

Sri Lanka

INSURANCE MARKET OVERVIEW

by Hussein Elsayed



Official Name: *Democratic Socialist Republic of Sri Lanka*

Location: *Sri Lanka is an island. It lies in the Indian Ocean, southwest of the Bay of Bengal, and southeast of the Arabian Sea; it is separated from the Indian subcontinent by the Gulf of Mannar and the Palk Strait.*

Government Type: *Republic*

Time Zone: *Five and a half hours ahead of GMT.*

Religion: *70.1% Theravada Buddhists, 12.6% Hindus, 9.7% Muslims (mainly Sunni), 6.2% Roman Catholic, 1.4 other Christians .*

Language: *Sinhala (official and national language) 74%, Tamil (national language) 18%, other 8% Note: English (a link language commonly) is used in government and spoken competently by about 10% of the population.*

Climate: *The climate is tropical and warm because of moderating effects of ocean winds.*

(I) Sri Lanka: Socio-Economic Information

Region	Southern Asia		UN membership date	14 December 1955		
Population (000, 2022)	21 832 ^a		Surface area (km ²)	65 610 ^b		
Pop. density (per km ² , 2022)	348.2 ^a		Sex ratio (m per 100 f)	92.9 ^a		
Capital city	Colombo ^c		National currency	Sri Lanka Rupee (LKR)		
Capital city pop. (000, 2022)	606.2 ^d		Exchange rate (per US\$)	186.4 ^b		
Economic indicators	2010	2015	2022			
GDP: Gross domestic product (million current US\$)	56 726	80 604	80 677 ^b			
GDP growth rate (annual %, const. 2015 prices)	8.0	5.0	- 3.6 ^b			
GDP per capita (current US\$)	2 799.6	3 855.2	3 767.6 ^b			
Economy: Agriculture (% of Gross Value Added) ^{e,f}	9.5	8.8	8.9 ^b			
Economy: Industry (% of Gross Value Added) ^{e,g}	29.7	29.3	27.8 ^b			
Economy: Services and other activity (% of GVA) ^{e,h}	60.9	61.9	63.3 ^b			
Employment in agriculture (% of employed)	31.8	28.7	23.7 ^{i,b}			
Employment in industry (% of employed)	25.5	25.8	30.4 ^{i,b}			
Employment in services & other sectors (% employed)	42.6	45.6	45.9 ^{i,b}			
Unemployment rate (% of labour force)	4.8	4.5	4.9 ⁱ			
Labour force participation rate (female/male pop. %)	34.0 / 74.2	35.4 / 73.9	31.4 / 69.0 ⁱ			
CPI: Consumer Price Index (2010=100)	100 ^{i,k}	110 ^l	147 ^{l,m}			
Agricultural production index (2014-2016=100)	93	104	119 ^b			
International trade: exports (million current US\$)	8 304	10 440	13 331 ^m			
International trade: imports (million current US\$)	12 354	18 967	21 502 ^m			
International trade: balance (million current US\$)	- 4 050	- 8 528	- 8 171 ^m			
Balance of payments, current account (million US\$)	- 1 075	- 1 883	- 1 083 ^b			
Major trading partners	2021					
Export partners (% of exports)	United States	24.7	United Kingdom	7.5	India	6.7
Import partners (% of imports)	China	23.7	India	22.0	United Arab Emirates	6.6
Social indicators	2010	2015	2022			
Population growth rate (average annual %)	0.9	0.4	0.3 ^a			
Urban population (% of total population)	18.2	18.3	18.6 ^d			
Urban population growth rate (average annual %) ⁿ	0.6	0.5	...			
Fertility rate, total (live births per woman)	2.2	2.1	2.0 ^a			
Life expectancy at birth (females/males, years)	77.6 / 69.2	79.0 / 71.0	80.2 / 72.9 ^a			
Population age distribution (0-14/60+ years old, %)	25.5 / 11.8	25.0 / 13.6	22.8 / 16.7 ^a			
International migrant stock (000/% of total pop.) ^o	39.0 / 0.2	39.7 / 0.2	40.3 / 0.2 ^b			
Refugees and others of concern to the UNHCR (000)	435.3 ^p	51.8	26.2 ^m			
Infant mortality rate (per 1 000 live births)	9.7	7.5	5.5 ^a			
Health: Current expenditure (% of GDP)	3.9	3.9	4.1 ^d			
Health: Physicians (per 1 000 pop.)	0.7	0.9	1.2 ^b			
Education: Government expenditure (% of GDP)	1.7	2.2	2.1 ^q			
Education: Primary gross enrol. ratio (f/m per 100 pop.)	98.2 / 100.7	100.6 / 102.7	100.0 / 100.5 ^d			
Education: Sec. gross enrol. ratio (f/m per 100 pop.)	97.5 / 96.3	101.8 / 97.2 ^r	102.6 / 98.0 ^q			
Education: Upr. Sec. gross enrol. ratio (f/m per 100 pop.)	98.2 / 91.7	103.9 / 94.0 ^r	105.3 / 95.2 ^q			
Intentional homicide rate (per 100 000 pop.)	3.8	2.3	3.5 ^d			
Seats held by women in the National Parliament (%)	5.8	5.8	5.3 ^s			
Environment and infrastructure indicators	2010	2015	2022			
Individuals using the Internet (per 100 inhabitants)	3.9 ^t	12.1 ^{i,u,v}	35.0 ^b			
Research & Development expenditure (% of GDP)	0.1	0.1	0.1 ^q			
Threatened species (number)	552	580	820			
Forested area (% of land area)	33.5	34.4	34.2 ^d			
CO ₂ emission estimates (million tons/tons per capita)	14.0 / 0.6	21.0 / 0.9	24.2 / 1.0 ^d			
Energy production, primary (Petajoules)	184	181	178 ^{i,d}			
Energy supply per capita (Gigajoules)	18	21	21 ^d			
Tourist/visitor arrivals at national borders (000) ^w	654	1 798	508 ^b			
Important sites for terrestrial biodiversity protected (%)	41.4	43.7	43.7 ^m			
Pop. using safely managed drinking water (urban/rural, %)	88.4 / ...	91.5 / ...	93.3 / ... ^b			
Net Official Development Assist. received (% of GNI)	1.00	0.57	0.28 ^b			

a Projected estimate (medium fertility variant). **b** 2020. **c** Colombo is the capital and Sri Jayawardenepura Kotte is the legislative capital. **d** 2019. **e** Data classified according to ISIC Rev. 4. **f** Excludes irrigation canals and landscaping care. **g** Excludes publishing activities. Includes irrigation and canals. **h** Includes publishing activities and landscape care. Excludes repair of personal and household goods. **i** Estimate. **j** Colombo **k** Calculated by the UNSD from national indices. **l** Index base: 2013=100. **m** 2021. **n** Data refers to a 5-year period preceding the reference year. **o** Including refugees. **p** Data as at the end of December. **q** 2018. **r** 2013. **s** Data are as at 1 January of reporting year. **t** 2007. **u** Users in the last 12 months. **v** Population aged 5 to 69 years. **w** Excluding nationals residing abroad.

(III) Sri Lanka Insurance Market

Key Highlights

- *The Insurance Regulatory Commission of Sri Lanka regulates and supervises the insurance industry.*
- *100% FDI is permitted in the Sri Lankan insurance industry*
- *The Sri Lankan insurance industry is moving towards risk-based capital system in order to make it on par with the prevailing international practice.*
- *The placement of non-admitted insurance is not permitted with certain exceptions. However, non-admitted reinsurers are permitted to operate in the country.*
- *With effect from February 2016, all insurers in Sri Lanka are required to be listed on a licensed stock exchange..*

(A) Historical Landmarks and Developments ¹

19th c British and other foreign insurers established operations in Sri Lanka. General agents represented most companies, Foreign companies included Royal Assurance, New India and Ocean Accident & Guarantee Corporation.

1939 The first Sri Lankan insurer, Ceylinco Insurance Co Ltd, was established.

1951 The Motor Traffic Act No 14, requiring obligatory motor third party insurance, was passed.

1962 The Control of Insurance Act No 25 was introduced. Life insurance was nationalised (non-life followed in 1964) and the state insurer, Sri Lanka Insurance Corporation (SLIC), became a monopoly insurer. **1980** A second state-owned insurer, National Insurance Corporation (NIC), was opened for business in order to provide some competition for the SLIC.

1986 The Control of Insurance (Amendment) Act No 42 was placed on the statute book.

1989 The Insurance Association of Sri Lanka was established.

2000 The core legislation, the Regulation of Insurance Industry Act, No 43, was enacted.

2001 The Insurance Board of Sri Lanka, a new regulatory body, established by the 2000 act, started operations on 1 March.

2005 The compulsory fire tariff was abolished with effect from 1 January.

2007 The compulsory workers' compensation tariff was withdrawn with effect from 1 January.

2008 With effect from 1 January, insurers were obliged to cede 20% of their non-life reinsurance to the state-owned National Insurance Trust Fund (NITF).

2011 The Regulation of Insurance Industry (Amendment) Act No 3 became effective on 11 February. This increased the minimum capital requirement to LKR 500mn (USD 3.28mn at current rates of exchange) and abolished composite offices.

2013 The compulsory reinsurance cession to the NITF was increased to 30%.

2015 Most composite insurers split into separate non-life and life companies.

2016 The new risk-based capital regime became effective.

In **2020**, Ceylinco General Insurance launched 'Drive Thru Claims.' Customers who do not opt to obtain claims using the On the Spot facility will be notified via SMS of the pending items and the documents required. Once the papers are handed over at the Drive Thru Centre, the customer will receive the cheque or cash within a few minutes.

In **2022**, Sri Lanka Insurance partnered with SLIM Agrisaviya to nurture the agriculture sector. The Certificate in Agri-Business and Entrepreneurship (CABE) program is a first-of-its-kind qualification available in Sri Lanka to transform farmers into "Agriprenuers. It is worth to be mentioned that 25.5% of the total employed population engaged in agriculture, inclusive of forestry and fishery.



¹ - SRI LANKA Non-Life (P&C) Report - by AXCO, Aug 2019 & Mordor Report

(B) Regulatory Environment ²

As a relatively marginal sub-sector of the financial services industry, the insurance business is not subject to the same level of extensive regulation as banking. The Insurance Industry Act, approved in 2000, is the cornerstone legislation still governing the sector, although it has been amended on several occasions, including updates in 2011 and 2017 that ushered in some significant changes to the industry's landscape.

Chief among the reforms included in the amended act post-2011 - which came into force in January 2016 - was the obligation for composite insurance companies to segregate their life and non-life business lines into separate companies.

In addition, companies were given five years to comply with a new requirement that all insurers be listed on the Stock Exchange. All new insurers entering the market must be listed within three years of receiving a licence. However, enforcement of this reform was also patchy and in October 2017 the government confirmed new amendments to the Insurance Act to allow subsidiaries of foreign insurance groups that are listed on their respective stock exchanges to be exempt from the local listing requirement. State-owned insurance companies, including the SLIC and public reinsurer National Insurance Trust Fund (NITF), also benefit from the new flexibility.

Other key rules that regulate the industry include: An obligation to seek prior approval from the Insurance Regulatory Commission of Sri Lanka (IRCSL) for any change in ownership greater than 50% of share capital or voting rights; a minimum capital requirement of LKR500mn per class of insurance business; a capital adequacy ratio of at least 120%; a requirement for 30% of total liability from any reinsurance contracts to be reinsured with the NITF; and a levy of 0.2% and 0.4% on total net premiums in life and non-life businesses respectively, to be paid into the Policyholders' Premium Fund.

In 2018, a new tax system was introduced for life insurers, which had previously been able to reduce taxable income by deducting management fees. From April 2018, life insurers have been subject to a 28% tax on profits, while any surplus transferred to policyholders will also incur a 28% tax from April 2021 (following a three-year concessionary rate at 14%).

In the 2019 budget, the Finance Minister added a new tax on imported vehicles that could impact the dominant motor insurance segment. With the sector posting strong growth in recent years, efforts are also being made to update rules in order to promote professionalism, with a particular focus on consumer protection. In August 2018, the IRCSL announced that it would enter a memorandum of understanding with the Financial Intelligence Unit of the central bank in order to better share information on money laundering and terrorist financing.

Legislations & Regulations:

Key Legislation

- Regulation of [Insurance Industry Act No. 43 of 2000 \(with amendments\)](#) - on the development, supervision, and regulation of the insurance sector in Sri Lanka
- Securities and Exchange Commission Act No. 36 of 1987 - governing insurance companies that are listed on the stock exchange (a legal requirement since 2016)
- The IRCSL issues circulars, directions and guidelines to stipulate specific criteria for compliance with the existing legislation.
- Insurance companies are subject to money laundering and financing of terrorism legislation.

² - Sri Lanka Banking & Financial Services Report Q1 2023 - by Fitch Solutions, December 2022.

Rules & Guidelines (click each item to read):

- [RULES:](#)
 - Insurance Brokers
 - Loss Adjuster Registration Rules
 - Insurance Agent Qualification Rules
- [REGULATIONS](#)
- [GUIDELINES](#)
 - Guidelines on Advertisements issued by Insurers, Insurance Brokers and Insurance Agents
 - Principles on Fair Treatment of Customers
 - Investment Guidelines
 - Guidelines on Conducting Investigations on Insurance Claims
 - Amendment to Clause 14.4 of the Guidelines on linked long term insurance business
 - Guidelines on Complaint Handling by Insurers and Brokers
 - Good Practices in Conducting Inquiries on Insurance Agents
 - Amendment to the paragraph 14.5 of Guidelines on linked long term business
 - Guidelines on Business Continuity Plan
 - Guidelines on linked long term business
 - Guidelines on Anti Money Laundering programme for Insurers/Brokers

Industry Regulators

Established in 2001, the IRCSL (<https://ircsl.gov.lk/>) is the regulator with oversight over insurance companies, intermediaries (agents and brokering companies) and loss adjusters. Citing the Insurance Industry Act, the IRCSL states that its chief responsibility is to ensure the professional and prudent management of insurance businesses so as to protect the interests of policyholders.



The IRCSL has the authority to license insurance companies and brokers as well as the power to suspend or revoke these licences in cases of non-compliance with the regulatory framework. In recent years, the board has temporarily suspended the licences of several brokers but has taken limited action against insurance companies.

The IRCSL is a member of the International Association of Insurance Supervisors and adopts some of the core principles for effective supervision and monitoring of the insurance industry.

Industry Associations

[Insurance Association of Sri Lanka \(IASL\)](#): The main industry body was formed in 1989. (IASL representing the interests of its members. The association has technical committees for non-life and life insurance and finance. Important issues affecting the whole industry are considered by the management committee, which represents the sector in its dealings with the regulator and other authorities and entities.



[Sri Lanka Insurance Brokers Association \(SLIBA\)](#) is the central organization for all registered insurance brokers in Sri Lanka. SLIBA is involved with elevating the status of its membership, safeguarding and advancing their interests whilst enhancing their general efficiency, technical knowledge and professional conduct.



Sri Lanka Insurance Ombudsman: The objective of the Sri Lanka Insurance Ombudsman scheme is the satisfactory settlement of complaints/disputes that policyholders of insurance companies (the insured) may have against the company that sold them the insurance policy (the insurer). Each participating Insurance Institution/company has established and nominated in each of their Institutions a senior and experienced officer designated as the “Complaints Settlement Officer” or “Complaints Resolution Officer” (or similar name).



**THE SRI LANKA
INSURANCE OMBUDSMAN**

Sri Lanka Insurance Institute (SLII): The specialist Sri Lanka Insurance Institute is the leading provider of education, training and professional studies dedicated to the insurance industry and is affiliated with the Chartered Insurance Institute of London.



(C) Insurance Market Performance & Statistics

Sri Lanka insurance market structure

By the end of 2021, the insurance industry comprised

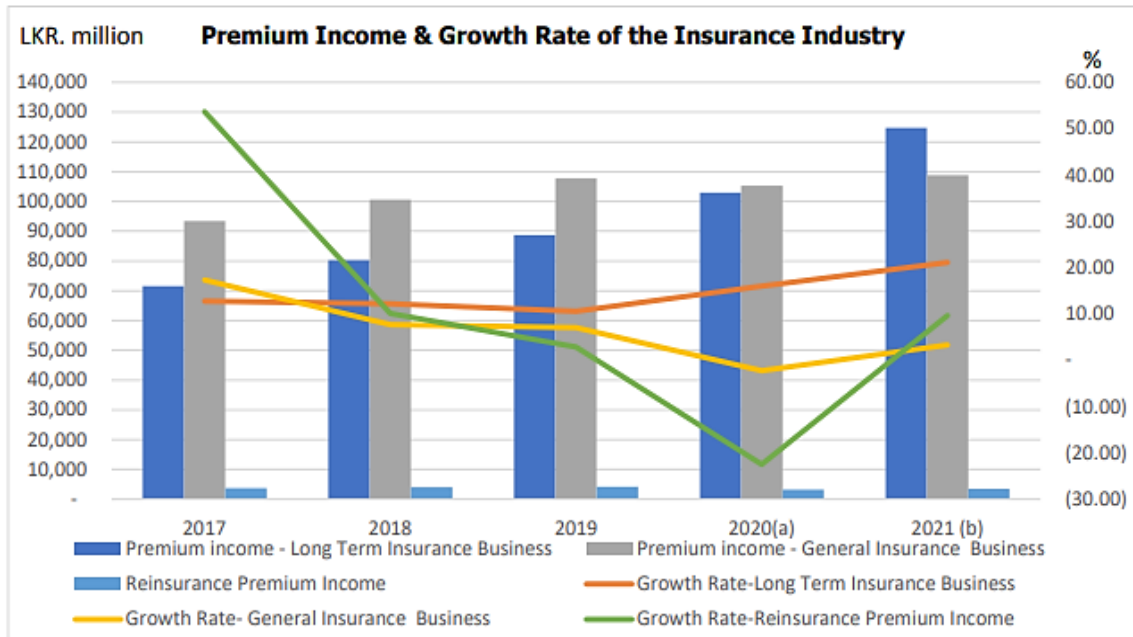
27 insurance companies, i.e., 13 long-term insurers, 12 general insurers and 2 composite insurers	76 Insurance Brokers
	29 Loss Adjusters

Sri Lanka insurance market: premium evolution³

TOTAL PREMIUMS	2020	2021
Total Premiums (US\$ m)	1.032	1.061
Total Insurance Growth (%) inflation-adjusted	-7.3%	2.9%
Total Insurance Penetration (%)	1.3%	1.3%
Total Insurance Density (US\$)	48	49
NON-LIFE *		
Non-Life Premiums (US\$ m)	523	541
Non-Life Insurance Growth (%), inflation-adjusted	-15.3%	3.6%
Non-Life Insurance Penetration (%)	0.6%	0.6%
Non-Life Insurance Density (US\$)	24	25
LIFE		
Life Premiums (US\$ m)	510	520
Life Insurance Growth (%), inflation-adjusted	2.6%	2.1%
Life Insurance Penetration (%)	0.6%	0.6%
Life Insurance Density (US\$)	24	24

* Including PA & H Business

³ - Swiss Re Sigma Explorer (www.sigma-explorer.com)



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

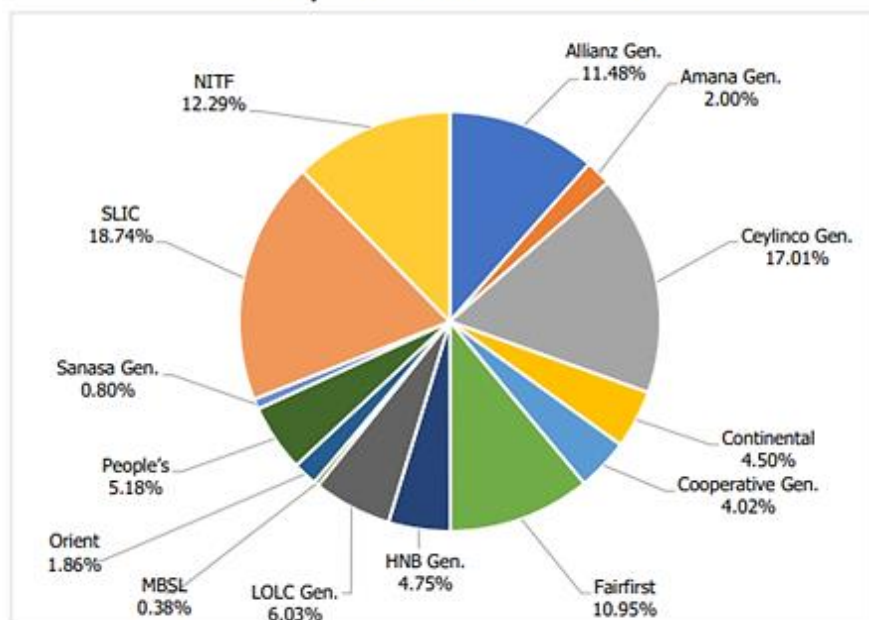
Class	Growth (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	14.94	2.61	(6.25)	7.48	16.16
Marine	5.05	9.66	(0.74)	(4.57)	35.04
Motor	13.61	11.27	2.12	(3.78)	(2.52)
Health	45.96	(3.33)	17.17	13.76	5.73
Miscellaneous	10.47	4.93	26.51	(24.75)	13.43
Sub Total	17.48	7.44	5.60	(2.17)	2.85
SRCC & T	14.23	13.51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

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

Insurer	2019		2020 (a)		2021 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
Allianz Gen.	18,095,258	16.80	13,852,829	13.16	12,490,133	11.48
Amana Gen.	1,621,461	1.51	1,631,666	1.55	2,173,073	2.00
Ceylinco Gen.	18,401,405	17.09	18,680,545	17.75	18,498,751	17.01
Continental	5,002,548	4.65	4,808,964	4.57	4,888,930	4.50
Cooperative Gen.	4,192,960	3.89	4,274,397	4.06	4,374,591	4.02
Fairfirst	11,247,669	10.44	11,937,482	11.34	11,914,064	10.95
HNB Gen.	4,394,457	4.08	4,583,235	4.35	5,166,812	4.75
Janashakthi Gen.						
LOLC Gen.	4,954,896	4.60	5,612,894	5.33	6,562,651	6.03
MBSL	95,979	0.09	297,995	0.28	413,070	0.38
NITF	13,358,203	12.40	12,051,863	11.45	13,365,348	12.29
Orient	1,564,902	1.45	1,628,153	1.55	2,027,885	1.86
People's	5,694,164	5.29	5,686,758	5.40	5,634,586	5.18
Sanasa Gen.	898,079	0.83	847,117	0.80	868,306	0.80
SLIC	18,162,766	16.87	19,370,895	18.40	20,382,188	18.74
Total	107,684,747	100	105,264,793	100	108,760,388	100
Growth Rate (%)	7.06		-2.25		3.32	

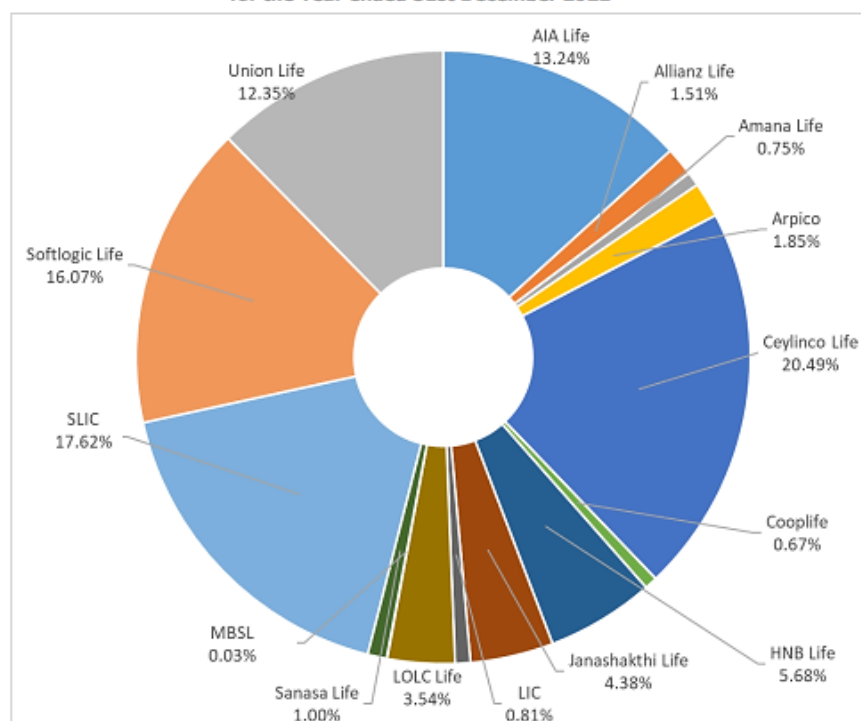
Company-wise Market Share of Gross Written Premium General Insurance Business for the year ended 31st December 2021



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

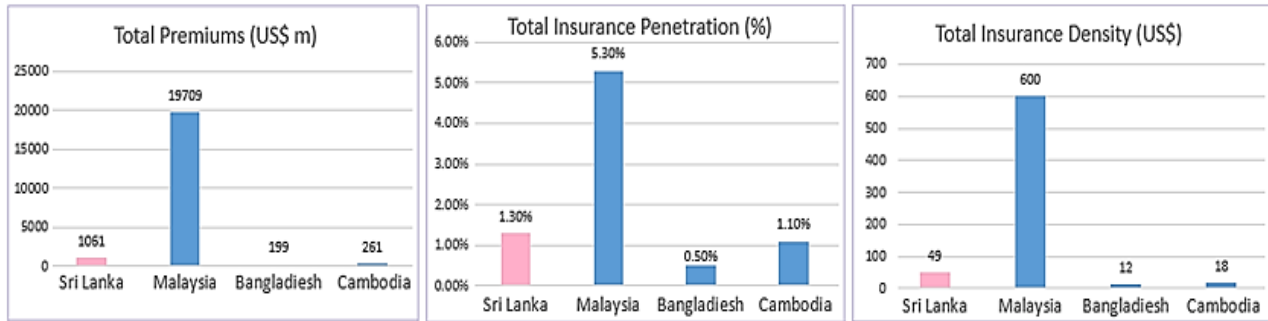
Insurer	2019		2020 (a)		2021 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Life	13,848,283	15.60	14,049,559	13.64	16,517,328	13.24
Allianz Life	1,403,858	1.58	1,476,069	1.43	1,886,703	1.51
Amana Life	851,293	0.96	767,232	0.74	929,830	0.75
Arpico	1,633,156	1.84	1,836,100	1.78	2,311,633	1.85
Ceylinco Life	18,718,553	21.08	22,076,250	21.43	25,565,050	20.49
Cooplif	772,782	0.87	775,410	0.75	840,604	0.67
HNB Life	5,175,044	5.83	5,487,039	5.33	7,091,470	5.68
Janashakthi Life	3,511,660	3.96	3,819,817	3.71	5,460,929	4.38
LIC	598,896	0.67	714,127	0.69	1,004,700	0.81
LOLC Life	2,682,522	3.02	3,236,480	3.14	4,420,081	3.54
MBSL	54,757	0.06	40,996	0.04	40,370	0.03
Sanasa Life	537,171	0.61	694,430	0.67	1,247,855	1.00
SLIC	14,820,025	16.69	19,257,997	18.70	21,975,988	17.62
Softlogic Life	12,531,283	14.11	15,660,116	15.20	20,053,302	16.07
Union Life	11,647,757	13.12	13,108,605	12.73	15,406,161	12.35
Total	88,787,041	100	103,000,228	100	124,752,003	100
Growth Rate (%)	10.58		16.01		21.12	

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



Global and Regional Comparison:

In terms of world ranking in 2021; as SwissRe Sigma report No4/2022”; the Sri Lanka total insurance industry ranked at **80**, Non-Life insurance industry ranked **81** and Life insurance industry ranked **65**




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