 94.24% (2020: 94.14%) of the total market.

It is noteworthy to mention that despite challenges, all life insurers have managed to add further value to their asset base during the year under review, except for AIA Life and MBSL. Similar to last year, LOLC Life posted an asset growth rate over of 20%. Chart 8 demonstrates a company-wise analysis of total assets.

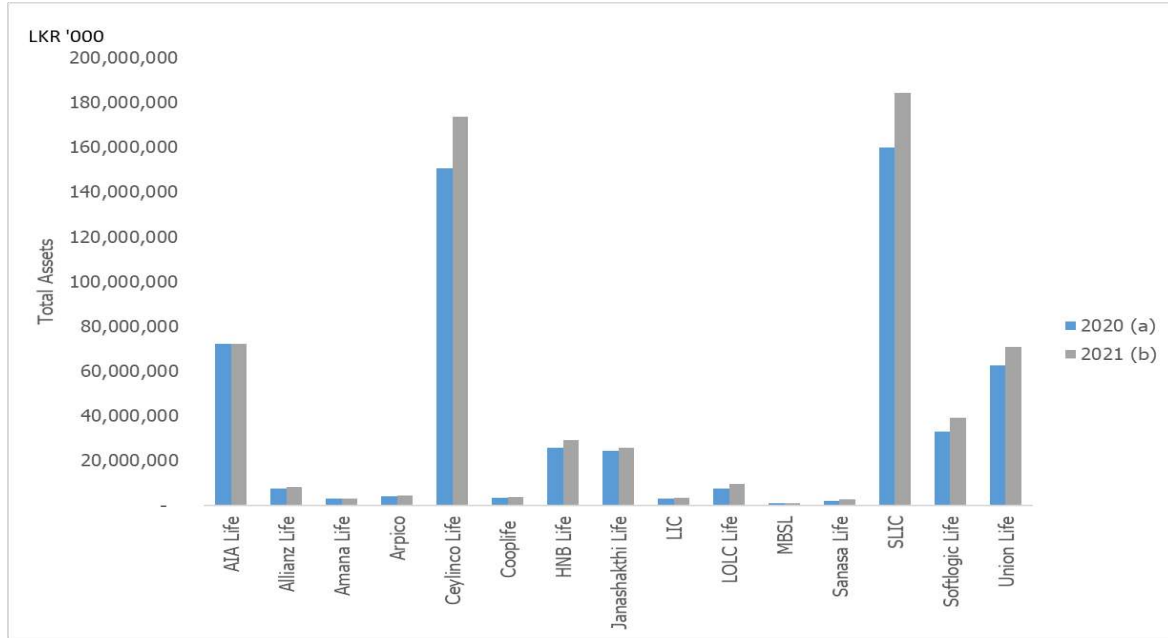
Chart 8**Company-wise Analysis of Total Assets as at 31st December 2020 & 2021 - Long Term Insurance Business****Concentration of Assets as at 31st December 2020 & 2021 - Long Term Insurance Business**

Table 10 and Chart 9 detail out concentration of assets of long-term insurers among different asset categories as at 31st December 2020 and 2021.

Table 10**Concentration of Assets as at 31st December 2020 and 2021 - Long Term Insurance Business**

Type of Asset	2020 (a)		2021 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	230,273,823	40.92	262,410,756	41.48
Equities	38,681,100	6.87	49,049,129	7.75
Corporate Debt	121,703,471	21.63	139,619,921	22.07
Land & Buildings	8,735,425	1.55	9,273,787	1.47
Deposits	80,765,691	14.35	88,265,112	13.95
Unit Trusts	9,991,047	1.78	13,426,656	2.12
Policy Loans	6,940,431	1.23	7,022,135	1.11
Other Assets	46,944,802	8.34	48,448,721	7.66
Cash and cash equivalents	18,670,177	3.32	15,110,463	2.39
Total	562,705,967	100	632,626,679	100

As depicted in table 10, showcasing the prominence insurers have given to investing in government securities predominantly to maintain liquidity and to ensure compliance with regulatory requirements, investment in government securities, being the largest asset category, has increased by 13.96% (2020: 19.83%), reaching LKR 262,411 million (2020: LKR 230,274 million), occupying a 41.48% (2020: 40.92%) share of the total industry assets. Almost all the life insurers, except for a few have increased their investments in Government Securities, and where four life insurers have significantly improved the same, indicating the measures taken to maintain a low-risk asset portfolio.

Corporate debt investments totaled to LKR 139,620 million (2020: LKR 121,703 million), with a growth rate of 14.72% (2020: 14.19%) driven primarily by four life insurers. Corporate Debt occupied 22.07% (2020: 21.63%) of the total asset base.

Deposits, represented the third largest category, amounting to LKR 88,265 million (2020: LKR 80,766 million) with a 13.95% (2020: 14.35%) asset allocation, largely boosted by one life insurer. Only five life insurers increased their deposits during the year under review, indicating the impact of low interest rates prevailed, especially during the early part of the year.

Investments in Equity increased to LKR 49,049 million (2020: LKR 38,681 million) demonstrating a growth rate of 26.80% (2020: 7.87%) largely driven by one life insurer. All the life insurers who have invested in Equity expanded their investments in 2021, indicating the attractiveness of the Equity market during the year under review. Equity investments amounted to 7.75% (2020: 6.87%) of the total asset base of the industry.

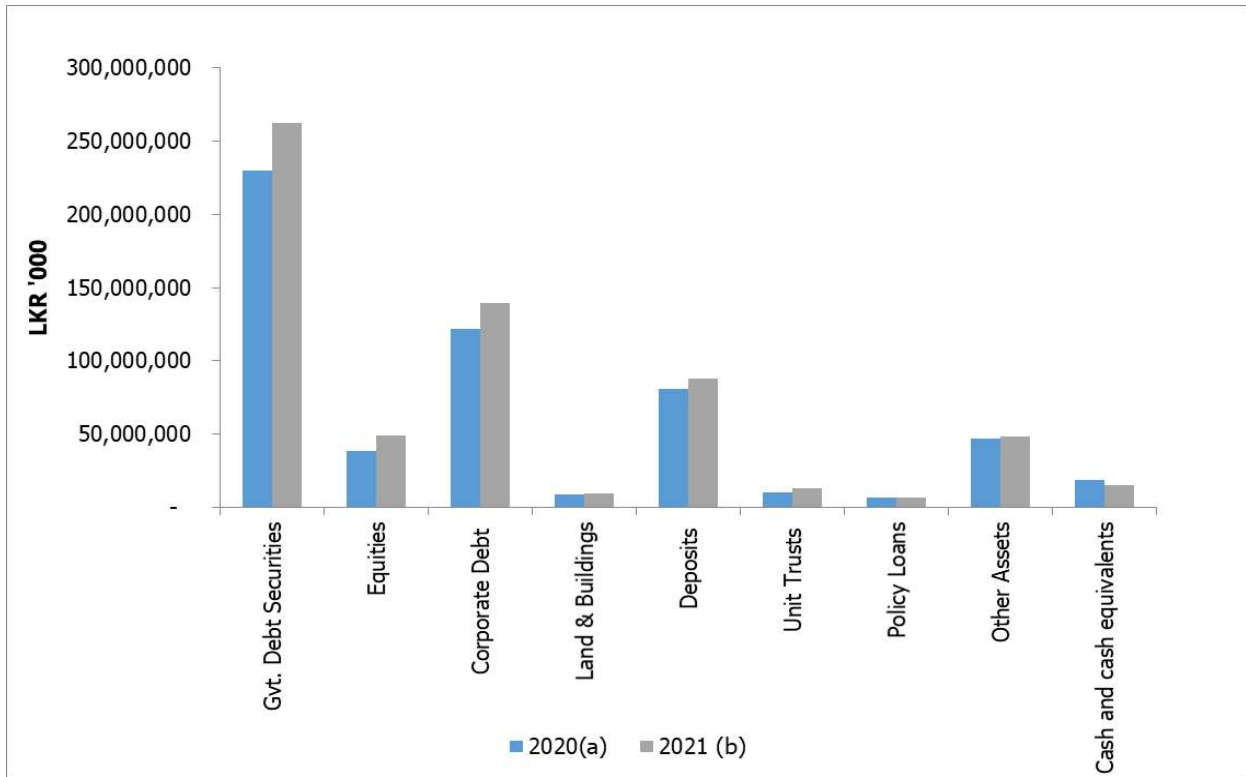
These four main investment categories, government securities, corporate debt, deposits, and equity, amounted to 85.25% (2020: 83.78%) of the total asset portfolio of the long-term insurance market.

Other Assets which are mainly comprised of Deferred Tax Assets, Property Plant and Equipment, Intangible Assets, Premium Receivable from Policyholders, Reinsurance Receivables, etc., slightly increased in 2021 by 3.20% (2020: 15.60%), reaching LKR 48,449 million (2020: LKR 46,945 million).

The trend towards investment in unit trusts continued to improve in 2021, which is evident from the substantial growth of the same, amounting to LKR 13,427 million (2020: LKR 9,991 million).

Chart 9

Concentration of Assets as at 31st December 2020 & 2021 - Long Term Insurance Business



Investment Income – Long Term Insurance Business

Despite the low interest rates that prevailed, especially during the first half of the year, long-term insurers have managed to display a significant growth rate of 19.29% in investment income which amounted to LKR 55,871 million (2020: LKR 46,838 million) in 2021. The average investments reached LKR 533,462 million (2020: LKR 469,097 million) indicating a growth rate of 13.72%.

Government Securities possessed, 40.13% (2020: 46.09%), the highest share of overall investment income by recording LKR 22,419 million (2020: LKR 21,590 million) with a modest growth rate of 3.84% mainly due to an increase in investment income derived from REPO investments predominantly due to two life insurers. The average investment in Government Securities improved to LKR 246,342 million (2020: LKR 211,219 million) in 2021. Long term insurers invested in Corporate Debt, occupying a 27.79% (2020: 27.89%) share of the overall investment income, recording an investment income of LKR 15,524 million (2020: LKR 13,064 million) with a growth rate of 18.83% mainly due to investment income recorded in Debentures by one life insurer. The average assets in Corporate Debt improved to LKR 130,662 million (2020: LKR 114,141 million) in 2021.

These two categories collectively held 67.91% (2020: 73.99%) of the total investment income and the average investment yield of Government Securities and Corporate Debt hovered around 9% (2020: 10%) and 12% (2020: 11%) respectively in 2021.

Equity investments averaged LKR 43,865 million (2020: LKR 37,271 million), with investment income reaching LKR 8,937 million (2020: LKR 2,824 million), owing primarily to an unrealized gain recorded by one life insurer. The above three investment categories together possessed 83.91% (2020: 80.02%) of the total investment income of long-term insurers, which increased, compared to 2020.

Investment income received from Deposits, which was the third largest component in 2020, reduced to LKR 7,619 million (2020: LKR 8,268 million) whilst being the fourth largest category in terms of investment income in 2021, against the average investment of LKR 84,515 million (2020: LKR 78,419 million) indicating the low interest rates prevailed in the market.

The overall investment yield for 2021 was 10.47% (2020: 9.98%) which has increased compared to 2020.

Table 11

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

Category	2020 (a)		2021 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	21,589,841	211,218,577	22,419,264	246,342,288
- Treasury Bonds	20,101,585		20,097,959	
- Treasury Bills	68,130		271,457	
- Others (REPO)	1,420,126		2,049,848	
Equity	2,824,001	37,270,729	8,937,003	43,865,114
- Capital Gain/Losses	1,828,612		7,183,929	
- Dividend	995,389		1,753,074	
Corporate Debts	13,063,583	114,140,670	15,523,868	130,661,696
- Bonds and Debentures	12,855,495		14,557,825	
- Commercial Papers	208,088		833,834	
- Asset Backed Securities	-		115,957	
- Other Similar Financial Instruments	-		16,252	
Land and Buildings	85,459	12,202,916	147,746	9,004,606
Deposits	8,267,920	78,419,337	7,619,109	84,515,401
- Bank	6,568,859	-	6,143,646	
- Finance Companies	1,699,061	-	1,475,465	
Unit Trust	546,577	7,787,929	750,870	11,708,851
Policy Loans	383,897	6,881,616	400,419	6,981,283
Others	76,541	1,174,855	73,096	382,565
Total	46,837,820	469,096,629	55,871,375	533,461,805

Average Investment Yield	9.98%	10.47%
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Solvency Position of Insurance Companies -Long Term Insurance Business

Similar to previous years, in order to protect policyholder interests through a properly managed insurance industry, which performs on a sustainable basis, the IRCSL continued to monitor the risk-based capital levels of the insurers in the industry. Under Solvency Margin (Risk Based Capital) Rules, insurers are required to maintain a minimum Total Available Capital (TAC) of LKR 500 million and a Capital Adequacy Ratio (CAR) of 120% in order to satisfy its conformity with the rules. However, taking into consideration the nature, size and complexity of the insurance business and the risks exposed to insurers must maintain prudent CAR and adequate TAC. TAC, Risk-based Capital Required (RCR), and CAR of long-term insurance business as of December 31, 2020 and 2021 are detailed in Tables 12, 13, and 14.

The CAR, which measures the adequacy of total available capital to support the Risk-Based Capital required, is reported to be 384% (2020: 366%) on average as at end of December 2021. All life insurers have reported

CAR above the enforcement level of 160% and minimum level of 120%. The TAC of the industry, in total amounted to LKR 286,309 million (2021: LKR 250,025 million) as at 31st December 2021 posting a growth rate of 14.51%.

Surrender Value Capital Charge (SVCC) which addresses the risk of extreme adverse scenarios if all life Insurance contracts are surrendered simultaneously, amounting to LKR 7,905 million (2020: LKR 2,612 million) by the end of 2021 indicating a considerable growth.

Table 12

Company-wise Analysis of Solvency Position – Long Term Insurance Business as at 31st December 2021 & 2020

Insurer	As at 31st December 2020 (a)				As at 31st December 2021 (b)			
	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)
AIA Life	27,361,515	5,601,570		488%	24,565,113	4,490,070		547%
Allianz Life	2,028,498	216,924	286,007	709%	1,490,704	378,981	23,701	393%
Amana Life	535,106	261,775		204%	535,349	275,187		195%
Arpico	1,908,450	459,409	97,174	415%	2,221,252	476,828	511,232	434%
Ceylinco Life	72,111,874	17,133,081	3,930	421%	71,664,622	18,048,010	3,238	397%
Cooplife	1,473,028	589,124		250%	1,497,623	509,721		294%
HNB Life	8,966,667	2,653,681		338%	11,139,698	4,023,288	694,632	277%
Janashakthi Life	10,132,233	3,331,694		304%	12,857,786	3,310,343	804,347	388%
LIC	485,940	338,702		143%	563,897	309,953		182%
LOLC Life	2,326,985	1,258,533		185%	3,464,728	721,459		480%
MBSL	556,357	76,062		731%	515,391	58,536		880%
Sanasa Life	747,344	377,961		198%	820,062	468,187		175%
SLIC	79,654,571	17,370,300		459%	106,308,579	21,684,273		490%
Softlogic Life	19,940,660	6,610,593	2,203,854	302%	27,081,811	6,851,316	4,935,500	395%
Union Life	21,795,969	6,396,436	20,587	341%	21,582,364	9,468,422	932,135	228%
Total/Overall	250,025,198	62,675,846	2,611,551	366%	286,308,978	71,074,573	7,904,786	384%

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

As per the Solvency Margin (Risk Based Capital) Rule 2015, TAC is the total of "Tier 1" and "Tier 2" capital of an insurer after deducting the items specified as "Deductions". Table 13 demonstrates the composition of TAC of long-term insurers as at 31st December 2021. According to Table 13, total TAC of the long-term industry improved to LKR 286,309 million (2020: LKR 250,025 million) posting an enriched growth of 14.51% mainly driven by the increase of Tier 1 capital which aggregated to LKR 299,251 million (2020: LKR 258,922 million) mainly driven by SLIC Life and Softlogic Life. Further, Janashakthi Life, HNB Assurance and LOLC Life showcased impressive improvement in TAC as at end December 2021 compared to 2020, predominantly due

to increase in "Tier 1" capital. However, a considerable drop in Tier 1 capital was reported by AIA Life and Allianz Life, which resulted in drop in their TAC.

Tier 1 capital which comprises of issued and fully paid-up ordinary shares and share premiums, capital reserves, paid up non-cumulative irredeemable preference shares, adjusted retained earnings, unallocated valuation surplus in the long-term insurance fund and 50% of potential future bonuses projected for participating policies are considered as permanent capital fully available to cover the losses of insurers. The Tier 1 capital aggregated to LKR 299,251 million (2020: LKR 258,922 million) in 2021 indicating a growth of 15.58%.

Tier 2 capital which comprises of cumulative irredeemable preference shares, redeemable preference shares, mandatory capital loan stock and other similar capital instruments, revaluation reserves for self-occupied properties and other property investments, revenue reserves excluding retained earnings, irredeemable subordinated debt etc. lacks some characteristics of high-quality capital compared to Tier 1 capital. Tier 2 capital in total amounted to LKR 22,761 million (2020: LKR 22,382 million) in 2021 in long-term insurance industry with a marginal growth rate of 1.69%.

Deductions, which mainly include intangible or illiquid assets, displayed a growth rate of 14.14% whilst reaching LKR 35,702 million (2020: LKR 31,279 million) in 2021 predominantly due to two life insurers.

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

Insurer	As at 31 st December 2020 (a) - (LKR '000)	As at 31st December 2021 (b) - (LKR '000)			
	TAC	Tier 1	Tier II	Deductions	TAC
AIA Life	27,361,515	22,025,225	6,309,264	3,769,377	24,565,113
Allianz Life	2,028,498	2,112,045	-	621,341	1,490,704
Amana Life	535,106	475,497	104,949	45,098	535,349
Arpico	1,908,450	2,480,289	-	259,038	2,221,252
Ceylinco Life	72,111,874	79,829,489	3,890,031	12,054,899	71,664,622
Cooplif	1,473,028	1,550,295	148,393	201,065	1,497,623
HNB Life	8,966,667	13,314,033	381,156	2,555,492	11,139,698
Janashakthi Life	10,132,233	12,404,959	1,795,829	1,343,002	12,857,786
LIC	485,940	507,282	111,899	55,283	563,897
LOLC Life	2,326,985	3,460,221	256,134	251,627	3,464,728
MBSL	556,357	523,814	-	8,423	515,391
Sanasa Life	747,344	1,388,894	-	568,832	820,062
SLIC	79,654,571	112,671,772	169,909	6,533,102	106,308,579
Softlogic Life	19,940,660	24,830,945	3,938,987	1,688,121	27,081,811
Union Life	21,795,969	21,675,981	5,654,162	5,747,779	21,582,364
Total	250,025,198	299,250,742	22,760,714	35,702,477	286,308,979

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

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

The RCR before diversification, accumulated to LKR 94,464 million posting a growth rate of 10.47% in 2021 compared to LKR 85,511 million reported in the previous year mainly driven by two life insurers. RCR after diversification amounted to LKR 71,075 million (2020: LKR 62,676 million) marking a growth rate of 13.40%. Similar to previous years, market risk continued to be the major risk type encountered by the long-term

insurers with a 54.66% share of the total RCR before diversification, followed by liability risk and concentration risk, which accounted for 24.98% and 6.71%. These three categories jointly held 86.35% (2020: 86.22%) of the total RCR before diversification.

Table 14

Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2021 and 2020 – Long Term Insurance Business

Insurer	As at 31st December 2020 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	405,929	837,779	3,083,121		3,484,467	717,372	8,528,668	5,601,570
Allianz Life	3,780	4,965	38,894	1,357	201,431	63,885	314,311	216,924
Amana Life	20,623	145,518	93,121	692		30,819	290,774	261,775
Arpico	43,003	24,935	268,971	48	309,600	40,799	687,356	459,409
Ceylinco Life	1,788,403	936,699	13,906,140	6,752	3,771,492	1,579,705	21,989,191	17,133,081
Cooplife	84,122	11,727	300,427	1,936	432,752	34,918	865,882	589,123
HNB Life	453,841	300,384	1,697,310	806	980,410	258,531	3,691,283	2,653,681
Janashakthi Life	460,431	250,364	2,479,801	2,220	922,572	234,465	4,349,854	3,331,694
LIC	40,735	65,364	206,213	43	126,036	35,598	473,991	338,702
LOLC Life	33,484	72,585	1,068,704	6,006	428,801	76,140	1,685,720	1,258,533
MBSL	8,245	25,398	38,938	22	20,022	10,646	103,271	76,062
Sanasa Life	26,138	181,540	157,429	17	95,106	22,215	482,445	377,961
SLIC	1,722,707	2,410,946	12,072,062		6,011,473	1,721,707	23,938,896	17,370,300
Softlogic Life	305,146	920,645	3,508,957	2,067	4,599,898	321,649	9,658,363	6,610,593
Union Life	550,837	982,231	4,614,727	184	1,633,884	668,703	8,450,567	6,396,436
Total	5,947,425	7,171,081	43,534,817	22,150	23,017,944	5,817,151	85,510,570	62,675,845

Insurer	As at 31st December 2021 (b) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	403,735	510,328	2,744,866	0	2,500,256	722,278	6,881,463	4,490,070
Allianz Life	3,969	6,945	287,262	1,380	223,094	64,203	586,853	378,981
Amana Life	20,272	142,869	107,436	416	34,414	33,257	338,665	275,187
Arpico	57,884	20,376	190,809	67	391,312	42,480	702,929	476,828
Ceylinco Life	2,023,077	811,405	14,630,734	6,683	4,176,320	1,738,317	23,386,536	18,048,010
Cooplife	108,421	15,266	303,239	2,158	272,764	36,080	737,928	509,721
HNB Life	473,139	227,543	3,230,051		808,262	287,928	5,026,923	4,023,288
Janashakthi Life	480,563	267,471	2,352,740	2,290	1,125,374	250,797	4,479,235	3,310,343
LIC	40,357	25,025	228,100	36	93,368	34,651	421,536	309,953
LOLC Life	77,563	123,120	439,121	560	318,412	95,129	1,053,905	721,459
MBSL	11,376	2,415	41,166	119	17,159	9,930	82,165	58,536
Sanasa Life	38,331	167,799	253,871		83,280	25,756	569,036	468,187
SLIC	1,772,087	2,510,518	16,403,680		6,233,425	1,851,946	28,771,656	21,684,273
Softlogic Life	493,551	991,029	2,242,839	848	5,735,787	375,911	9,839,964	6,851,316
Union Life	618,464	516,349	8,174,153	140	1,586,154	689,689	11,584,949	9,468,422
Total	6,622,788	6,338,460	51,630,067	14,697	23,599,379	6,258,352	94,463,744	71,074,573

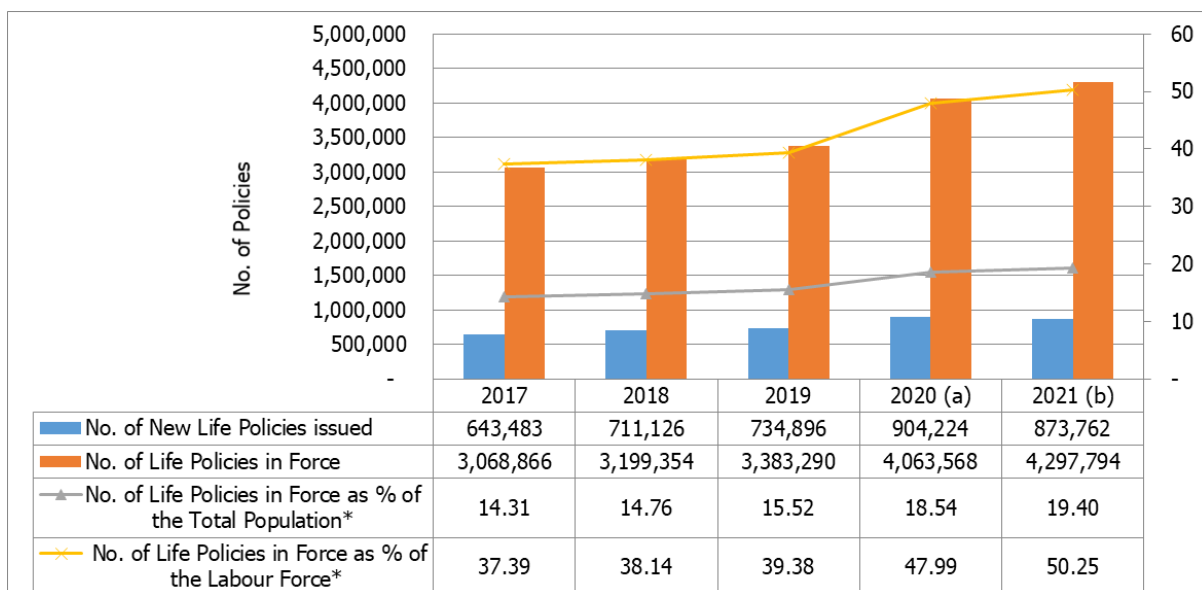
Number of Insurance Policies Issued and Policies in Force – Long Term Insurance Business

Total life insurance policies in force as at end 2021 was 4,297,794 (2020: 4,063,568) displaying a modest growth of 5.76% compared to the surge in growth reported in 2020 amounting to 20.11%. The new life policies issued displaying a drop of 3.37% (2020: 23.04%) amounted to 873,762 (2020: 904,224) largely driven by drop in new policies issued by two life insurers compared to 2020.

A number of life policies in force as a percentage of the total population and number of life policies in force as a percentage of the labour force, further maintaining the increasing trend, improved to 19.40% (2020: 18.54%) and to 50.25% (2020: 47.99%) respectively. Chart 10 illustrates the number of insurance policies issued and policies in force for long-term insurance business.

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 summarizes the product-wise details of policies in force for both 2021 and 2020 for term insurance, universal life, whole life insurance, endowments and others. The 'Other' category mainly includes details of healthcare plans, unit linked, annuities, group life, single premium products etc. The total policies in force highlighting a modest growth rate of 5.76% aggregated to 4,297,794 (2020: 4,063,568) whilst the sum insured displaying robust growth totaled up to LKR 6,267 billion (2020: LKR 4,823 billion) by the end of 2021.

Similar to the previous year, endowment policies represented the largest category in terms of the number of policies in force by reporting 1,276,647 (2020: 1,273,095) demonstrating a slight growth rate of 0.28% in 2021. However, the sum insured of the same category experienced a drop by reaching LKR 501 billion (2020:

LKR 685 billion) predominantly due to one life insurer. The number of Universal life policies increased to 1,057,060 (2020: 992,360), while the sum insured increased to LKR 620 billion (2020: LKR 515 billion), driven by four life insurers.

Number of policies in force of "Other" category exhibiting a robust growth of 38.60% improved to 1,016,278 (2020: 733,250) where sum insured of the same amounted to LKR 3,422 billion (2020: LKR 2,066 billion) largely boosted by one life insurer as a result of growth recorded in Mortgage Protection Plan - Single Premium and Healthcare Plans. Further, sum insured for riders also demonstrated an impressive growth of the same life insurer.

Term insurance, posting a drop of 11.22% marked 924,270 (2020: 1,041,132) in terms of number of policies in 2021, however, conversely the sum insured of the same category improved with a growth rate of 10.70% by accounting for LKR 1,722 billion (2020: LKR 1,556 billion).

Whole Life insurance, further dropped in both the number of policies and sum insured by reaching 23,539 (2020: 23,731) and LKR 1,555 million (2020: LKR 1,555 million) reflecting the drop in demand for the same.

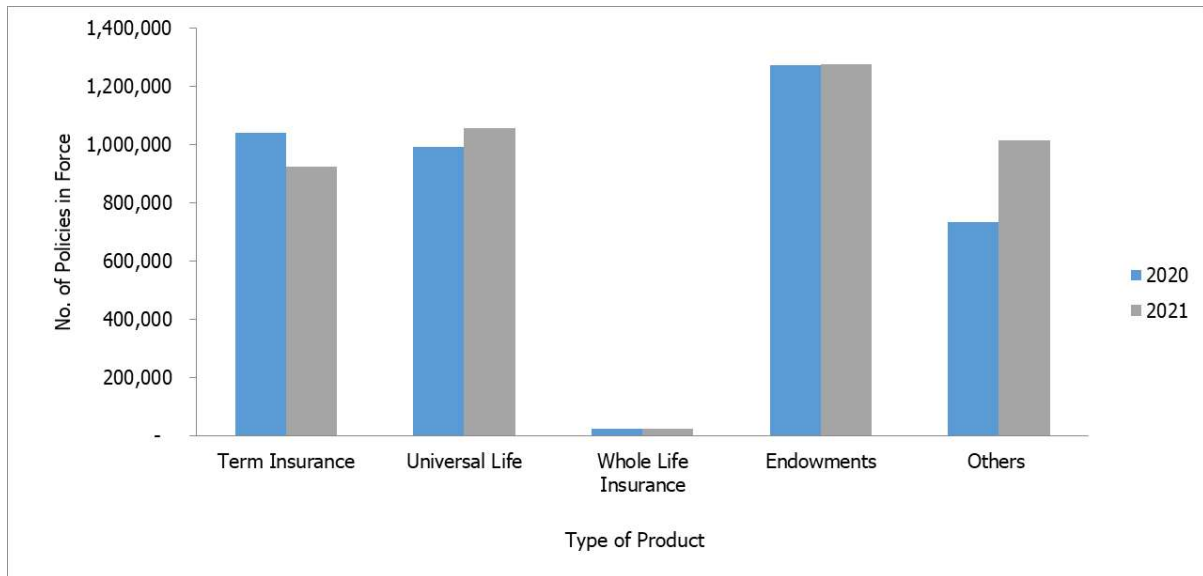
Table 15

Product-wise Policies in Force and Sum Insured for 2021 and 2020 - Long Term Insurance Business

Type of Product	2020		2021	
	No: of Policies in Force	Sum Insured (LKR '000)	No: of Policies in force	Sum Insured (LKR '000)
Term Insurance	1,041,132	1,556,004,122	924,270	1,722,498,648
Universal Life	992,360	514,703,931	1,057,060	620,345,090
Whole Life Insurance	23,731	1,555,115	23,539	1,554,973
Endowments	1,273,095	684,919,131	1,276,647	501,347,497
Others	733,250	2,065,977,502	1,016,278	3,421,566,810
Total	4,063,568	4,823,159,802	4,297,794	6,267,313,018

Chart 11

Product-wise Policies in Force for 2020 and 2021 - Long Term Insurance Business



Insurance Policy Lapses – Long Term Insurance Business

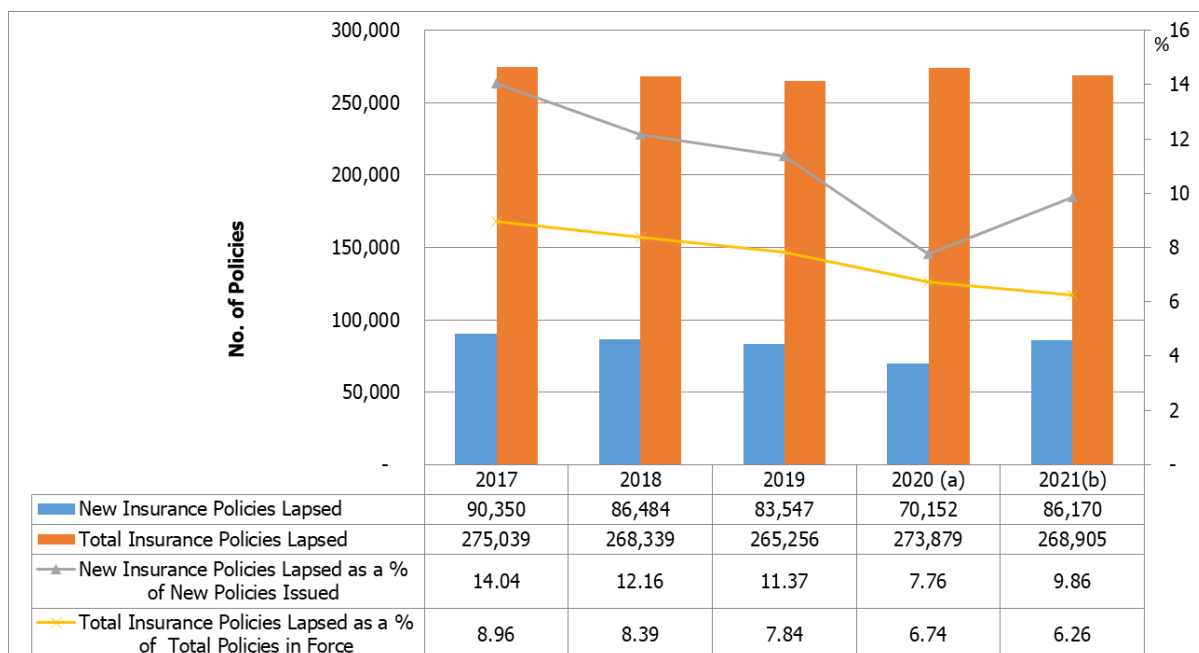
Insurance policy lapses which can be defined as policies terminated due to non-payment of premiums and expiry of, the contractual grace period, amounted to 268,905 (2020: 273,879) posting a drop of 1.82%. The new insurance policies lapses totaled to 86,170 (2020: 70,152) displaying a growth rate of 22.83% compared to 2020, driven by traditional non-participating and universal life categories of business.

Total insurance policies lapsed as a percentage of total policies in force, continuing its downward trend, amounted to 6.26% (2020: 6.74%). However, the new insurance policies lapsed as the percentage of new policies issued, which was also experiencing a declining trajectory over the last few years, increased to 9.86% (2020: 7.76%) in 2021.

Chart 12 depicts insurance policy lapses of the long-term insurance business.

Chart 12

Insurance Policy Lapses – Long Term Insurance Business



Claims Incurred by Insurance Companies – Long Term Insurance Business

Claims incurred by long-term insurers further increased during the year under review, reaching LKR 46,113 million (2020: LKR 37,909 million) posting a considerable growth of 21.64% (2020: 7.88%). Claims incurred to policyholders by long-term insurers can be categorized into Disability Benefits, Death, Surrenders, Maturity Benefits and Other benefits which are illustrated in detail in Chart 13 for last few years.

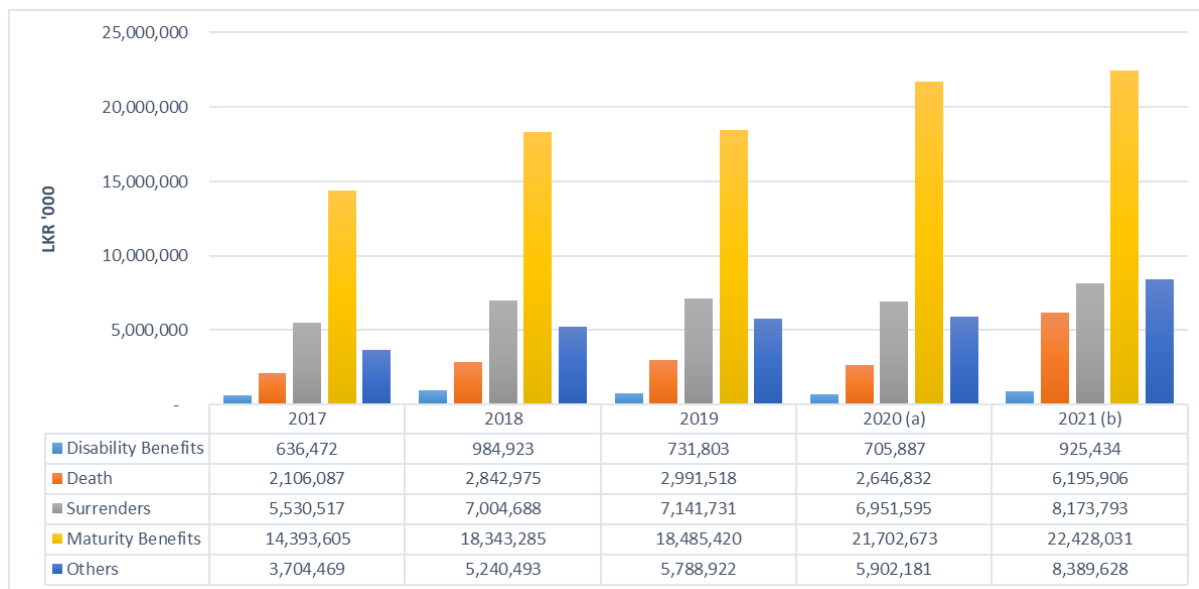
Maturity benefits, with a modest growth of 3.34%, accounted for LKR 22,428 million (2020: LKR 21,703 million) by occupying a significant share of 48.64% (2020: 57.25%) of the total claims incurred for the year 2021. Surrenders, holding a share of 17.73% (2020: 18.34%), increased to LKR 8,174 million (2020: LKR 6,952 million), posting a growth rate of 17.58%.

Other categories of benefits which includes hospitalization benefits, advance payments, cash and loyalty bonus expenses etc. amounted to LKR 8,390 million (2020: LKR 5,902 million) with a sharp growth of 42.14% and occupying 18.19% (2020: 15.57%) of the total claims incurred by long term insurers.

Further, Death benefits amounted to LKR 6,196 million (2020: LKR 2,647 million) and Disability benefits reached to LKR 925 million (2020: LKR 706 million) in 2021.

Chart 13

Claims Incurred by Insurance Companies – Long Term Insurance Business



Number of Insurance Claims - Long Term Insurance Business

The total number of claims in the long-term insurance business escalated to 544,675 (2020: 505,533) demonstrating a growth rate of 7.74% (2020: 15.82%) in 2021. Other benefits which include hospitalization and critical illness benefits, cash and loyalty bonus expenses, annuities etc. represented the largest category in terms of claims volume, reporting 232,373 (2020: 173,183) claims in the long-term industry. Maturity benefits amounted to 157,176 (2020: 153,491) with a slight growth of 2.40%.

Surrenders declined by 18.64% by reaching 126,686 (2020: 155,718) in volume. It is noteworthy to mention that there was a sudden spike in a number of surrenders in 2020 due to surrendering existing DTA policies to take new DTA policies for new loans as the customers were compelled to reschedule existing loans due to diminished interest rates in the market.

Death claims and disability benefits amounted to 14,454 (2020: 12,105) and 13,986 (2020: 11,036) respectively in 2021.

Table 16 details out the number of insurance claims under different categories of the long-term insurance business for the past five years.

Table 16

Number of Insurance Claims - Long Term Insurance Business

	2017	2018	2019	2020 (a)	2021 (b)
Disability Benefits	10,749	10,737	12,251	11,036	13,986
Death	11,247	11,935	12,958	12,105	14,454
Surrenders	47,191	70,412	75,988	155,718	126,686
Maturity Benefits	128,266	153,856	130,723	153,491	157,176
Other benefits	145,452	166,745	204,564	173,183	232,373
Total	342,905	413,685	436,484	505,533	544,675

General Insurance Business

The year 2021 started off while the COVID-19 pandemic still continued in its direst form and Sri Lanka, as a country hounded by many pre-existing socio-economic and political challenges and weaknesses throughout the years, was battling against the odds to overcome the downfall caused by the pandemic. The emergence of the Delta variant in 2021 turned out to be more severe than anticipated, resulting in an increased number of hospitalizations and deaths, triggering three lockdowns during the year in Sri Lanka. As a repercussion of the above, businesses were significantly impacted around the country. Numerous sectors in the country, along with the insurance industry, had to face plentiful challenges due to the unfavorable economic environment.

New registration of motor vehicles continued to decline in the year 2021 due to the expansion of restraints imposed on motor vehicle importation. As per the annual report 2021 of the Central Bank of Sri Lanka, new registrations of motor vehicles declined notably by 83.3%, compared to a deterioration of 44.8% in 2020. New registrations in all major categories of motor vehicles including single cabs, motor cars, motorcycles, and dual-purpose vehicles witnessed a fall. Nevertheless, with the aid of the commendable performance of the remaining classes of general insurance business, the entire general insurance industry made progress of 3.32% against the 2.25% contraction recorded in the year 2020 and reached the highest GWP for the past five years.

Asset base and the investment income of the general insurance sector displayed a development of 9.92% and 9.72% respectively along with adequate capital and liquidity buffers.

Compared to the past five years, claims of health insurance business were at its peak for the year 2021 with a growth of 42.71% against the previous year's negative growth of 27.80%. As a consequence of several lockdowns occurred during the year 2020, intimation of large number of claims delayed and clearance of same took place in the year 2021 which resulted a sudden hike in claims of health insurance sector. Besides, circulation of novel COVID-19 variants and acceleration of number of cases rapidly increased individuals' attention to their medical needs, which eventually supported to the increment in claims of health insurance sector. The general insurance industry was displaying a marginal contraction in profits due to increase in claims.

With the success of widespread vaccination programs and the relaxation of global travel restrictions by the end of 2021, there appeared to be a light at the end of the tunnel. Defeating the business interruptions caused by the pandemic, insurance sector entered year 2021 with a more positive outlook. Many insurers

initiated speedy and smooth transition to digital processes therefore sustaining the customer relationship around the clock. Therefore, insurers managed to provide an uninterrupted service to the customers throughout the year. As a modality to overcome obstacles posed by the pandemic, insurers in Sri Lanka offered several extended benefits to policyholders in respect of premium collection, claim payments etc.

Gross Written Premium

Despite ongoing COVID-19 concerns and challenging economic surroundings, the general insurance industry presented a slender progress of 3.32% compared to the previous year's adverse trend of 2.25%, recording a premium income of LKR 108,760 million (2020: LKR 105,265 million). Widespread vaccination programs and the alleviation of pandemic-related restrictions in the latter half of 2021 assisted people and businesses in resuming previously halted commercial activities and moving forward. As a result, most sectors of the economy were running smoothly, and this was reflected in the Sri Lankan economy, which achieved 3.7% GDP growth in 2021. On that account, many insurers exhibited a reasonable performance and therefore showed the progress of the general insurance sector for the last five years.

SLIC General, being the largest contributor to the general insurance market in the year 2020, managed to occupy the first position in the year 2021 as well, disclosing a market share of 18.74% (2020: 18.40%) generating a GWP amounting to LKR 20,382 million (2020: LKR 19,371 million). Subcategories of the miscellaneous business class such as title, personal accident, and public liability, have enhanced the capacity during the year 2021, improving the total GWP of SLIC General. The expansion of foreign employment had uplifted premium collection compared to the previous year, further boosting the company's total GWP.

In the year under review, with a market share of 17.01% (2020: 17.75%), Ceylinco General seized the second position in the general insurance market, generating GWP worth LKR 18,499 million (2020: LKR 18,681 million). The reduction in motor insurance business resulted in the above slight drop in GWP of Ceylinco General. NITF had climbed up the ladder and become the third contender in the general insurance market by achieving a GWP worth LKR 13,365 million (2020: LKR 12,052 million) and recording a market share of 12.29% (2020: 11.45%).

It was noted that, contraction in business volumes, noticeably in motor insurance business, had adversely influenced all general insurers. Being a victim of the same conundrum Allianz General, the preceding year's third market player, had attained the fourth position this year, recording a GWP of LKR 12,490 million (2020: LKR 13,853 million) with a market share of 11.48% (2020: 13.16%).

Fairfirst was able to occupy fifth place in the general insurance market for this year as well, with a market share of 10.95% (2020: 11.34%) and a GWP worth LKR 11,914 million (2020: LKR 11,937 million).

Regardless of the fallout of COVID-19 pandemic followed by economic provocations, all general insurers except for four insurers had exhibited an improvement in GWP, providing modest reassurance compared to the former year's downturn of total GWP.

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

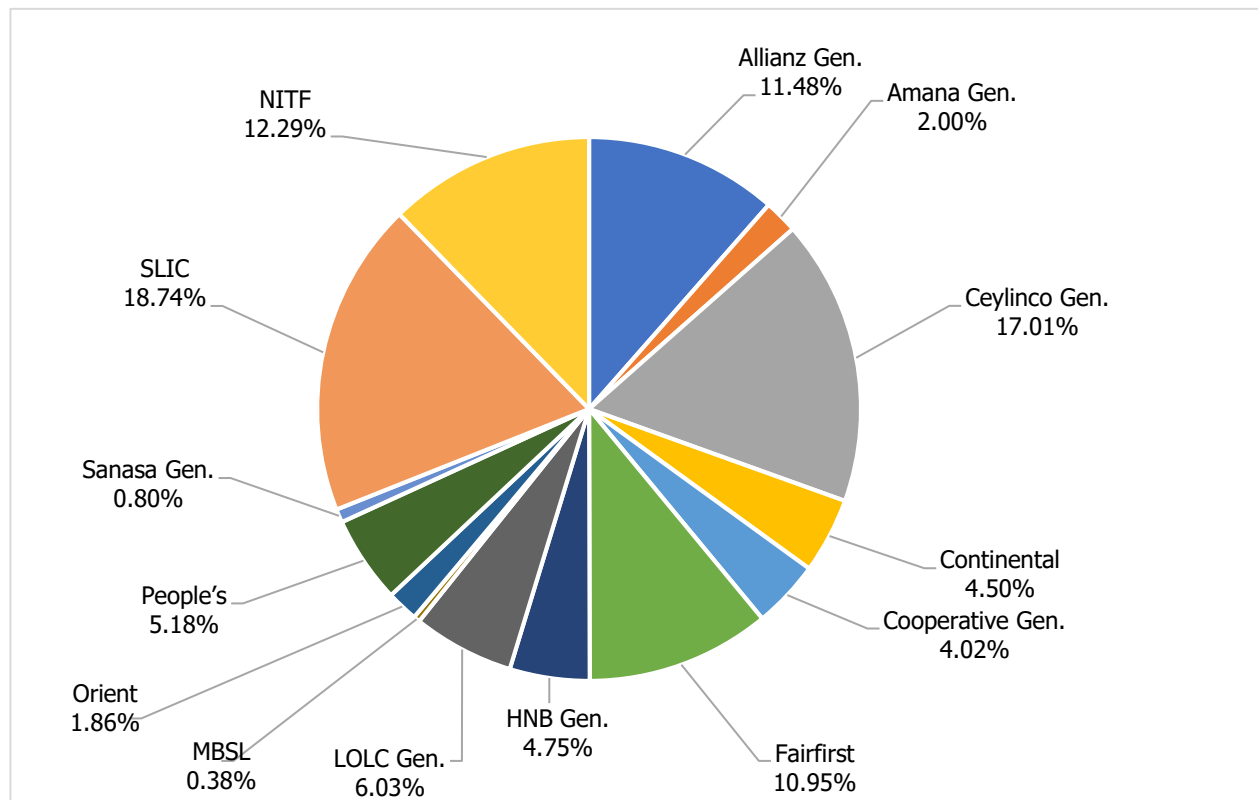
Table 17

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

Insurer	2017		2018		2019		2020 (a)		2021 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
Allianz Gen.	5,956,142	6.38	17,983,748	17.88	18,095,258	16.80	13,852,829	13.16	12,490,133	11.48
Amana Gen.	1,686,270	1.81	1,841,067	1.83	1,621,461	1.51	1,631,666	1.55	2,173,073	2.00
Ceylinco Gen.	17,012,087	18.22	18,137,933	18.03	18,401,405	17.09	18,680,545	17.75	18,498,751	17.01
Continental	3,892,780	4.17	4,545,405	4.52	5,002,548	4.65	4,808,964	4.57	4,888,930	4.50
Cooperative Gen.	2,966,679	3.18	3,692,397	3.67	4,192,960	3.89	4,274,397	4.06	4,374,591	4.02
Fairfirst	9,610,990	10.29	10,980,850	10.92	11,247,669	10.44	11,937,482	11.34	11,914,064	10.95
HNB Gen.	3,662,008	3.92	4,062,171	4.04	4,394,457	4.08	4,583,235	4.35	5,166,812	4.75
Janashakthi Gen.	11,740,185	12.57								
LOLC Gen.	3,795,106	4.06	4,318,721	4.29	4,954,896	4.60	5,612,894	5.33	6,562,651	6.03
MBSL	260,806	0.28	(512)	0.00	95,979	0.09	297,995	0.28	413,070	0.38
NITF	8,114,412	8.69	9,644,901	9.59	13,358,203	12.40	12,051,863	11.45	13,365,348	12.29
Orient	1,179,000	1.26	1,376,398	1.37	1,564,902	1.45	1,628,153	1.55	2,027,885	1.86
People's	4,587,432	4.91	5,354,368	5.32	5,694,164	5.29	5,686,758	5.40	5,634,586	5.18
Sanasa Gen.	569,509	0.61	732,379	0.73	898,079	0.83	847,117	0.80	868,306	0.80
SLIC	18,355,361	19.65	17,916,274	17.81	18,162,766	16.87	19,370,895	18.40	20,382,188	18.74
Total	93,388,766	100	100,586,101	100	107,684,747	100	105,264,793	100	108,760,388	100
Growth Rate (%)	17.34		7.71		7.06		-2.25		3.32	

Chart 14

Company-wise Market Share of Gross Written Premium - General Insurance Business for the year ended 31st December 2021



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

SLIC General, Ceylinco General, NITF, Allianz General and Fairfirst occupied the top five positions in the general insurance market in the year 2021, representing a total GWP worth LKR 76,650 million (2020: LKR 75,894 million) with a market share of 70.48% (2020: 72.10%). The remaining nine companies generated GWP worth LKR 32,110 (2020: LKR 29,371 million) depicting a market share of 29.52% (2020: 27.90%) collectively.

Similar to the previous year, SLIC General and Ceylinco General had triumphantly maintained the first and second positions in the general insurance market consecutively in the year 2021 as well. However, the performance of Ceylinco General had slightly dropped compared to the previous year.

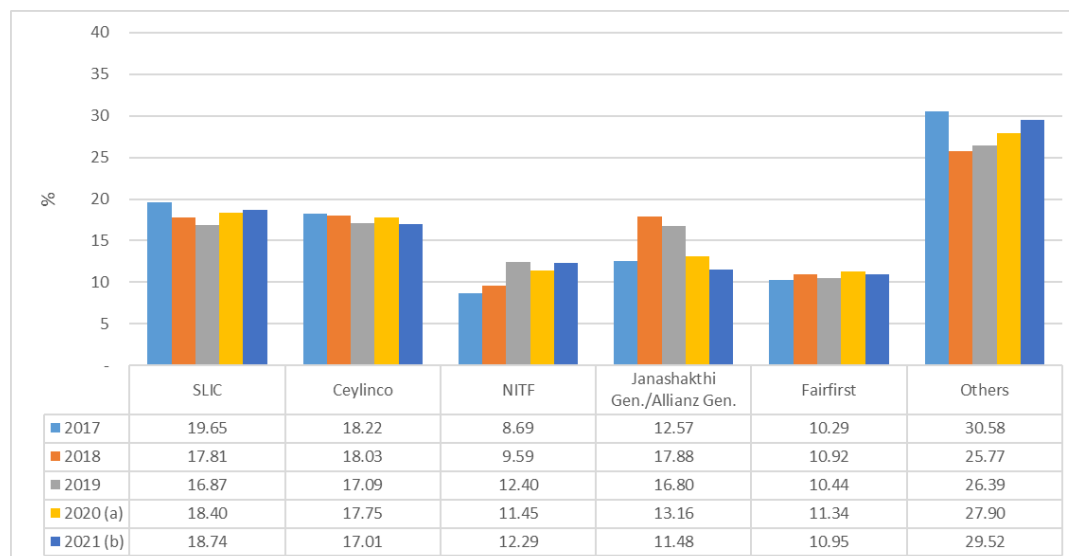
NITF, acquiring the third position, outlined a slight hike in market share compared to the previous year. In contrast, Allianz General, the fourth contributor to the general insurance market, recorded a notable shrinkage in market share by 1.68% where we have witnessed this trend for the past three years. The decline in business volumes in the motor and property lines of business hampered Allianz General's premium collection, resulting in negative results. Fairfirst also demonstrated a slender contraction in market share compared to the preceding year.

A fair improvement can be witnessed in the remaining insurers, who have further expanded their market share by 1.61% compared to the year 2020. Therefore, the major five contributors evinced a deterioration in market share, providing more room for remaining contributors to extend their influence in the general insurance market.

Chart 15 exhibits the market share of the top five contributors to GWP and other insurers from 2017 to 2021.

Chart 15

Market Share of Top Five Contributors to GWP and Other Insurers for the Years 2017 to 2021 - General Insurance Business



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

The motor insurance business persistently continued to dominate the general insurance industry registering a premium amounting to LKR 59,734 million (2020: LKR 61,276 million) and characterized by a market share of 54.92% (2020: 58.21%) of total GWP. However, regrettably, compared to the past four-year period, the motor insurance business had reported the lowest premium during the year 2021, marking the only general insurance business class with a negative growth rate for the year. From 2018 onwards, the market share of the motor insurance business had been gradually decreasing giving an alarming inkling to the general insurance industry.

The reduction of motor premium amounted to LKR 1,542 million with a negative growth rate of 2.52% compared to the previous year 2020, which was justifiable to a certain degree due to the prolonged import restrictions on motor vehicles followed by the foreign currency liquidity crisis, lockdowns and travel restrictions. Therefore, as a consequence of adverse economic conditions, policyholders' preferences for motor third-party policies, which has a lower premium, were in demand compared to the comprehensive policies. Conclusively at the renewal, the alteration of motor comprehensive policies to motor third party policies were witnessed. Therefore, a notable improvement in motor third-party policies was visible with high renewal and new business policies.

The emergence of uncertainties due to the recent pandemic led people to contemplate the importance of having health insurance. Therefore, the health insurance business was capable of achieving GWP worth of LKR 19,960 million (2020: LKR 18,878 million) fairly increasing its market percentage share to 18.35% (2020: 17.93%). Though the health insurance business had performed, as the second-largest contributor to the general insurance industry's premium, a substantial reduction in growth rate was noticeable compared to previous two years. In year 2021 the growth rate of the health insurance business stood at 5.73% against the previous year's growth rate of 13.76%.

The fire insurance business displayed a growth rate of 16.16% (2020: 7.48%), which logged the highest premium for the last five years, amounting to LKR 10,325 million (2020: LKR 8,888 million). The fire insurance business surpassed all other classes and had been able to mark the highest increment in premium compared to the last year with a growth of LKR 1,436 million in value and presented a market share of 9.49% (2020: 8.44%).

The increase in the miscellaneous class of insurance business was fairly affected by a moderate pickup in the tourism industry in the latter part of the year, as well as the removal of travel restrictions. This class of insurance had improved its performance and exhibited an impressive growth of 13.43% as opposed to the last year negative growth of 24.75%, with a premium worth LKR 8,913 million (2020: LKR 7,858 million) and a market share of 8.20% (2020: 7.46%).

In 2021, the marine insurance business, generated GWP of LKR 3,074 million (2020: LKR 2,276 million) and presented a growth of 35.04% against the downward trajectory reported in the previous two years. Further, the marine insurance business was able to record a market share of 2.83% in year 2021 compared to 2.16% recorded in year 2020.

Reaching the highest premium and market share for the last five years and marking a growth rate of 10.93% against the negative growth rate of 3.47% last year, SRCC & T (Strike, Riot, Civil Commotion and Terrorism) cover of NITF reported premium amounting to LKR 6,754 million (LKR 6,088 million) and market share of 6.21% (2020: 5.78%).

All classes except for the motor insurance business were able to display a positive shift in premium during the year 2021.

Gross Written Premium generated from the main sub-classes of general insurance business & premiums pertaining to SRCC & T cover provided by NITF, along with their growth rates and percentage share from the total GWP of general insurance business for the period from 2017 to 2021, are presented in Table 18 and Chart 16.

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

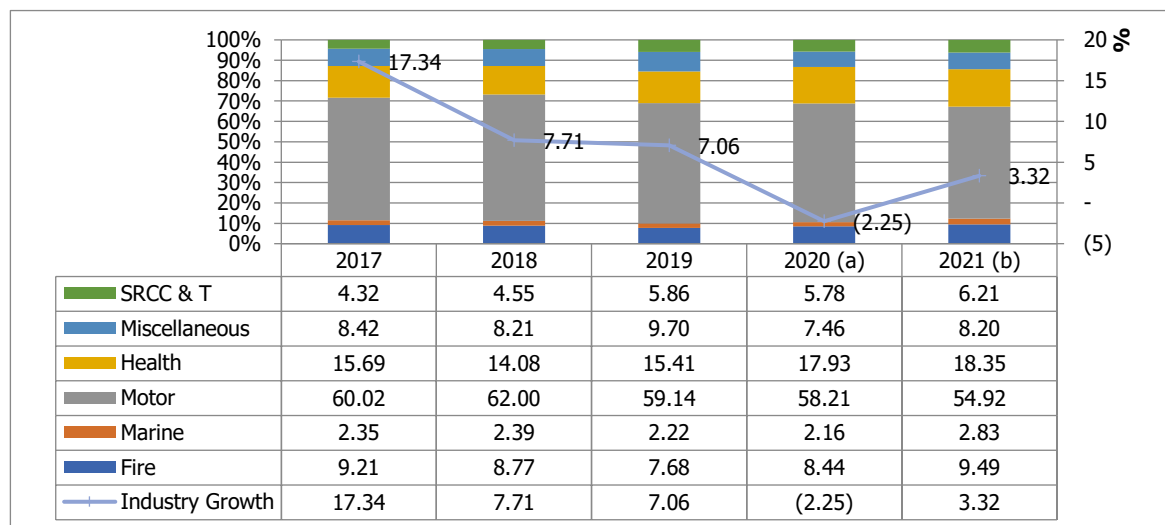
Class	Gross Written Premium (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	8,597,489	8,821,655	8,269,991	8,888,258	10,324,853
Marine	2,191,654	2,403,366	2,385,566	2,276,474	3,074,111
Motor	56,047,640	62,363,476	63,685,555	61,276,210	59,733,959
Health	14,649,440	14,161,542	16,593,661	18,877,585	19,960,147
Miscellaneous	7,866,260	8,254,421	10,442,624	7,857,768	8,913,184
Sub Total	89,352,484	96,004,460	101,377,397	99,176,296	102,006,254
SRCC & T	4,036,283	4,581,641	6,307,350	6,088,496	6,754,134
Total	93,388,766	100,586,101	107,684,747	105,264,792	108,760,388

Class	Growth (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	14.94	2.61	(6.25)	7.48	16.16
Marine	5.05	9.66	(0.74)	(4.57)	35.04
Motor	13.61	11.27	2.12	(3.78)	(2.52)
Health	45.96	(3.33)	17.17	13.76	5.73
Miscellaneous	10.47	4.93	26.51	(24.75)	13.43
Sub Total	17.48	7.44	5.60	(2.17)	2.85
SRCC & T	14.23	13.51	37.67	(3.47)	10.93
Total	17.34	7.71	7.06	(2.25)	3.32

Class	Percentage Share (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	9.21	8.77	7.68	8.44	9.49
Marine	2.35	2.39	2.22	2.16	2.83
Motor	60.02	62.00	59.14	58.21	54.92
Health	15.69	14.08	15.41	17.93	18.35
Miscellaneous	8.42	8.21	9.70	7.46	8.20
Sub Total	95.68	95.45	94.14	94.22	93.79
SRCC & T	4.32	4.55	5.86	5.78	6.21
Total	100.00	100.00	100.00	100.00	100.00

Chart 16

Class-wise Analysis of GWP from 2017 to 2021 - General Insurance Business



Category –wise Analysis of GWP of Miscellaneous Insurance Business

Comprehensive details on the miscellaneous insurance business accompanying its subclasses for the years 2021 and 2020 are indicated in Table 19.

While the COVID-19 pandemic affected the entire industry, different types of businesses were impacted differently by the economic disruption and instability. In the year 2021, conveying a total GWP worth of LKR 8,913 million (2020: LKR 7,858 million), the miscellaneous insurance class of business excluding SRCC & T had improved compared to the previous year. Overcoming the adverse growth recorded in the previous year, subcategories such as Air Craft Hull and Personal Accident functioned well in the year 2021, furnishing GWP amounting to LKR 687 million (LKR 467 million) and LKR 1,445 million (2020: LKR 1,298 million) with a growth of 47.05% and 11.27% respectively.

Due to the restrictions imposed in the last year on travel and tourism sectors within and outside the country, Travel Insurance, being the most critically affected subcategory of miscellaneous insurance business, showed slender progress of 9.38% during the year 2021 by recording GWP amounting to LKR 219 million (2020: LKR 200 million).

The repercussions of the pandemic, such as dramatic spike in unemployment, shutdowns and bankruptcy of small businesses, were unavoidable, and therefore the sudden sink in the workers' compensation category of the miscellaneous class of business was inevitable.

Personal Accident, Aircraft Hull, Travel Insurance, Professional Indemnity and Title had revealed significant progress. Thus, it can be concluded that except for a few categories, the miscellaneous insurance business had performed better than the previous year.

Table 19

Category - wise Analysis of GWP of Miscellaneous Insurance premium for 2020 & 2021

Category	GWP LKR '000	
	2020 (a)	2021 (b)
Title	320,719	451,618
Personal Accident	1,298,399	1,444,673
Contractors' All Risk	684,871	774,805
Professional Indemnity	457,580	590,741
Travel Insurance	200,359	219,156
Fidelity Guarantee	85,470	86,145
Burglary	360,929	350,996
Cash in transit including cash in safe	429,854	402,520
Goods in Transits	89,536	96,516
Products Liability	166,807	189,736
Public Liability	444,852	473,320
Bankers' Indemnity	421,349	489,309
Air Craft Hull	466,924	686,625
WCI	555,011	546,340
Others	2,555,699	3,218,280
Subtotal	8,538,359	10,020,780
Less: Total of SRCC & T due to NITF	(610,936)	(1,015,369)
Coinsurance Premium	(69,649)	(92,227)
Total	7,857,774	8,913,184

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

Table 20 and Chart 17 project the details of reinsurance premium ceded to reinsurers and the level of retention of GWP by general insurers for main subclasses of general insurance business from 2017 to 2021.

Following the pattern of GWP generation, the reinsurance premium ceded to reinsurers for the year 2021 (excluding SRCC & T) stood at LKR 20,478 million (2020: LKR 18,511 million).

In comparison to the other classes, fire and miscellaneous had the highest reinsurance premiums in 2021. The reinsurance premium of marine and health classes also improved compared to the previous year whilst motor class showed a reduction, which can be witnessed in class wise projections in GWP generation as well.

Reinsurance premium recorded under the SRCC & T segment for the year 2021 amounted to LKR 78 million (2020: LKR 32 million). However, this represented the actual exposure of reinsurance premium ceded for SRCC & T cover, which commenced from 01st August 2020 to 31st January 2022.

The general insurance sector indicated an overall retention ratio of 79.92% (excluding SRCC & T), corresponding to the preceding year's retention ratio of 81.33%, observing a reduction of 1.41% and exhibiting a retention premium of LKR. 81,528 million (LKR. 80,665 million). The overall retention ratio stood at 81.10% (2020: 82.38%), reflecting the lowest retention ratio for the past five years.

Despite being the only general insurance subclass that generated a negative growth during the year 2021, the motor insurance business, by recording a retention ratio of 93.93% (2020: 92.89%), had slightly improved compared to the previous year.

Following the past trend, the health insurance business represented the second-highest retention ratio of 91.67% (2020: 91.28%).

The other three classes of general insurance business, fire, marine and miscellaneous, exhibited a retention ratio of 22.54%, 38.66% and 40.47%, respectively, in the year 2021.

Table 20

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

Class	GWP (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	8,597,489	8,821,655	8,269,991	8,888,258	10,324,853
Marine	2,191,654	2,403,366	2,385,566	2,276,474	3,074,111
Motor	56,047,640	62,363,476	63,685,555	61,276,210	59,733,959
Health	14,649,440	14,161,542	16,593,661	18,877,585	19,960,147
Miscellaneous	7,866,260	8,254,421	10,442,624	7,857,768	8,913,184
Sub Total	89,352,484	96,004,460	101,377,397	99,176,296	102,006,254
SRCC & T	4,036,283	4,581,641	6,307,350	6,088,496	6,754,134
Total	93,388,766	100,586,101	107,684,747	105,264,792	108,760,388

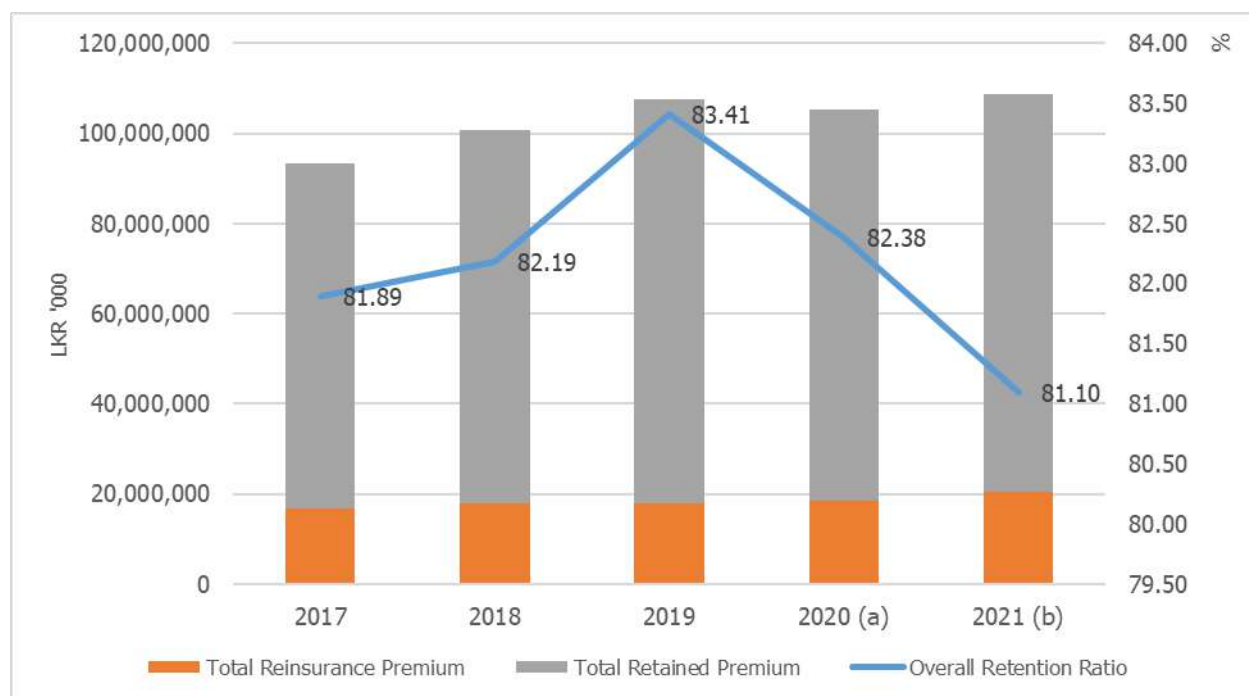
Class	Reinsurance Premium (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	6,947,675	6,103,609	6,061,855	6,609,886	7,997,992
Marine	1,177,400	1,200,069	1,224,829	1,352,679	1,885,798
Motor	2,152,508	4,296,451	4,229,915	4,356,260	3,625,979
Health	2,682,617	1,771,091	1,480,482	1,645,816	1,662,947
Miscellaneous	3,840,459	4,462,894	4,813,310	4,546,844	5,305,779
Sub Total	16,800,660	17,834,113	17,810,391	18,511,486	20,478,495
SRCC & T	108,750	81,656	55,564	32,283	77,523
Total Reinsurance Premium	16,909,410	17,915,770	17,865,954	18,543,769	20,556,018

Class	Retention (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	1,649,814	2,718,046	2,208,136	2,278,372	2,326,860
Marine	1,014,254	1,203,297	1,160,737	923,795	1,188,314
Motor	53,895,132	58,067,024	59,455,641	56,919,950	56,107,980
Health	11,966,823	12,390,451	15,113,179	17,231,770	18,297,200
Miscellaneous	4,025,800	3,791,528	5,629,314	3,310,924	3,607,405
Sub Total	72,551,823	78,170,347	83,567,006	80,664,810	81,527,759
SRCC & T	3,927,533	4,499,984	6,251,787	6,056,213	6,676,611
Total Net Written Premium	76,479,356	82,670,331	89,818,793	86,721,023	88,204,370

Class	Retention as a Percentage of GWP (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	19.19	30.81	26.70	25.63	22.54
Marine	46.28	50.07	48.66	40.58	38.66
Motor	96.16	93.11	93.36	92.89	93.93
Health	81.69	87.49	91.08	91.28	91.67
Miscellaneous	51.18	45.93	53.91	42.14	40.47
Sub Total	81.20	81.42	82.43	81.33	79.92
SRCC & T	97.31	98.22	99.12	99.47	98.85
Overall Retention Ratio	81.89	82.19	83.41	82.38	81.10

Chart 17

Reinsurance Premium and Retention by Insurers - General Insurance Business



Company wise Analysis of Total Asset- General Insurance Business

The total assets of the general insurance sector displayed growth of LKR 22,578 million with a satisfactory growth rate of 9.92%, signifying progress regardless of the numerous challenges. Total assets of the general insurance sector amounted to LKR 250,217 million (2020: LKR 227,640 million) as at 31st December 2021.

Considering the larger picture of the total assets of the general insurance sector, it is a relief to witness the aforesaid growth regardless of several economic downturns such as interest rate and equity market fluctuations, credit issues and respective market risks involved with them. Nevertheless, many insurers have overcome such barriers and displayed growth in their individual asset bases.

Table 21 illustrates the distribution of assets among general insurance companies as at 31st December 2021 and 2020.

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

Insurer	2020 (a)		2021 (b)	
	(LKR' 000)	%	(LKR' 000)	%
Allianz Gen.	28,024,882	12.31	27,968,687	11.18
Amana Gen.	2,945,567	1.29	3,402,269	1.36
Ceylinco Gen.	32,061,287	14.08	36,648,668	14.65
Continental	7,866,408	3.46	8,455,319	3.38
Cooperative Gen.	7,935,838	3.49	9,806,005	3.92
Fairfirst	18,046,123	7.93	19,312,806	7.72
HNB Gen.	6,855,077	3.01	7,568,781	3.02
LOLC Gen.	9,891,278	4.35	11,999,920	4.80
MBSL	1,426,185	0.63	1,399,160	0.56
NITF	21,487,172	9.44	24,444,867	9.77
Orient	2,612,380	1.15	3,194,603	1.28
People's	10,783,719	4.74	11,251,468	4.50
Sanasa Gen.	1,303,081	0.57	1,372,239	0.55
SLIC	76,400,546	33.56	83,392,699	33.33
Total	227,639,542	100	250,217,491	100

Continuing the momentum in 2020, SLIC General, Ceylinco General and Allianz General, have been able to account for 33.33%, 14.65% and 11.18% of total assets and recorded assets worth of LKR 83,393 million, LKR 36,649 million and LKR 27,969 million respectively in the year 2021.

SLIC General, the dominant asset holder in the general insurance sector, led by a significant margin (approximately LKR 46,774 million) over the second performer, Ceylinco General, with total assets worth LKR 83,393 million (2020: LKR 76,401 million). However, SLIC General characterized a slender growth rate of 9.15% and reported asset growth worth of LKR 6,992 million, the highest growth of assets in terms of value mainly driven by financial investments.

Ceylinco General, the next most asset holder, documented assets worth of LKR 36,649 million (2020: LKR 32,061 million) and reported a growth of LKR 4,587 million in value. Financial investments, reinsurance receivables and premium receivables from policyholders are the major contributors towards the said growth.

NITF had only risen by 13.76% in the year 2021 presenting assets worth of LKR 24,445 million. Assets of SRCC & T segment can be recognized as the most well performed segment of NITF, which had represented 96.21% (LKR 23,519 million) of total assets of NITF.

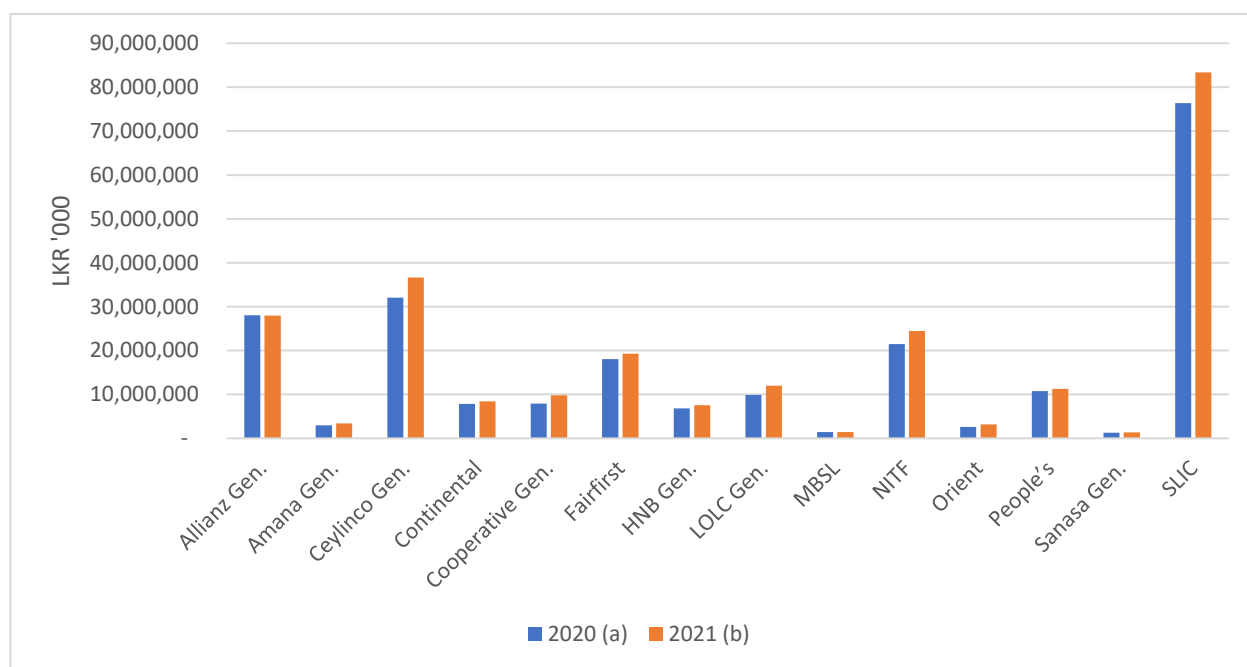
Allianz General showed a negative growth with a slight drop in total assets yet managed to secure the third place of total assets in the general insurance sector.

Six insurers had displayed an enhanced performance by transcending LKR 1 billion growth in assets in terms of value, whilst only two insurers showed a negative growth.

Chart 18 displays a company-wise analysis of total assets as of 31st December 2021 & 2020.

Chart 18

Company wise Analysis of Total Assets - General Insurance Business



Concentration of Assets of General Insurance Business

Financial investments play a pivotal role among the diversified assets of the general insurance sector. Approximately, 65.43% of total assets represent financial investments led by Government Debt Securities, the prime contributor followed by Equities, Deposits, Corporate Debts and Unit Trusts.

The investments in government debt securities increased to LKR 76,226 million (2020: LKR 65,700 million) in the year 2021 owning 30.59% (2020: 28.99%) of total assets. Five insurers had strengthened their investments in government debt securities by approximately LKR. 1 billion each during 2021, therefore presenting a growth of 16.02% and assets worth Rs. 10,526 million in total Government Debt Securities. Being an ideal risk-free investment and providing long term returns alongside good liquidity, Government Debt Securities hold the utmost advantage of topping the list.

Disclosing a growth of 7.39%, Equity investments had captured the second position by logging LKR 34,972 million (2020: LKR 32,567 million) and representing 14.03% of total assets. Continuation of low interest rates during the year 2021 had lured insurers towards Equity investments and thus expanding exposure towards the equity market.

Premium receivable from policyholders and intermediaries exhibited a higher rank by reporting LKR 28,674 million (2020: LKR 27,576 million) and depicting 11.51% (2020: 12.17%) of total assets. The continuation of relief provided for policyholders concerning premium collection, which came into effect after considering the difficulties faced aftermath of the COVID-19 pandemic, can be described as one of the primary reasons for the noticeable increase.

Deposits were less popular in 2021, and it appeared that insurers were more interested in finding other opportunities that provided major victories and commanding returns. Providing an affirmation, investments in Deposits reported a negative growth of 8.55% compared to the growth recorded in the prior year. Deposits recorded a percentage share of 9.42% (2020: 11.32%) of total assets, and stood at LKR 23,471 million (2020: LKR 25,664 million) at the end of the year 2021.

Corporate Debts and Unit Trusts also conveyed a growth of 12.80% and 12.33% representing LKR 20,092 million (2020: LKR 17,812 million) and LKR 7,357 million (LKR 6,549 million) worth of assets respectively. Unit Trust being the investment type that had furnished the highest growth rate in the preceding year, had exhibited a modest growth in the year 2021.

All remaining investment types such as Property Plant & Equipment, Other Assets, Reinsurance Receivables and Land & Buildings portrayed an improvement whilst Cash, and Cash Equivalents depicted the highest growth rate of 26.47% compared to the prior year. Thus, investments in deposits were the only investment type that failed to grow in 2021, owing primarily to a reduction in investments in deposits by a single insurer.

Table 22 & Chart 19 furnish the information on the concentration of assets as of 31st December 2020 & 2021.

Table 22

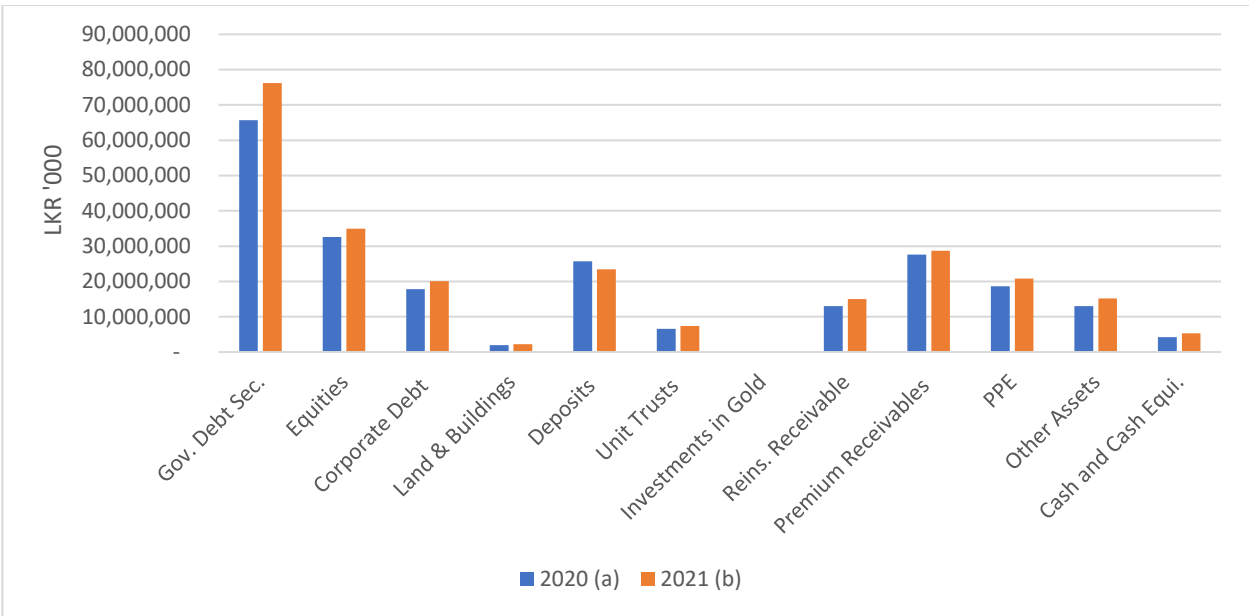
Concentration of Assets as at 31st December 2020 & 2021 - General Insurance Business

Type of Asset	2020 (a)		2021 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	65,700,091	28.99	76,226,076	30.59
Equities	32,566,853	14.37	34,972,269	14.03
Corporate Debts	17,812,377	7.86	20,092,438	8.06
Land & Buildings	1,964,966	0.87	2,203,600	0.88
Deposits	25,664,111	11.32	23,470,757	9.42
Unit Trusts	6,549,296	2.89	7,356,946	2.95
Reinsurance receivables	12,974,157	5.72	14,966,120	6.01
Premium receivable from policyholders and intermediaries	27,576,167	12.17	28,673,779	11.51
Property Plant and Equipment	18,628,155	8.22	20,783,833	8.34
Other Assets	13,017,177	5.74	15,177,549	6.09
Cash and cash equivalents	4,186,189	1.85	5,294,128	2.12
Total	226,639,539	100	249,217,495	100

*Note: Right of Use Asset (ROU Asset) has been added to Property Plant & Equipment
Difference is due to Intersegment receivable and payable balances of NITF*

Chart 19

Concentration of Assets as at 31st December 2020 & 2021 - General Insurance Business



Investment Income – General Insurance Business

Market interest rates dropped significantly from the first part of 2020 until mid-2021. However, as the Central Bank of Sri Lanka tightened its monetary policy, market interest rates increased gradually by the end of 2021. Consequently, market interest rates, which declined to historic low levels, started to adjust upwards gradually. Amidst macroeconomic impacts, the overall investment income of the general insurance business considerably increased to LKR 11,282 million in 2021 from LKR 10,282 million in 2020 and presented a growth of 9.72% surpassing the negative growth of 18.29% reported in 2020. The growth of the investment income is largely driven by the category of Equity, mainly due to single insurer earning a capital gain of LKR 1,147 million in 2021 compared to LKR 316 million recorded in 2020.

The average investment of general insurance business in 2021 expanded by 11.20% to LKR 159,061 million (2020: LKR 143,034 million). Thus, the main investment category of general insurance business, investment in Government Debt Securities stood at LKR 70,963 million (2020: LKR 60,248 million) as at end of 2021 recording a growth of 17.79%.

The second largest investment category was Equity investment which recorded an average investment of LKR 33,770 million (2020: LKR 32,387 million), reflecting a slower growth of 4.27% compared to the year 2020.

Deposits generated from bank and finance companies were the next largest category of investment while recording an average investment of LKR 24,567 million which was slightly decreased from LKR 24,807 million in 2020. Meanwhile, the yield on Bank Deposits recorded a decline during the year 2021 and exhibited a notable decay of investment income by 23.93% to LKR 1,390 million (2020: LKR 1,917 million) in response to the lower interest rates for Bank Deposits existed throughout the year 2021.

Corporate Debt had generated an investment income of LKR 2,334 million (2020: LKR 2,080 million) which grew by 12.21% and reported the highest investment yield ratio of around 12% out of all financial investments for both years.

Meanwhile, general insurers favored investing in Unit Trust and recorded an improvement in average investment of LKR 6,953 million (2020: LKR 4,256 million) where the investment income also increased compatibly to LKR 178 million (2020: LKR 161 million).

The overall investment yield slightly decreased to 7.09% in 2021 from 7.19% in 2020.

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

Category	2020 (a)		2021 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	4,404,110	60,247,654	4,648,430	70,963,084
- Treasury Bonds	2,157,968		1,964,914	
- Treasury Bills	999,323		1,303,595	
- Others (REPO)	1,246,819		1,379,921	
Equity	898,981	32,387,148	1,991,517	33,769,561
- Capital Gain/Losses	71,609		263,904	
- Dividend	26,057		64,052	
Corporate Debts	2,079,777	17,208,530	2,333,726	18,952,408
- Debentures	1,991,480		2,220,056	
- Commercial Papers	88,297		100,632	
Land and Buildings	-	2,937,537	-	2,084,283
Deposits	2,411,947	24,806,714	1,834,701	24,567,434
- Banks	1,917,425		1,389,995	
- Finance Companies	494,521		431,673	
Unit Trusts	160,778	4,255,684	177,610	6,953,121
Gold	-	-	-	-
Others	326,826	1,190,753	296,175	1,770,844
Total	10,282,419	143,034,019	11,282,159	159,060,733

Average Investment Yield	7.19%	7.09%
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Solvency Position of Insurance Companies - General Insurance Business

Despite the unprecedented challenges encountered during the year, the IRCSL continued to measure and monitor the risk-based capital level of general insurers, thereby protecting the interests of policyholders through a properly managed insurance sector. Under RBC Rules, insurers are required to maintain a minimum Total Available Capital (TAC) of LKR 500 million and a Capital Adequacy Ratio (CAR) of 120% in order to comply with capital adequacy requirements.

Accordingly, the total TAC of general insurers logged LKR 74,960 million and exhibited a 15.25 % growth from LKR 65,041 million in 2020, excluding National Insurance Trust Fund (NITF). As depicted in Table 24 below, SLIC General clinched the top spot with a share of 44.57 % of the total TAC in the year 2021 and surged by 21.75% to LKR 33,407 million (LKR 27,440 million) compared to the year 2020. Except for two

insurers, all of the others had demonstrated an improvement in TAC in terms of value amidst the turbulent period. Further, except for one insurer, all other general insurers remained stable with the minimum TAC requirement of LKR 500 million as at 31st December 2021, and most of them maintained their capital at a healthy level.

The average CAR of general insurance business was recorded for the year 2021 as 250% (2020: 249%). All general insurance companies had satisfied the minimum CAR requirement as at 31st December 2021 and reported above the enforcement level of 160% as stipulated in the Enforcement Strategy on RBC issued by the IRC SL.

The CAR and TAC of NITF were recorded for the year 2021 as 600% (2020: 562%) and LKR 15,799 million (2020: LKR 13,010 million) respectively, which is not included in Table 24.

Tables 24, 25, and 26 demonstrate details relating to the Risk-Based Capital (RBC) of general insurers for the years 2020 & 2021.

Table 24
Company-wise Analysis of Solvency Position - General Insurance Business as at 31st December 2020 & 2021

Insurer	As at 31st December 2020 (a)			As at 31st December 2021 (b)		
	TAC (LKR'000)	RCR (LKR'000)	CAR (%)	TAC (LKR '000)	RCR (LKR'000)	CAR (%)
Allianz Gen.	8,426,064	3,978,744	212	9,577,256	3,438,763	279
Amana Gen.	525,369	279,610	188	677,630	369,517	183
Ceylinco Gen.	7,472,104	4,081,902	183	7,792,202	3,918,202	199
Continental	2,629,220	904,617	291	2,729,200	861,759	317
Cooperative Gen.	2,550,823	1,024,217	249	3,604,790	1,138,230	317
Fairfirst	5,055,284	2,692,148	188	5,244,163	2,510,774	209
HNB Gen.	1,840,729	722,199	255	1,903,450	732,013	260
LOLC Gen.	2,946,390	978,112	301	3,549,395	1,925,844	184
MBSL	422,154	135,852	311	317,546	157,521	202
Orient	941,383	346,306	272	1,065,529	389,562	274
People's	4,162,922	1,369,045	304	4,471,464	1,432,832	312
Sanasa Gen.	628,444	247,000	254	620,364	231,398	268
SLIC	27,440,331	12,307,698	223	33,407,280	13,898,660	240
Total	65,041,217	29,067,450	249	74,960,269	31,005,075	250

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

TAC is measured through the addition of Tier I and Tier II capital and subtracting the deductions mostly comprising intangible and illiquid assets that are not generally available for covering losses. As depicted in Table 25, the TAC of the industry accumulated to LKR 74,960 million (2020: LKR 65,041 million) and posted an enriched growth of 15.25% against the previous year. The growth was largely driven by the overall improvement in Tier 1 capital of the industry. Tier I capital amounted to LKR 99,878 million as at 31st December 2021 compared to LKR 90,870 million as at 31st December 2020 and grew by 9.91%. Tier II capital consists of cumulative irredeemable preference shares, redeemable preference shares, revaluation reserves for freehold property, etc., which amounted to LKR 11,069 million (2020: LKR 8,640 million) posting a significant growth of 28.11% in the year 2021 compared to the year 2020. TAC of SLIC General extensively increased in 2021, which was driven by the growth in 'Retained Earnings' and 'Revaluation reserves for freehold property' of Tier I and Tier II capital respectively. Except for the two companies namely MBSL and Sanasa Gen, all the other insurers showcased growth in their TAC mainly driven by Tier I capital compared to the year 2020. The deductions, which generally comprise of intangible or illiquid assets amounted to LKR 35,987 million (2020: LKR 34,469 million) and slightly improved by 4.40% in the year 2021.

Table 25
Company-wise Analysis of Total Available capital (TAC) as at 31st December 2020 & 2021-
General Insurance Business

Insurer	TAC as at 31st December 2020 (a) (LKR'000)	As at 31st December 2021 (b)			
		Tier 1 (LKR'000)	Tier II (LKR'000)	Deductions (LKR'000)	TAC (LKR '000)
Allianz Gen.	8,426,064	12,218,928	-	2,641,672	9,577,256
Amana Gen.	525,369	1,448,646	439,596	1,210,612	677,630
Ceylinco Gen.	7,472,104	12,722,935	468,226	5,398,959	7,792,202
Continental	2,629,220	3,354,351	-	625,152	2,729,199
Cooperative Gen.	2,550,823	4,013,499	734,928	1,143,638	3,604,789
Fairfirst	5,055,284	6,849,598	-	1,605,435	5,244,163
HNB Gen.	1,840,729	2,189,999	-	286,549	1,903,450
LOLC Gen.	2,946,390	3,956,370	-	406,975	3,549,395
MBSL	422,154	431,171	4,192	117,817	317,546
Orient	941,383	1,120,556	-	55,027	1,065,529
People's	4,162,922	4,944,181	-	472,718	4,471,464
Sanasa Gen.	628,444	730,759	-	110,396	620,363
SLIC	27,440,331	45,897,050	9,422,000	21,911,770	33,407,280
Total	65,041,217	99,878,043	11,068,942	35,986,720	74,960,266

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

Risk-Based Capital Required (RCR) includes all relevant and material categories of risks, such as credit risk, concentration risk, market risk, reinsurance risk, liability risk, and operational risk, that are used to calculate a company's capital requirement. Table 26 illustrates the company-wise analysis of RCR with main risk categories as stipulated in the RBC rule as at 31st December 2020 and 2021.

Total RCR before and after diversification recorded by general insurance companies was LKR 42,368 million (2020: LKR 39,920 million) and LKR 31,005 million (2020: LKR 29,035 million), representing a 6.13% and 6.78% increase, respectively. Similar to the previous year, concentration risk, market risk, and liability risk possessed the highest composition of the RCR in the general insurance sector and collectively contributed to 89.82% (2020: 90.14%) of the total RCR before diversification. Further, the market risk of the industry has increased to LKR 12,632 million in 2021 from LKR 10,641 million in 2020 as a result of the increase in the interest risk charges due to a mismatch in asset and liability durations due to prevailing market conditions caused by policy uncertainty and weakening macroeconomic environment.

NITF which is not included in Table 26, reported LKR 3,939 million (2020: LKR 3,442 million) and LKR 2,633 million (2020: 2,316 million) RCR before and after diversification respectively for the year ended 31st December 2021.

Table 26
Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2020 and 2021 - General Insurance Business

Insurer	As at 31st December 2020 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	102,501	2,665,343	502,633	32,584	2,202,872	259,886	5,765,820	3,978,744
Amana Gen.	20,821	155,490	14,344	8,341	144,798	26,585	370,379	247,534
Ceylinco Gen.	262,027	2,240,028	943,650	221,688	1,770,939	275,549	5,713,881	4,081,902
Continental	98,013	317,117	314,862	24,340	494,275	70,767	1,319,374	904,617
Cooperative Gen.	156,866	173,732	493,406	14,530	583,482	73,693	1,495,709	1,024,217
Fairfirst	52,320	1,253,312	833,750	348,916	1,016,716	149,395	3,654,409	2,692,148
HNB Gen.	78,508	224,018	168,735	24,755	521,326	61,308	1,078,650	722,199
LOLC Gen.	27,268	229,491	393,645	38,397	689,523	82,542	1,460,866	978,112
MBSL	10,548	53,429	13,849	6,112	105,870	14,198	204,006	135,852
Orient	26,681	238,859	2,319	4,153	213,025	23,620	508,657	346,306
People's	192,721	523,220	327,517	19,335	857,117	100,517	2,020,428	1,369,045
Sanasa Gen.	12,223	141,767	79,877	1,647	73,370	12,598	321,482	247,000
SLIC	162,613	4,994,508	6,552,587	77,164	3,460,241	758,831	16,005,944	12,307,698
Total	1,203,110	13,210,314	10,641,174	821,962	12,133,554	1,909,489	39,919,605	29,035,374

Insurer	As at 31st December 2021 (b) (LKR'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
Allianz Gen.	80,925	2,104,555	706,492	49,792	1,761,594	260,576	4,963,934	3,438,763
Amana Gen.	26,175	243,938	38,540	9,347	185,514	31,665	535,179	369,517
Ceylinco Gen.	274,996	1,829,593	1,000,586	294,496	1,926,146	290,700	5,616,517	3,918,202
Continental	109,191	209,470	392,901	28,551	434,697	76,815	1,251,625	861,759
Cooperative Gen.	173,171	112,193	690,495	15,763	551,718	88,652	1,631,992	1,138,230
Fairfirst	62,557	984,517	815,478	361,452	1,154,715	156,293	3,535,012	2,510,774
HNB Gen.	84,074	173,859	191,437	29,482	549,587	67,056	1,095,495	732,013
LOLC Gen.	78,137	634,157	956,236	28,739	903,945	105,059	2,706,273	1,925,844
MBSL	7,119	99,289	6,530	4,373	104,223	13,728	235,262	157,521
Orient	36,069	221,051	40,114	6,560	242,247	28,005	574,046	389,562
People's	155,016	587,246	380,411	30,565	844,042	103,158	2,100,438	1,432,832
Sanasa Gen.	13,490	106,951	96,935	2,466	71,094	12,641	303,577	231,398
SLIC	173,616	5,793,956	7,316,338	117,270	3,591,404	826,414	17,818,998	13,898,660
Total	1,274,536	13,100,775	12,632,493	978,856	12,320,926	2,060,762	42,368,348	31,005,075

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

As shown in Table 27 and Chart 20 net earned premium generated from main sub-classes of general insurance business including SRCC & T was LKR 86,981 million unaffected & exhibited a slight increase

from LKR 86,490 million in 2020. Moderate growth in GWP hindered the growth in net earned premium backed by the pandemic as continuity of lockdowns, restrictions on mobility, and disruptions to businesses throughout the year 2021.

Similar to previous years, motor insurance as the driving force of the general insurance market recorded the highest net earned premium amount of LKR 56,002 million (2020: LKR 57,930 million) and represented 69.42% (2020:72.12%) of the total net earned premium excluding SRCC & T while indicating a negative growth of 3.33% in 2021. The health insurance business has recorded a net earned premium amounting to LKR 18,078 million (2020: LKR 14,996 million) representing 22.41% (2020:18.67%) of the total net earned premium (excluding SRCC & T). The growth was earmarked mainly due to Suraksha Insurance Scheme, which commenced in the latter part of the said year.

Further, net earned premium figures allied to miscellaneous and fire classes of businesses have shown a downward trend when considering years from 2019 to 2021 and recorded LKR 3,307 million (2020: LKR 4,110 million) and LKR 2,144 million (2020: LKR 2,321 million) respectively in 2021. On the flip side, the net earned premium of SRCC & T has gradually increased during the last five years and recorded 69.09% growth from the year 2017 to 2021.

The total net claims incurred by the general insurance sector amounted to LKR 48,317 million excluding SRCC & T in 2021, showing an increase of 13.60% compared to LKR 42,534 million in 2020. The growth of net claims incurred was driven by claims posted in the 'Suraksha' Insurance Scheme and 'Agrahara' medical insurance scheme recorded under the health class of business. Meanwhile, the net claims incurred under the motor class of business fell by 1.13% during the year 2021, resulting in less incidence for claims from motor vehicles. However, it is notable that each other classes of the business-exhibited mounting in net claims incurred during the year 2021.

The net claim ratio which can be explained as net claims incurred as a percentage of net earned premium (excluding SRCC & T) was 59.90% (2020:52.95%). The increase in net claims ratio by 6.95% over the year 2020 can largely be explained by flood and cyclone storm tempest events that occurred in the month of May, June, and November in the year 2021 which is categorized under fire insurance business. Accordingly, the fire insurance business has reported the highest claims ratio of 113.40%, which extensively increased from 87.87% in 2020.

The high cost of the health business was also a challenge for all insurance companies where the net claims ratio for the same was high as 95.52% in 2021 (2020:80.69%). Similar to previous years' marine insurance

and miscellaneous insurance businesses recorded low claims ratios of 45.71% and 45.68% respectively in 2021.

As depicted in Table 27, expenses incurred by general insurers increased in a slower phase from the year 2020 by 2.08% and this further fell to 1.34% in 2021 and mounted at LKR 34,419 million (2020: LKR 33,961 million). There was a negligible increase in the overall net expense ratio to 39.57% in the general insurance segment from 39.27% a year ago.

The impact of the high claim ratio has worsened the industry's combined ratio to 95.16% in 2021 as against 88.43% in 2020 and it further worsened without SRCC & T and recorded 101.21% (2020: 93.85%). Accordingly, a higher combined ratio that has pressurized the financial performance of the general insurance companies managed to function well to some extent with the investment income generated in 2021.

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)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	1,721,160	1,957,237	2,183,650	2,320,976	2,144,141
Marine	991,573	1,104,376	1,175,289	973,261	1,135,974
Motor	50,580,010	56,891,349	58,724,480	57,930,115	56,001,558
Health	11,435,476	12,386,134	15,153,049	14,995,566	18,077,560
Miscellaneous	3,891,564	4,492,033	4,942,850	4,109,992	3,307,351
Sub Total	68,619,783	76,831,128	82,179,319	80,329,911	80,666,585
SRCC & T	3,734,321	4,031,846	5,568,739	6,159,888	6,314,378
Total	72,354,104	80,862,975	87,748,058	86,489,799	86,980,963

Class	Net Claims Incurred (LKR'000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	1,640,062	1,696,698	2,546,301	2,039,484	2,431,448
Marine	345,331	453,917	500,555	277,372	519,210
Motor	31,134,209	34,681,762	34,501,309	26,891,271	26,587,890
Health	10,511,212	12,148,224	16,759,694	12,099,917	17,267,200
Miscellaneous	4,186,860	3,457,623	3,148,570	1,225,842	1,510,957
Sub Total	47,817,674	52,438,224	57,456,428	42,533,886	48,316,704
SRCC & T	(10,519)	76,068	692,927	(14,382)	36,899
Total	47,807,154	52,514,292	58,149,354	42,519,504	48,353,603

Class	Net Claims Ratio (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	95.29	86.69	116.61	87.87	113.40
Marine	34.83	41.10	42.59	28.50	45.71
Motor	61.55	60.96	58.75	46.42	47.48
Health	91.92	98.08	110.60	80.69	95.52

Miscellaneous	107.59	76.97	63.70	29.83	45.68
Sub Total	69.68	68.25	69.92	52.95	59.90
SRCC & T	(0.28)	1.89	12.44	(0.23)	0.58
Total	66.07	64.94	66.27	49.16	55.59

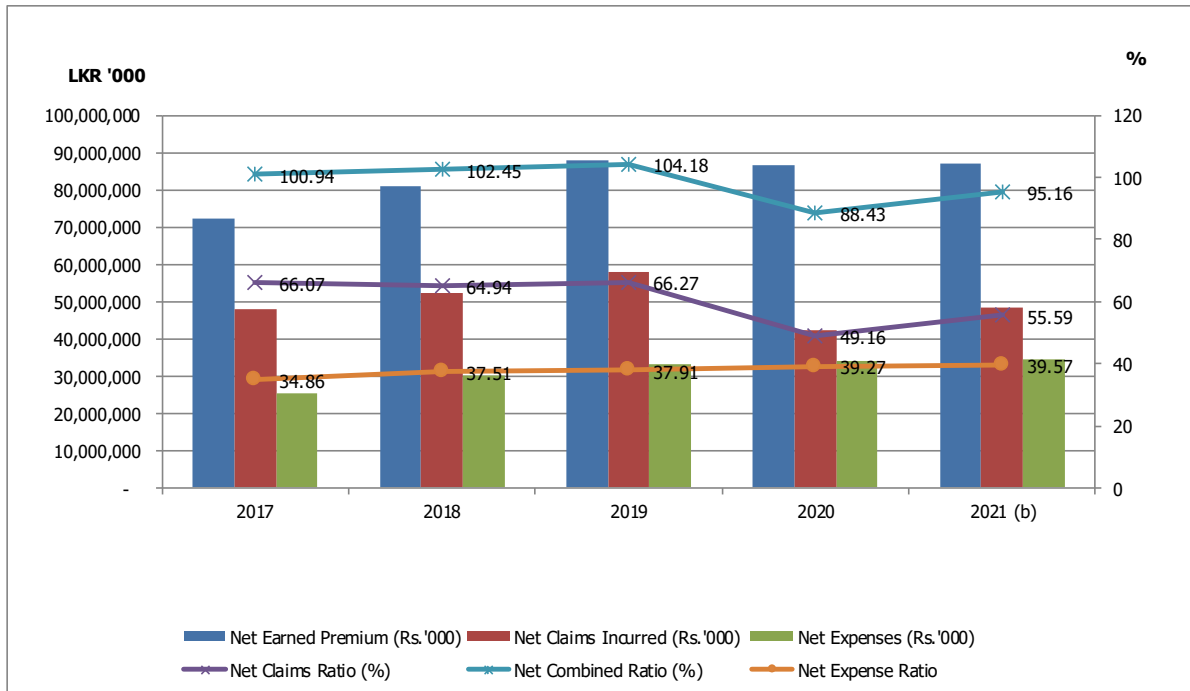
Description	Net Expenses (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Net Expenses for all classes of General Insurance Business except SRCC & T	24,491,746	29,490,544	31,855,625	32,858,690	33,323,890
SRCC & T	732,786	842,515	1,411,974	1,102,435	1,091,603
Total	25,224,532	30,333,059	33,267,599	33,961,125	34,415,493

Description	Net Expense Ratio (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	35.69	38.38	38.76	40.90	41.31
Net Expense Ratio of General Insurance Business	34.86	37.51	37.91	39.27	39.57

Description	Net Combined Ratio (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	105.38	106.63	108.68	93.85	101.21
Net Combined Ratio of General Insurance Business	100.94	102.45	104.18	88.43	95.16

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

As depicted in Table 28, the total number of insurance policies that contributed to generating GWP from different sub classes of the general insurance industry was 6,620,274 in 2021. The number of total policies has increased by 80,719 compared to 2020. Further, the total number of policies gently increased over the last five years and recorded an 8.04% growth in 2021 from 2017. Similar to previous years the majority represented the motor subclass which comprised third-party insurance policies of 3,285,221 (2020: 3,067,955) and comprehensive policies of 2,671,816 (2020: 2,849,393). However, comprehensive policies declined by 6.23% continuing the downward trajectory witnessed in the year 2020 and – third party policies an upsurge of 7.08% in contrast to comprehensive policies as mentioned above.

Nonetheless, except for the miscellaneous class of business, the number of policies representing gross written premium for all other subclasses of business increased in 2021 compared to contractions recorded in both 2020 and 2019.

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

Class	No. of policies				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	241,884	245,027	234,408	220,196	236,361
Marine	172,733	187,338	179,001	137,093	160,258
Motor	5,390,222	5,614,901	5,937,989	5,917,348	5,957,037
3rd Party Only	2,784,920	2,821,529	2,919,884	3,067,955	3,285,221
Comprehensive	2,605,302	2,793,372	3,018,105	2,849,393	2,671,816
Health	11,893	17,267	23,237	28,985	31,380
Miscellaneous	311,084	427,470	329,509	235,933	235,238
Total	6,127,816	6,492,003	6,704,144	6,539,555	6,620,274

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

Details of new, renewed and in force policies for both 2021 and 2020 are summarized in Table 29 and Chart 21 under the main subclasses of the general insurance business. Amidst the stagnant market conditions, the performance of the general insurance sector is reflected through the reduction of the number of new policies issued and the recorded negative growth of 3.69 % during the year 2021. The decline was majorly triggered by motor insurance policies as a result of restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict forex outflow. As aforementioned, new comprehensive policies reduced, and oppositely third-party policies increased, and altogether new policies issued under the category of motor stood at 2,364,055 (2020:2,471,051).

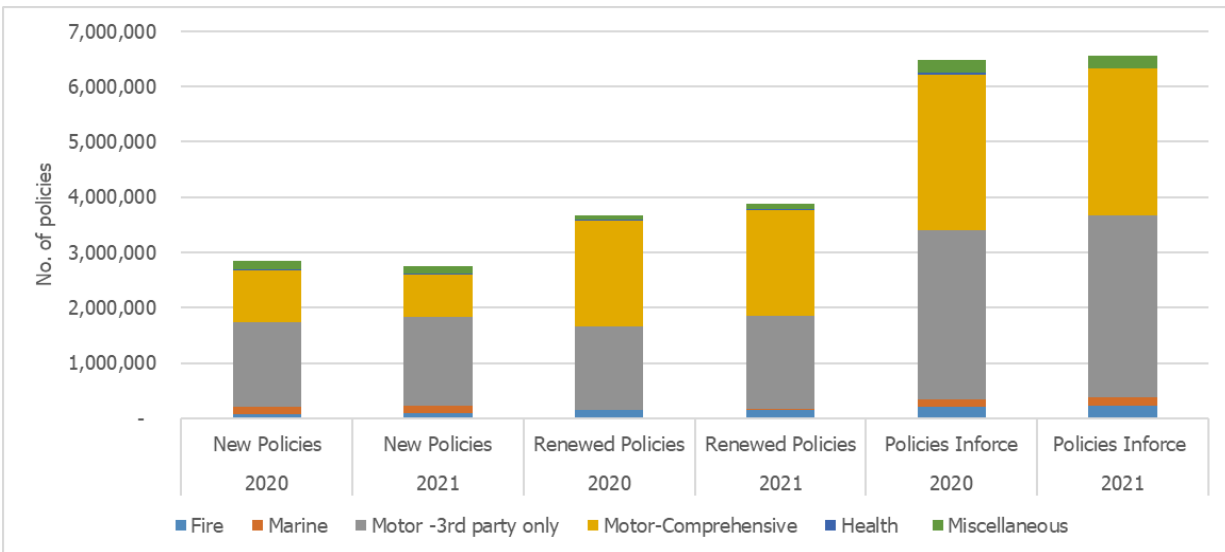
In addition, new policies under the health and miscellaneous insurance businesses recorded negative growth of 13.74% and 14.14% respectively in 2021. On the contrary, new policies issued under fire and marine insurance businesses exhibited an improvement of 15,179 and 11,525, compared to the year 2020.

During the year 2021, general insurers have underwritten renewed policies amounting to 3,884,351 (2020: 3,664,333) and presented a modest pace growth of 6.00% which was mainly driven by the motor insurance policies. Alongside, the number of policies in force in the general insurance sector has grown to 6,595,661 from 6,478,167 in 2020 and recorded a slow growth rate of 1.81% in 2021.

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

Class	2020 (a)			2021		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	71,135	149,084	216,847	86,314	152,071	234,193
Marine	134,232	3,726	130,828	145,757	15,065	153,877
Motor	2,471,051	3,424,277	5,863,856	2,364,055	3,602,840	5,935,088
3rd party only	1,531,788	1,515,051	3,049,797	1,603,102	1,682,388	3,288,442
Comprehensive	939,263	1,909,226	2,814,059	760,953	1,920,452	2,646,646
Health	19,146	9,829	29,670	16,515	14,796	32,465
Miscellaneous	157,610	77,417	236,966	135,320	99,579	240,038
Total	2,853,174	3,664,333	6,478,167	2,747,961	3,884,351	6,595,661

Chart 21
Details of New, Renewed and Policies in Force - General Insurance Business



Reinsurance Business

National Insurance Trust Fund Board (NITF) acts as the 'National Reinsurer' to all primary insurance companies operating in Sri Lanka as they are required to cede thirty percent of their total liability arising out of every general reinsurance business to NITF, according to the Government Gazette Notification No. 1791/4 of 31st December 2012.

During the year 2021, the reinsurance premium income of NITF reported as LKR 3,549 million demonstrating an increase of 9.68% in comparison to LKR 3,235 million reported in 2020. Reinsurance premium income

experienced a reduction in the year 2020 because of the non-acceptance of facultative reinsurance cessions with effect from 31st March 2020 due to the absence of Retrocession Cover. However, with the re-commencement of Retrocession Cover from 1st of August 2020, NITF has resumed the acceptance of facultative reinsurance and accordingly, reinsurance premium income began to recover and reported growth in year 2021 compared to previous year.

The net exposure of retrocession premiums ceded to reinsurers in 2020 amounted to LKR 275 million representing the minimum deposit premium of Retrocession Cover relevant to year 2020. The net exposure of premiums ceded in 2021 amounted to LKR 1,120 million, demonstrating an increase compared to previous year because of LKR 466 million worth of adjustment premium of retrocession reported during the year.

Claims incurred by NITF pertaining to the reinsurance business amounted to LKR 2,379 million during the year, exhibiting 58% growth in comparison to LKR 1,505 million reported in the year 2020. Mobility restrictions and country lockdowns implemented in the year 2020 had a major impact on claims incurred, which contracted significantly. However, due to several large claims settled in the second half of the year, the incurred claims have escalated by a substantial margin during 2021. The gradual normalization of economic activities and lifting of lockdown restrictions have also influenced the overall claims of general insurance business to increase in 2021 and created adverse impacts on reinsurance claims reported to NITF. Corresponding to the escalation in claims incurred, the reinsurance business generated an underwriting loss of LKR 774 million and a loss before tax of LKR 525 million in 2021.

The total asset portfolio of NITF's reinsurance business decreased in 2021 from LKR 6,066 million to LKR 5,533 million because of large claim settlements reported during the year. Financial Investments, Premium Receivables and Reinsurance Receivables dominated the overall asset composition of the reinsurance business representing 37.73%, 28.75% and 19.56% of total assets respectively as at 31st December 2021. Entire financial assets of the reinsurance business invested in Government Securities totaling to LKR 2,088 million by the end 2021. However, only 63% of the reinsurance liability has been covered via approved investments as there were no adequate financial assets to support the reinsurance business as of 31st December 2021.

Insurance Brokering Companies

Insurance brokering companies as intermediaries help customers to procure suitable insurance policies as per their specific needs. In addition, they may focus on one particular type of insurance solution or they

could provide advice on many different types of insurance solutions. While performing many of the same functions as insurance agents, they differ from agents in that they act in the interest of policyholders. Insurance brokers sell policies under one or many insurance companies they represent as enforced by Section 82 of the Regulation of Insurance Industry Act, No.43 of 2000.

By the end of 2021, 68 insurance brokering companies operated in the market and generated a Gross Written Premium (GWP) amounting to LKR 30,286 million (2020: LKR 28,912 million). This total GWP consisted of premium income generated through long-term insurance business and general insurance business which amounted to LKR 1,812 million (2020: LKR 1,422 million) and LKR 28,474 million (2020: LKR 27,490 million) respectively. Out of the total GWP generated, 94.02% represented GWP of general insurance business and only 5.98% represented the GWP of long-term insurance business.

The total GWP generated through the insurance brokering business recorded an increase of 4.75% in 2021 compared to LKR 28,912 million generated in 2020. A noticeable increase in the GWP of long-term insurance business, which is 27.42% was noticed during the year mainly due to the increased demand for life insurance policies with the pandemic situation in the country.

As intermediaries, insurance brokering companies have contributed to generating a considerable GWP of general insurance business (LKR 108,760 million) including SRCC & T premiums. Similar to previous years, the contribution of insurance brokering companies towards long-term insurance business during 2021 was insignificant. As per the details provided by the brokering companies, only 1.45 % of the total GWP of the long-term insurance business (LKR 124,752 million) was generated through them.

In 2021, thirty-four insurance brokering companies procured GWP exceeding LKR 100 million each, and these insurance brokering companies collectively generated GWP amounting to LKR 28,801 million. The remaining thirty-four insurance brokering companies generated LKR 1,485 million as depicted in Table 30.

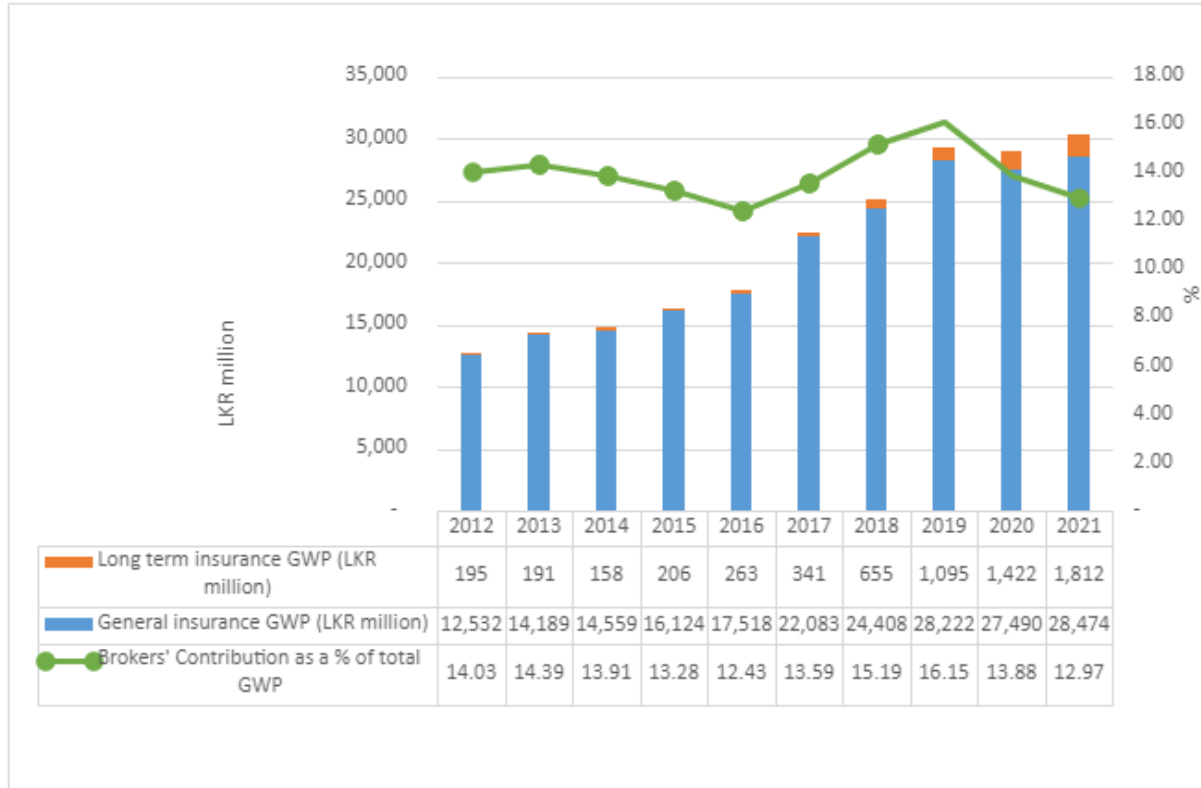
In addition, Insurance Brokering companies have extended their arms functioning as intermediaries to re-insurance brokering services and accordingly few brokering companies have earned considerable premiums and commissions during the year 2021, which accumulated, to LKR 1,409 million. (2020: LKR 463 million)

Table 30**Gross Written Premium generated through Insurance Brokering Companies – 2021**

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	54,989	3.03	1,707,105	6.00	1,762,094	5.82
2	Aitken Spence Insurance Brokers (Pvt) Ltd.			911,379	3.20	911,379	3.01
3	Alfinco Insurance Brokers (Pvt) Limited	130	0.01	1,043,716	3.67	1,043,846	3.45
4	Allion Insurance Brokers (Pvt) Ltd.	43,697	2.41	75,850	0.27	119,547	0.39
5	Aseki Insurance Brokers (Pvt) Ltd.	35	0.00	2,256,371	7.92	2,256,406	7.45
6	Assetline Insurance Brokers Limited	36,714	2.03	1,669,485	5.86	1,706,199	5.63
7	AX Insurance Brokers (Pvt) Ltd.			112,368	0.39	112,368	0.37
8	Bima Lanka Insurance Brokers (Pvt) Ltd.	69,991	3.86	181,631	0.64	251,622	0.83
9	Ceynergy Insurance Brokers (Pvt) Ltd.	57,919	3.20	116,285	0.41	174,204	0.58
10	CF Insurance Brokers (Pvt) Limited	231	0.01	2,602,795	9.14	2,603,026	8.59
11	Colombore Insurance Brokers (Pvt) Ltd.	6,008	0.33	330,547	1.16	336,555	1.11
12	Commercial Insurance Brokers (Pvt) Ltd.	43,538	2.40	1,795,924	6.31	1,839,462	6.07
13	Delmege Insurance Brokers (Pvt) Limited	141,106	7.79	1,373,135	4.82	1,514,241	5.00
14	Equity Insurance (Pvt) Limited			112,937	0.40	112,937	0.37
15	Essajee Carimjee Insurance Brokers (Pvt) Limited	24,697	1.36	633,877	2.23	658,574	2.17
16	Foremost Insurance & Re Ins. Brokers (Pvt) Ltd.	2,204	0.12	100,850	0.35	103,054	0.34
17	George Steuart Insurance Brokers (Pvt) Limited	28,380	1.57	1,994,783	7.01	2,023,163	6.68
18	Global Insurance Brokers and Services (Pvt) Ltd.	15,859	0.88	115,881	0.41	131,740	0.43
19	IIRM Insurance Brokers (pvt) ltd	67,989	3.75	1,055,616	3.71	1,123,605	3.71
20	InsureMe Insurance Brokers (Pvt) Ltd.	50,213	2.77	1,047,764	3.68	1,097,977	3.63
21	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	61,544	3.40	325,860	1.14	387,404	1.28
22	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	28,961	1.60	929,417	3.26	958,378	3.16
23	Mercantile Insurance Brokers (Pvt) Ltd.	41,087	2.27	523,210	1.84	564,297	1.86
24	My Insurance Brokers (Pvt) Ltd.			109,372	0.38	109,372	0.36
25	Nations Insurance Brokers Limited	86,626	4.78	1,561,137	5.48	1,647,763	5.44
26	Priority Insurance Brokers (Pvt) Ltd.	156,325	8.63	105,763	0.37	262,088	0.87
27	Procure Insurance Brokers (Pvt) Limited	55,433	3.06	328,907	1.16	384,340	1.27
28	Protection & Assurance Ins. Brokers (Pvt) Ltd.	82,658	4.56	564,851	1.98	647,509	2.14
29	Reliance Insurance Brokers (Pvt) Ltd.	134,684	7.43	982,482	3.45	1,117,166	3.69
30	Senaratne Insurance Brokers (Pvt) Ltd	59,309	3.27	998,275	3.51	1,057,584	3.49
31	Senkadagala Insurance Brokers (Private) Ltd.			850,634	2.99	850,634	2.81
32	Strategic Insurance Brokers (Pvt) Limited	49,979	2.76	119,392	0.42	169,371	0.56
33	Volanka Insurance Services (Pvt) Limited	168,312	9.29	124,143	0.44	292,455	0.97
34	Zenith Insurance Brokers (Pvt) Limited	100,585	5.55	369,959	1.30	470,544	1.55
	Other Insurance Brokering Companies (34)	142,704	7.88	1,341,810	4.71	1,484,514	4.90
	Grand Total	1,811,907	100.00	28,473,511	100.00	30,285,418	100.00

Chart 22

Gross Written Premium generated through insurance brokering companies from 2012 to 2021



Source of data: data collected from insurance brokering companies