

PERFORMANCE OF THE INSURANCE INDUSTRY

2009



The insurance industry is regulated in terms of the provisions of the **Regulation of Insurance Industry Act, No.43 of 2000 (RII Act)**. The Insurance Board of Sri Lanka (IBSL) was established under this Act in order to **develop, supervise and regulate** the insurance industry in Sri Lanka. Over the past year, the IBSL has embarked upon several activities to develop, supervise and regulate the insurance industry with a view to ensuring that the best interest of the Policy-holders and potential Policy – holders. During the previous year, the IBSL has strengthened its monitoring process in order to ensure the financial stability of insurance companies and insurance brokers.

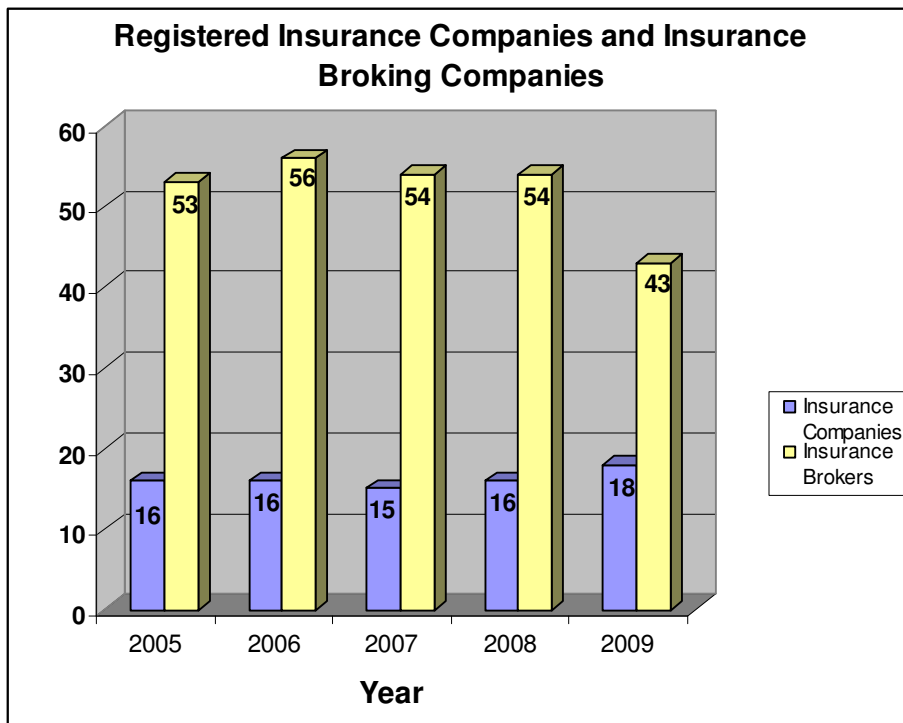
By virtue of powers vested in the IBSL in terms of Section 15 of the Act, **eighteen (18) Insurance Companies (Insurers)** registered with the Insurance Board of Sri Lanka (IBSL), are presently underwriting insurance business.

Eleven (11) of them are composite companies, five (05) of them engage in General Insurance business and two (02) companies engage only in Long Term (Life) Insurance business. When a Company is registered to transact in both Life Insurance and General Insurance business, those companies are recognized as composite companies.

The IBSL has granted registration to **People’s Insurance Limited** and **Continental Insurance Lanka Limited** as insurers to carry on General Insurance Business with effect from 2nd December 2009 and 18th December 2009 respectively. With the entrance of People’s Insurance Limited and Continental Insurance Lanka Limited in to the industry, the no. of companies which are engaged in General Insurance Business have risen to sixteen (16).

Ceylinco Takaful Limited has been temporarily suspended for a period of one year commencing from 09th December 2009 to 08th December 2010 by the IBSL in terms of Section 18 (2) of the Act.

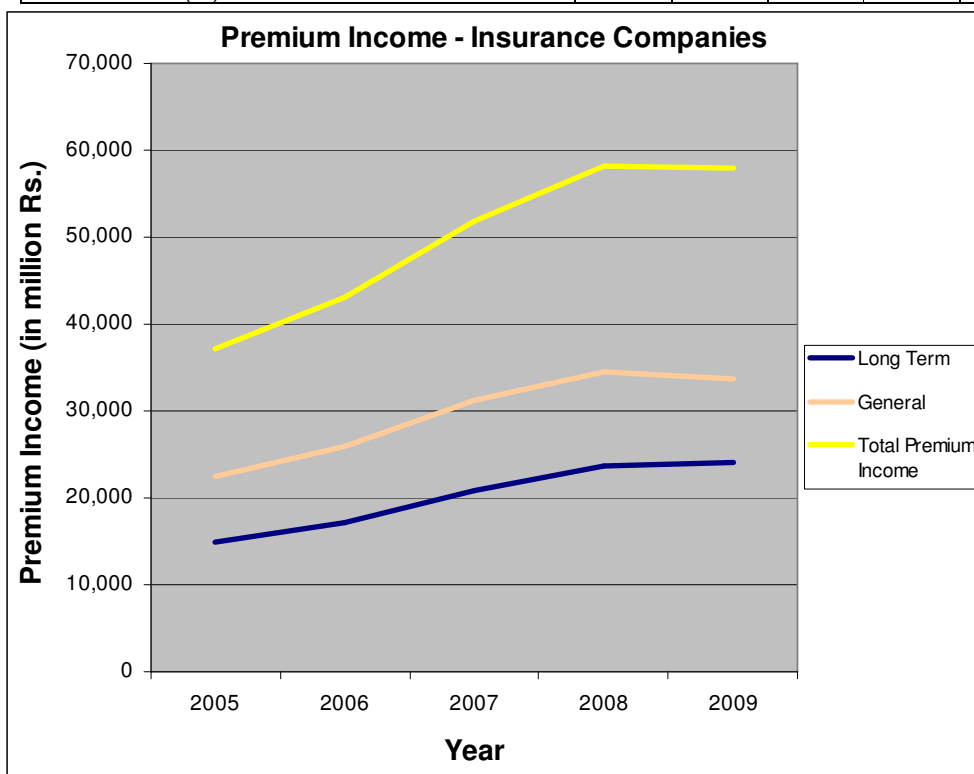
During the period under review, **43 insurance broking companies** were registered with the IBSL in terms of Section 82 of the Act. **Samson Insurance Brokers (Pvt) Limited** has been granted registration as a new broking company with effect from 24th April 2009. Meanwhile, in terms of Section 84 of the Act, the registration granted to **Insurex Insurance Brokers Co. (Pvt) Limited** in respect of Life and General Insurance Business was cancelled by the IBSL with effect from 30th October 2009. Insurance Broking companies and Insurance Agents as intermediaries have made a valuable contribution to the industry.



Gross Written Premium (GWP) of Insurance Companies

The Per Capita Income of Sri Lanka grew from \$1000 in 2004 to \$2200 in the year 2009 and the Gross Domestic Product (GDP) for the 3rd quarter of 2009 recorded a positive growth rate of 4.2 percent. This economic performance has to be considered as a very satisfactory achievement considering the global economic recession that was prevalent during the last year. However, the overall gross written premium on insurance has not increased accordingly. The gross written premium from Long Term (Life) and General Insurance Business in 2009 is added up to Rs.57,919 Million. In the year 2008, the overall gross written premium was Rs.58,166 Million.

Premium Income					
	2005	2006	2007	2008	2009
Long Term Insurance (in million Rs.)	14,814	17,104	20,729	23,613	24,165
General Insurance (in million Rs.)	22,410	25,931	31,156	34,553	33,754
Total Premium Income (in million Rs.)	37,224	43,035	51,885	58,166	57,919
Growth Rate (%)	25.94	15.61	20.56	12.11	-0.42

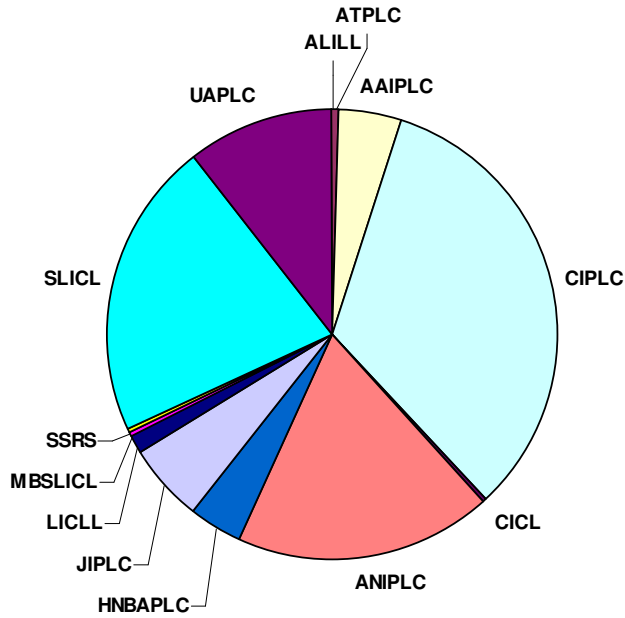


GWP year ended 31/12/09 - General Insurance (Rs. 000)			
	2007	2008	2009
AILL	414,015	601,100	1,174,821
ATPLC	678,013	835,188	953,798
AAIPLC	383,590	459,771	496,749
CIPLC	10,350,684	11,287,233	9,081,294
CTL	36,931	178,734	28,324
CICL	289,688	522,449	596,180
ANIPLC	1,867,142	2,064,423	2,503,628
CIL	681,148	908,651	816,264
HNBAPLC	704,578	924,709	1,130,781
JIPLC	3,678,224	3,937,284	4,272,925
MBSLICL	230,431	294,316	271,309
SSRS	178,764	216,000	453,069
SLICL	8,848,192	9,140,845	8,764,540
UAPLC	2,814,651	3,182,236	3,210,218
Total	31,156,051	34,552,939	33,753,899

GWP year ended 31/12/09 - Long Term Insurance (Rs. 000)			
	2007	2008	2009
ALILL	n/a	4,013	159,004
ATPLC	130,986	188,406	207,097
AAIPLC	890,794	970,077	1,009,031
CIPLC	6,847,185	8,257,279	7,523,098
CICL	100,393	131,003	149,389
ANIPLC	3,788,103	4,342,218	4,632,490
HNBAPLC	767,576	914,170	984,865
JIPLC*	1,206,033	1,426,160	1,431,627
LICLL	254,238	255,099	252,141
MBSLICL	47,438	52,747	55,606
SSRS	55,548	69,617	163,768
SLICL	4,477,537	4,498,257	4,818,447
UAPLC	2,163,480	2,503,888	2,778,185
Total	20,729,311	23,612,934	24,164,749

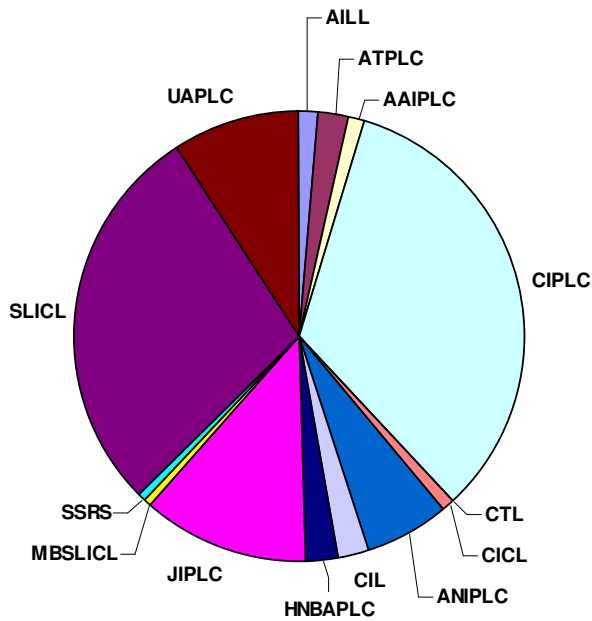
* Including NIC Figures

Gross Written Premium - LongTerm Insurance



- AILL - Allianz Insurance Lanka Limited
- ALILL - Allianz Life Insurance Lanka Limited
- ATPLC - Amana Takaful PLC
- AAIPLC - Asian Allaince Insurance PLC
- CIPLC - Ceylinco Insurance
- CTL - Ceylinco Takaful Limited
- CICL - Co-operative Insurance Company limited
- ANIPLC - AVIVA NDB Insurance PLC
- CIL - CHARTIS Insurance Limited
- HNBAPLC - HNB Assurance PLC
- JIPLC - Janashakthi Insurance PLC
- LICLL - Life Insurance Corporation Lanka Limited
- MBSLICL - MBSL Insurance Company Limited
- SSRS - Seemasahitha Sanasa Rakshana Samagama
- SLICL - Sri Lanka Insurance Corporation Limited
- UAPLC - Union Assurance PLC

Gross Written Premium - General Insurance



Market Share of Insurance Companies

Long Term Insurance

Company	Company-wise Market Share %				
	Long Term Insurance Business				
	2005	2006	2007	2008	2009
SLICL	24.32	22.71	21.60	19.05	19.94
CIPLC	32.36	33.43	33.03	34.97	31.13
UAPLC	9.83	9.78	10.44	10.60	11.50
ANIPLC	19.12	18.42	18.27	18.39	19.17
JIPLC	4.67	5.34	5.35	5.67	5.56
Rest	9.70	10.32	11.31	11.32	12.70

SLICL - Sri Lanka Insurance Corporation Limited

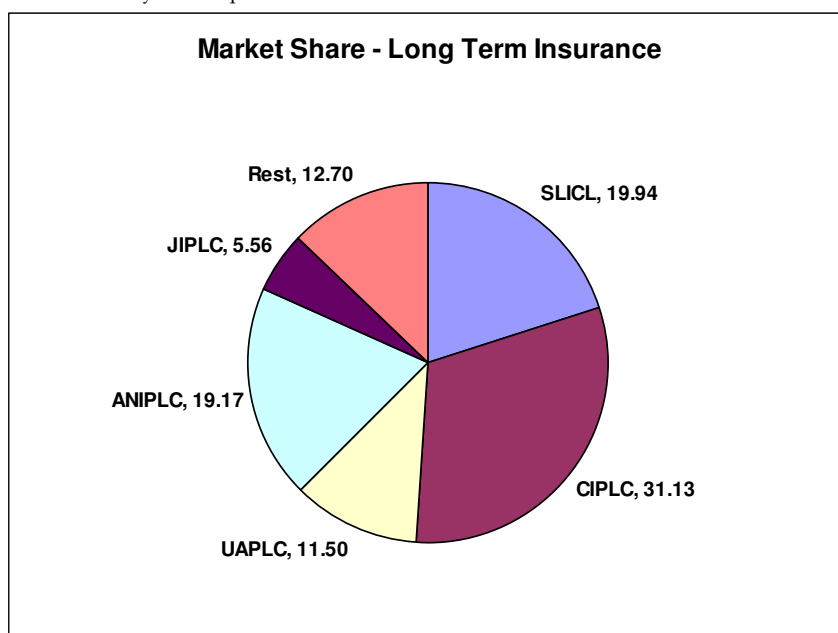
CIPLC - Ceylinco Insurance PLC

UAPLC - Union Assurance PLC

ANIPLC - AVIVA NDB Insurance PLC

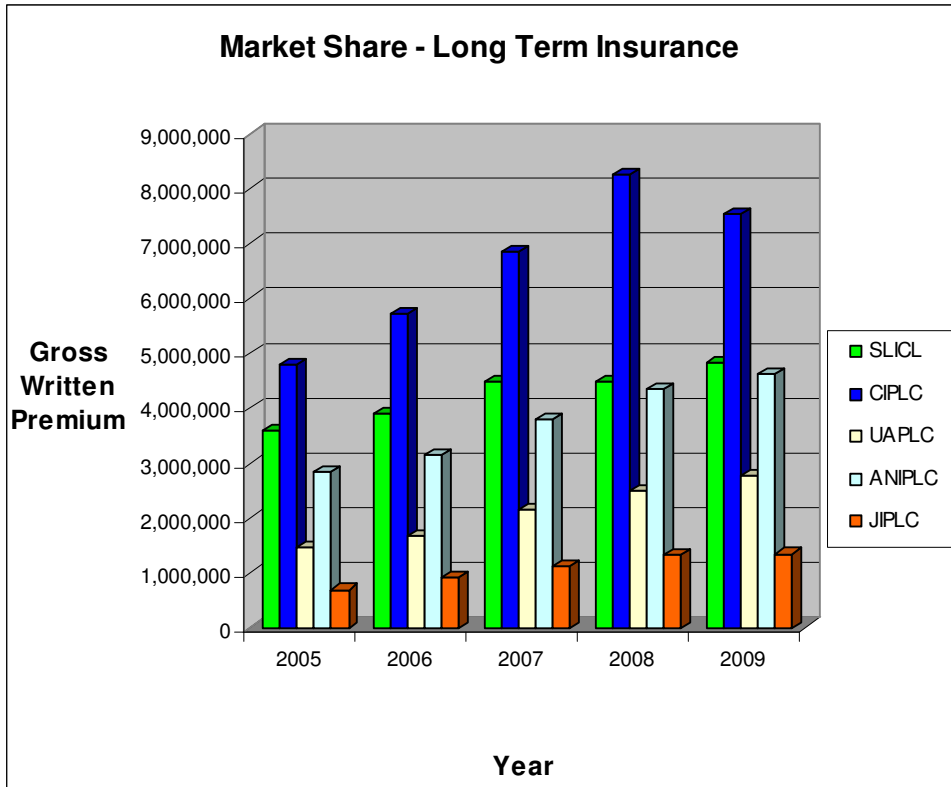
JIPLC - Janashakthi Insurance PLC

Note: Taken only the companies with at least 5% of the market Share



Company	Company-wise Market Share of Gross Written Premium (Rs.'000)				
	Long Term Insurance Business				
	2005	2006	2007	2008	2009
SLICL	3,602,639	3,885,022	4,477,537	4,498,257	4,818,447
CIPLC	4,793,650	5,717,887	6,847,185	8,257,279	7,523,098
UAPLC	1,456,576	1,672,744	2,163,480	2,503,888	2,778,185
ANIPLC	2,832,541	3,150,042	3,788,103	4,342,218	4,632,490
JIPLC	691,199	912,658	1,108,152	1,339,041	1,342,583

Note: Taken only the companies with at least 5% of the market Share

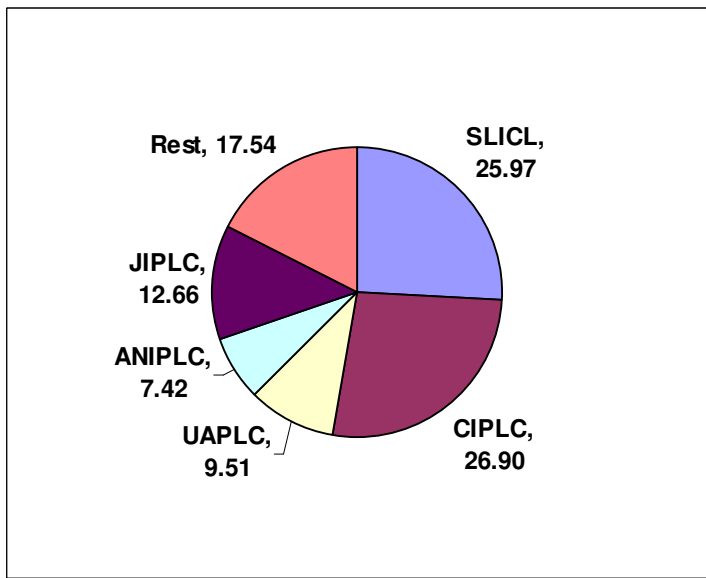


General Insurance

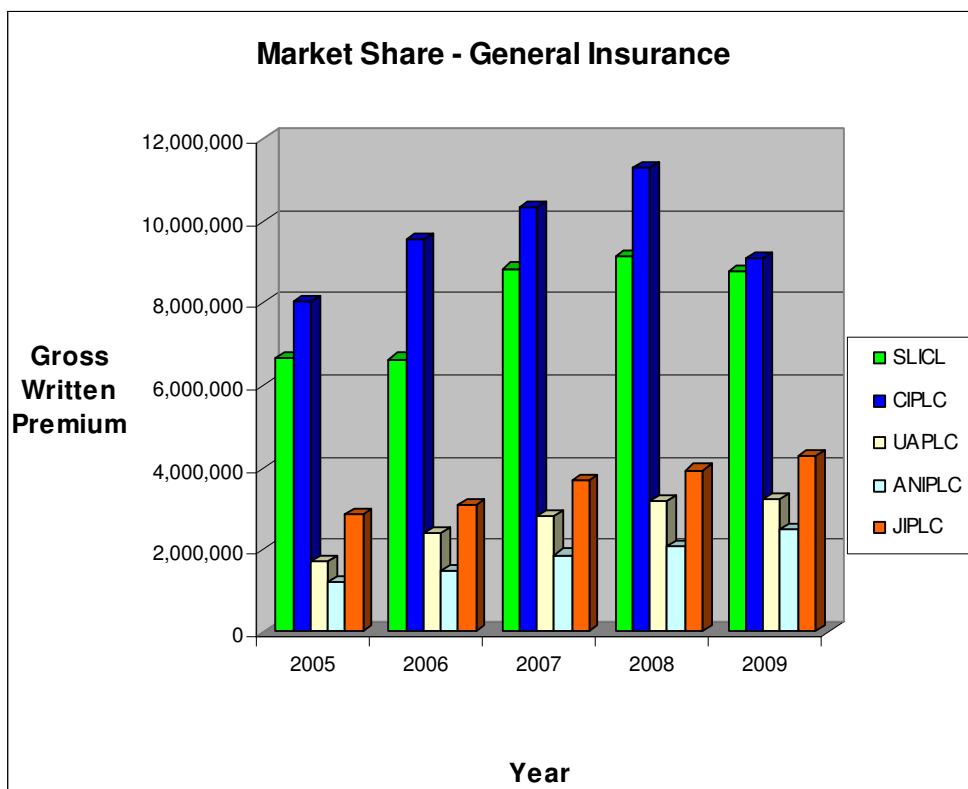
Company	Company-wise Market Share % General Insurance Business				
	2005	2006	2007	2008	2009
SLICL	29.81	25.60	28.40	26.45	25.97
CIPLC	35.85	36.90	33.22	32.67	26.90
UAPLC	7.68	9.20	9.03	9.21	9.51
ANIPLC	5.40	5.66	5.99	5.97	7.42
JIPLC	12.73	12.00	11.81	11.39	12.66
Rest	8.53	10.64	11.55	14.31	17.54

SLICL - Sri Lanka Insurance Corporation Limited
 CIPLC - Ceylinco Insurance PLC
 UAPLC - Union Assurance PLC
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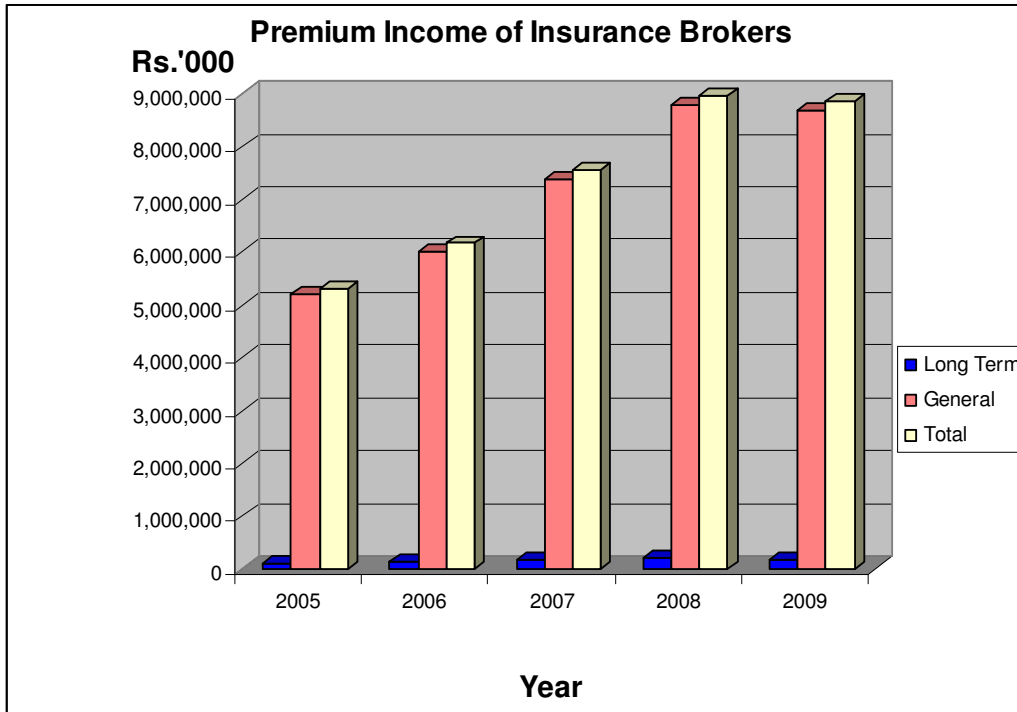
Company	Company-wise Market Share of Gross Written Premium (Rs.'000)				
	General Insurance Business				
	2005	2006	2007	2008	2009
SLICL	6,680,703	6,640,055	8,848,192	9,140,845	8,764,540
CIPLC	8,033,195	9,561,249	10,350,684	11,287,233	9,081,294
UAPLC	1,720,783	2,384,909	2,814,652	3,182,236	3,210,218
ANIPLC	1,210,939	1,468,420	1,867,142	2,064,423	2,503,628
JIPLC	2,851,792	3,099,955	3,678,224	3,937,284	4,272,925



Gross Written Premium of Insurance Broking Companies

43 insurance brokers operated during 2009, concentrating mainly on general insurance business. Their premium contribution of Rs.8,867 million was lower than the previous year which was Rs.8,975 million.

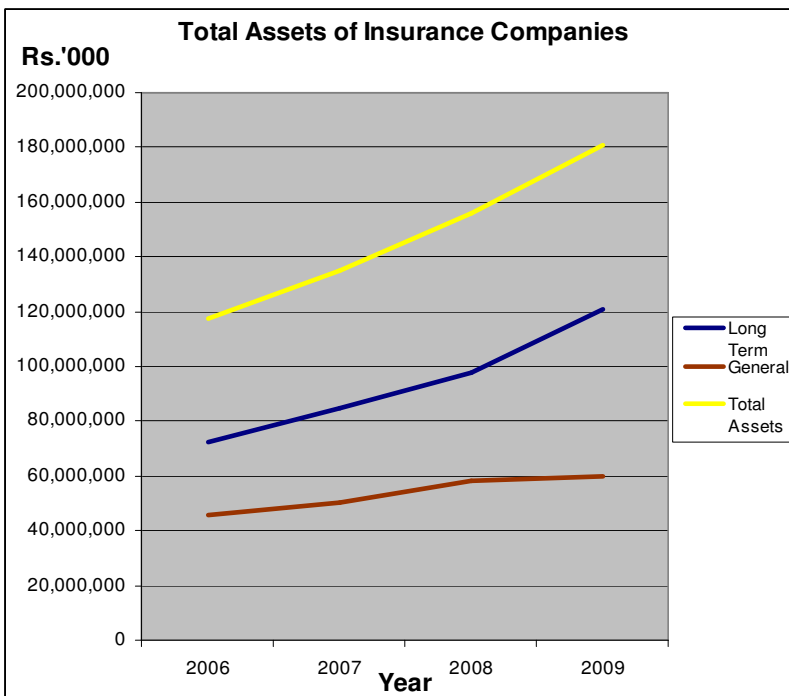
Premium Income of Insurance Broking Companies					
Year	2005	2006	2007	2008	2009
Long Term Insurance (Rs.'000)	103,221	143,867	157,765	194,745	186,708
General Insurance (Rs.'000)	5,207,946	6,027,737	7,393,592	8,780,909	8,680,241
Total Premium Income (Rs.'000)	5,311,167	6,171,604	7,551,357	8,975,654	8,866,949
Growth Rate (%)		16.20	22.36	18.86	-1.21



Total Assets of Insurance Companies

Total Assets of insurance companies as at 31st December 2009 was Rs.180,989 million. Assets of long term insurance business amounting to Rs.120,899 million of the total, whereas assets of general insurance business amounting to Rs.60,089 million.

Year	Long Term Insurance (Rs.'000)	General Insurance (Rs.'000)	Total Assets (Rs.'000)	Increase in Assets (%)
2006	72,077,157	45,581,642	117,658,799	
2007	84,821,846	50,054,375	134,876,221	14.63
2008	97,730,204	58,263,473	155,993,677	15.66
2009	120,899,714	60,089,212	180,988,926	16.02

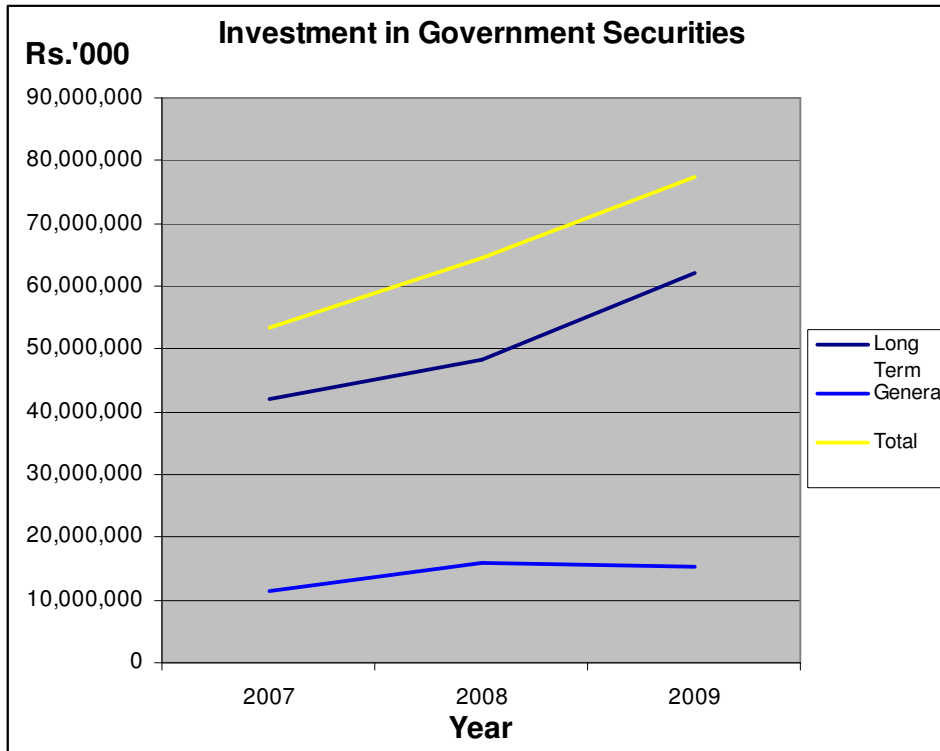


Investment in Government Securities by Insurance Companies

In terms of the RII Act, 20% of Technical reserves of General insurance and 30% of Life fund should be invested in government securities by the insurers.

The IBSL has strengthened its monitoring process by collaborating with the Department of Public Debt of the Central Bank in order to examine the investments made by insurers in the government

Year	Long Term Insurance (Rs.'000)	General Insurance (Rs.'000)	Total (Rs.'000)	Increase in Assets (%)
2007	41,901,427	11,494,128	53,395,555	
2008	48,405,115	15,955,553	64,360,668	20.54
2009	62,078,117	15,441,944	77,520,061	20.45



Motor Insurance

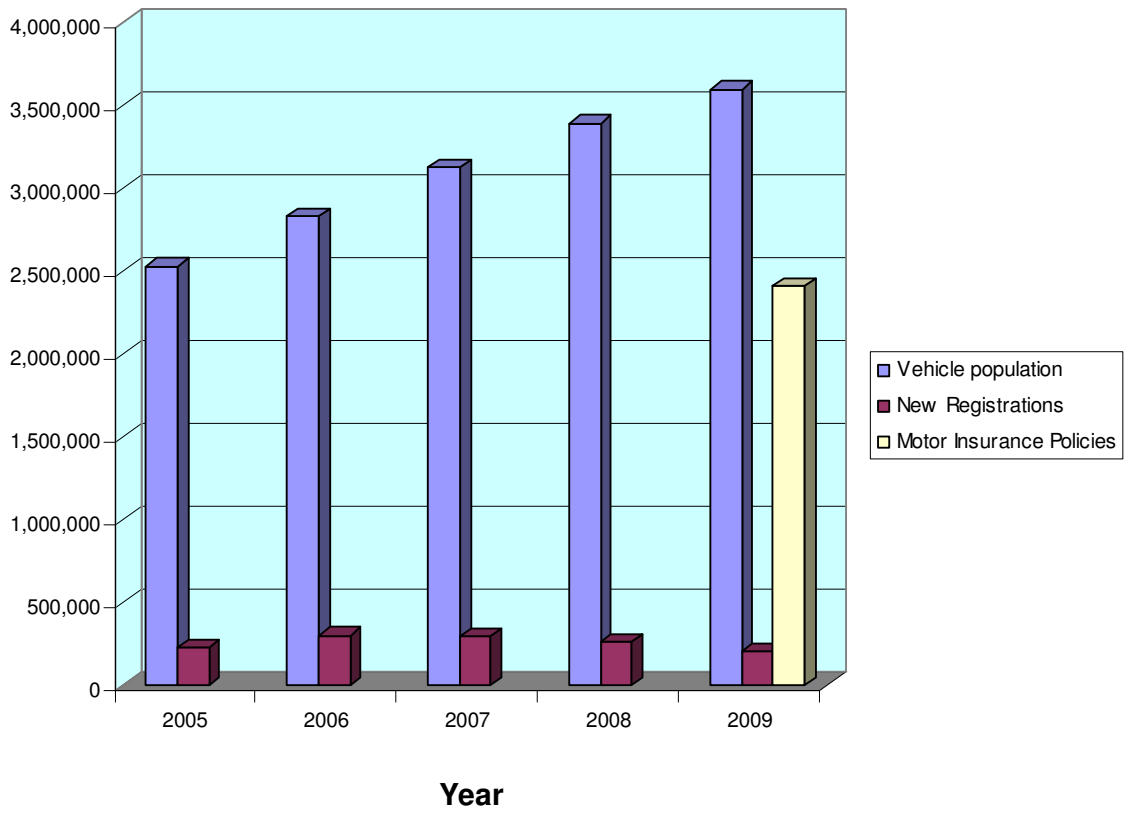
Motor Vehicles v. Motor Insurance

	2005	2006	2007	2008	2009
Vehicle population (All Categories)*	2,527,380	2,827,902	3,125,794	3,390,993	3,595,068
New Registrations of Vehicles (All Categories)*	229,669	300,522	297,892	265,199	204,075
Motor Insurance - Gross Written Premium (Rs.'000)	11,102,737	14,005,560	17,060,829	18,717,667	17,954,669
Motor Insurance Policies					2,408,486**

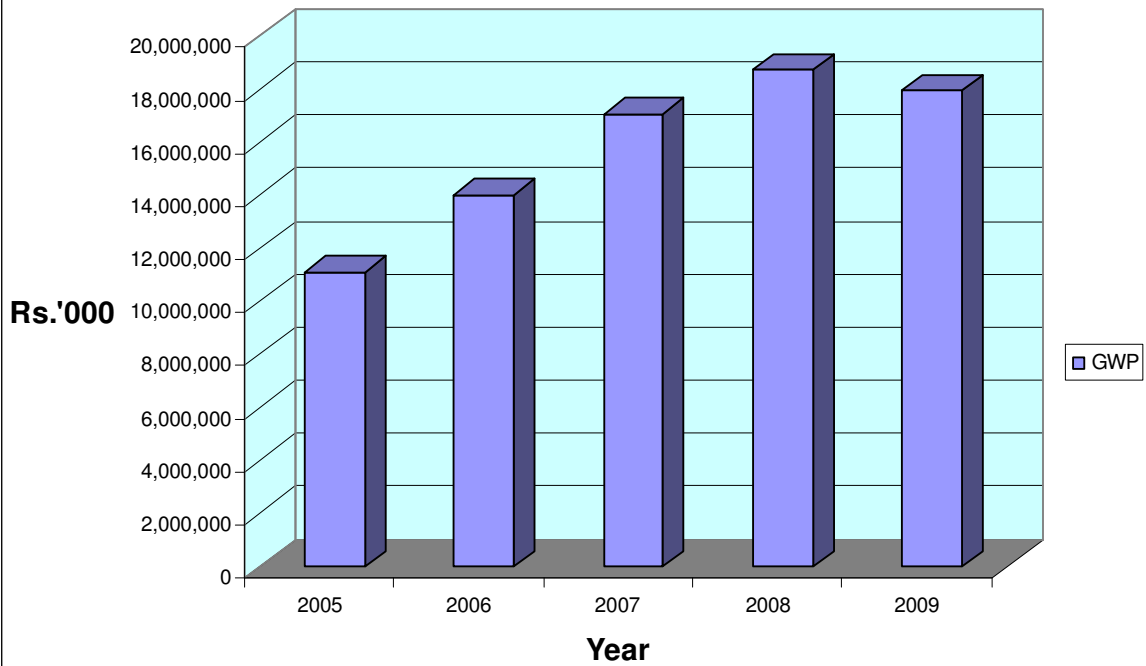
* Source: Department of Motor Traffic

**Including the policies issued by the National Insurance Trust Fund (NITF)

Motor Vehicles v. Motor Insurance

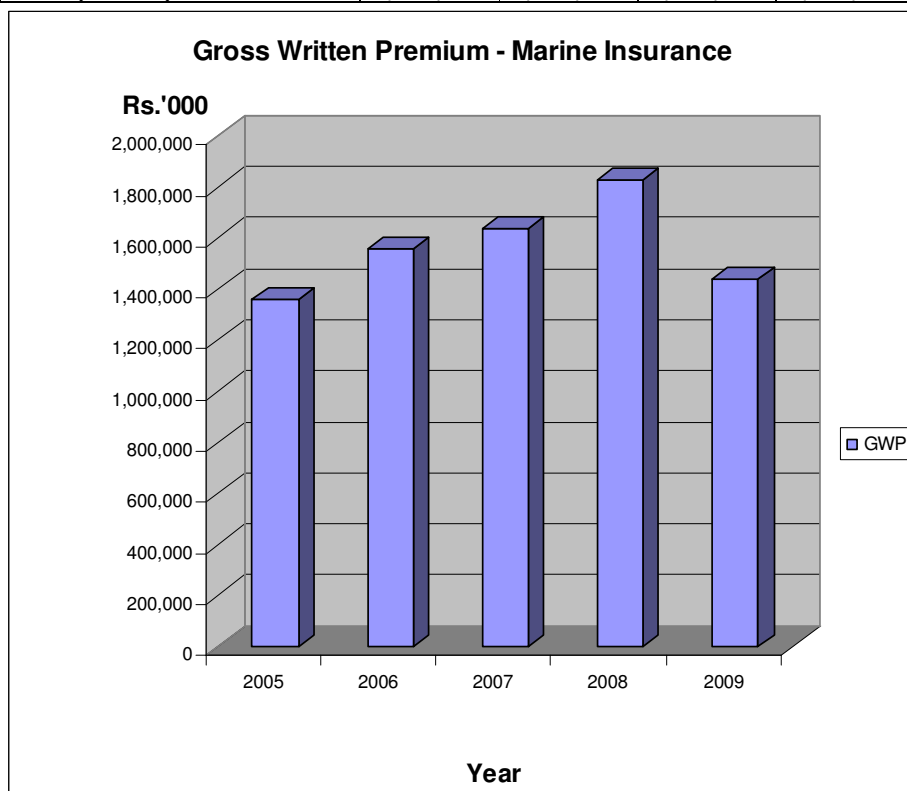


Gross Written Premium - Motor Insurance



Marine Insurance -Gross Written Premium (GWP)

Year	2005	2006	2007	2008	2009
GWP (Rs.'000)	1,358,033	1,554,560	1,637,019	1,825,782	1,441,682



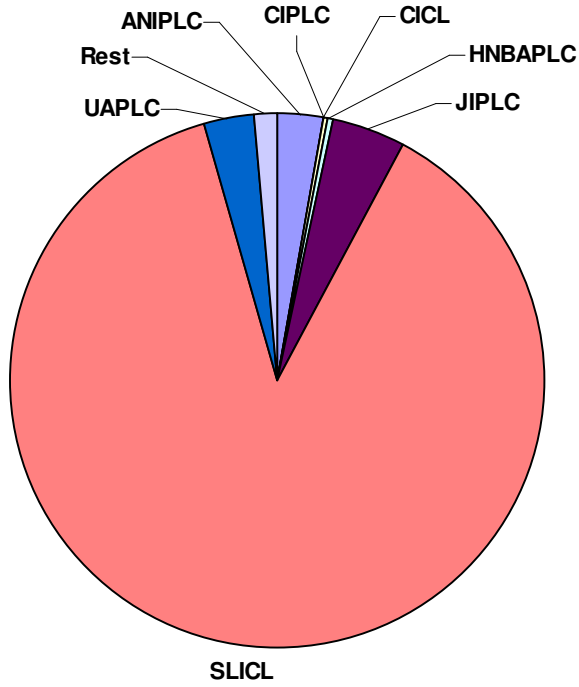
Claims Outstanding

Claims Outstanding Details of Insurance Companies as at 31st December 2009

Name of the Company	Life		Non life	
	No: of Claims Outstanding	Amount of Claims outstanding Rs. ('000)	No: of Claims Outstanding	Amount of Claims outstanding Rs. ('000)
Allianz Insurance Lanka Ltd	n/a	n/a	375	95,592
Allianz Life Insurance Lanka Ltd	33	590	n/a	n/a
Amana Takaful PLC	20	1,968	1,012	91,586
Asian Alliance Insurance PLC	19	26,874	1,643	189,996
AVIVA NDB Insurance PLC (Eagle Insurance)	2,718	312,078	3,930	605,576
Ceylinco Insurance PLC	82	102,379	7,991	1,692,410
Ceylinco Takaful Limited	n/a	n/a	590	7,541
CHARTIS Insurance Limited	n/a	n/a	632	131,015
Cooperative Insurance Co Ltd	406	7,529	3,623	66,900
HNB Assurance PLC	184	24,684	3,584	151,825
Janashakthi Insurance PLC	4,452	83,121	15,318	830,966
Life Insurance Corporation (Lanka) Ltd	19	2,520	n/a	n/a
MBSL Insurance Company Ltd	42	1,408	958	53,563
Seemasahitha Sanasa Rakshana Samagama	-	-	1,584	24,875
Sri Lanka Insurance Corporation Ltd	89,630	2,502,375	28,270	7,229,950
Union Assurance PLC	3,128	154,736	5,244	1,089,797

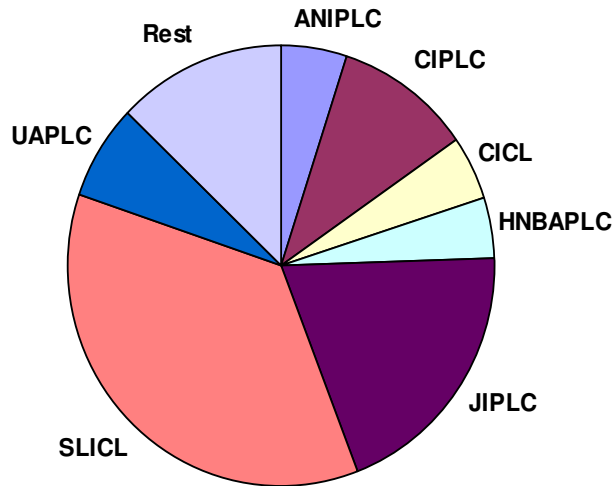
(Source: Quarterly Returns for the quarter ended 31st December 2009)

Claims Outstanding - Life Insurance



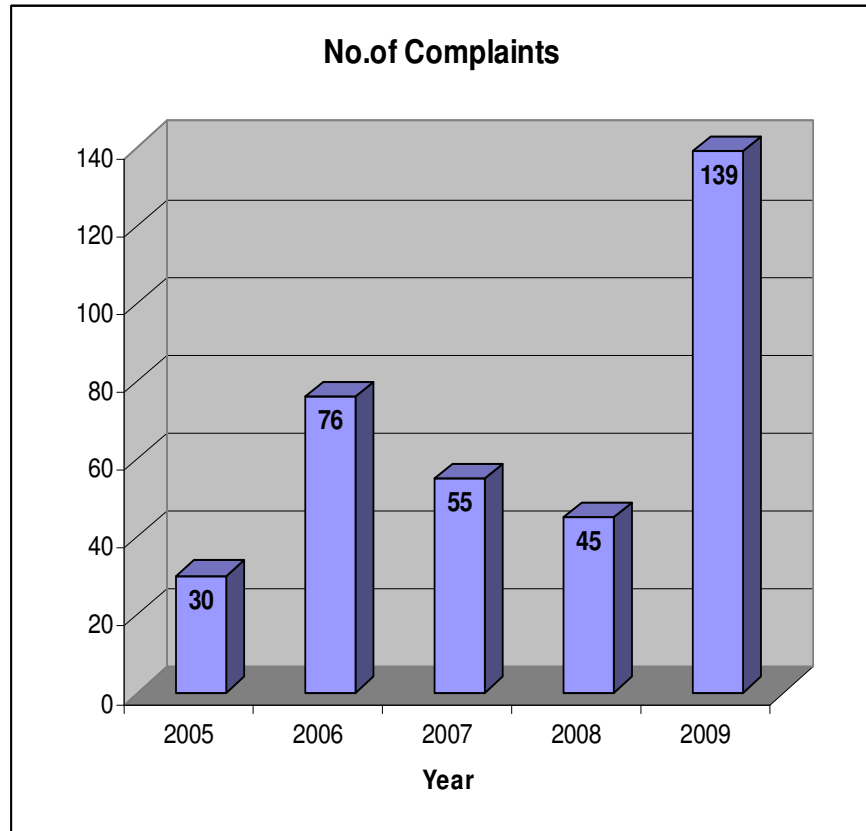
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 HNBAPLC - HNB Assurance PLC

Claims Outstanding - General Insurance



Complaints handling and Investigation

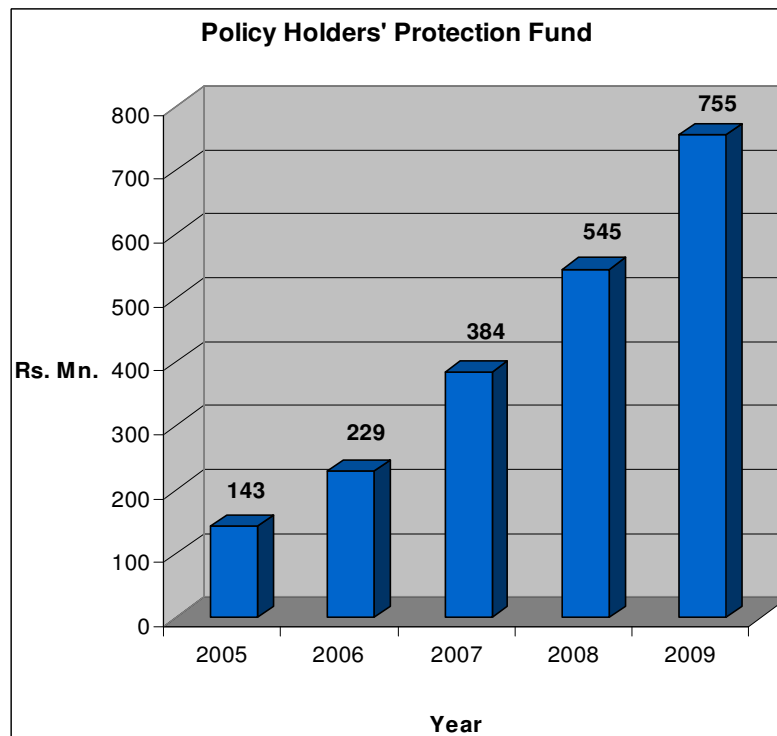
The number of complaints received by the Insurance Board of Sri Lanka (IBSL) over the last five year as indicated below has varied in number. In 2006 with the set up of the Insurance Ombudsman scheme by the Insurance Association of Sri Lanka (IASL) with the approval and concurrence of the IBSL encouraged the policy holders and other aggrieved parties to refer their complainants to the Insurance Ombudsman. However, the IBSL entertained appeals from parties aggrieved by the decision of the Insurance Ombudsman, complainants relating to ambiguous wording in policy documents and matters relating to ethical conduct of the industry. With the



decision taken in September 2009 the policyholders now able to directly address their complaints to the IBSL for recourse, hence the number of complaints received by the IBSL has seen an increase in the year 2009. In this short period, the Investigation Unit has conducted numerous inquires and have been able to settle issues between parties.

Policy Holders Protection Fund

The CESS collected from insurance companies is deposited into the Policy Holders Protection Fund, established in terms of Section 103 of the RII Act. The amount lying to the credit of the Policy Holders Protection Fund is invested in Treasury Bills. The accumulated amount in the fund as at 31st December 2009 was Rs.755 million.



Strike, Riot, Civil Commotion and Terrorism (SRCC and T) Fund

The SRCC & T Fund was created in order to provide insurance covers to the insurance policyholders who are exposed to risks arise due to Strike, Riot, Civil Commotion and Terrorist activities within the geographical limits of Sri Lanka which could be obtained as an extension to the basic insurance policies issued by the insurance companies presently operating in Sri Lanka and which are members of SRCC & T fund. On account of the end of war against terrorism, the National Insurance Trust Fund (NITF) has decided to reduce the premium pertaining to Terrorism Cover by 75% from 01st April 2010. As a result of this reduction in the premium the construction industry and other such projects may consider having insurance policies for their businesses and properties which in turn will be a boost to the insurance industry.

New Legal Enforcements

1. The new quarterly reporting formats for insurance brokers for gathering all information required to assist prompt intervention is finalized and will be effective from quarter beginning 1st April 2010.
2. The new solvency margin requirement for general insurance business is awaited by the legal draftsman department for gazetting very shortly.
3. Accepting insurance business in violation of the RII Act, only individual could act as insurance agents and the IBSL have observed that insurance companies accept insurance business from institutions who act as agents and pay commission. Therefore any violation of this would be looked at by the IBSL seriously.

Risk Sensitive Capital Model for the Insurance Industry Supervision

The IBSL after carefully analyzing the international experience on insurance supervision has taken a decision to carry out a modernization process to its supervisory system which focuses on the concepts of risk sensitive capital model for insurance industry supervision with the assistance of the World Bank. The main objective of this project is to develop and support the implementation of a risk sensitive minimum capital regime which is consistent with the industry risk profiles, practices and market dynamics for the insurance industry in Sri Lanka in consultation with the industry and under the collaborative control of the IBSL.

The current supervisory system which is commonly known as the “Rules Based Supervisory System” is focused on establishing reasonable rules that scrutinize aspects such as the solvency margin, investments, minimum capital requirement, etc. With the implementation of this new risk sensitive capital model for the insurance industry supervision, it will enhance the ability of insurance companies and the supervisory authority processes to focus on “risk rather than rules” and to provide a more flexible framework for maintenance of the regulatory minimum capital regime. Further, it will contribute to strengthening the risk management system of insurance companies and to have a supervisory system in line with international standards which supports a risk oriented management of insurers.

A comprehensive report on Market Analysis ensuring that the project is consistent with the local market conditions was handed over to the IBSL by the consultants recently.

Market Development Activities

During the year 2009, the IBSL conducted several awareness programmes on insurance island-wide in order to educate the general public, students & business community. We made use of the print and electronic media on numerous occasions to disseminate important information to the public and the media. Accordingly, we have published a no.of press releases, press notices, paper supplements, etc. in the press and uploaded them to the official website of the IBSL. Further, we have made available free of charge, a no.of other publications such as booklets and brochures giving valuable information pertaining to the subject of insurance. The IBSL has focused on creating awareness in the subject of insurance among the public would be beneficial to the insurance industry which will in turn help increase the insurance penetration.