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Micro insurance, advertising meet regulator's attention

by Devan Daniel

The amendments to the Regulation of Insurance Industry Act No.43 of 2000 are expected to give a boost to the micro insurance industry of the country with the implementation of Bank Assurance. This will give banks direct involvement in selling insurance as institutional insurance agents and bank staff selling the covers will have to meet certain criteria that the Insurance Board of Sri Lanka (IBSL) will spell out.

Bank Assurance will open a window of opportunities for micro insurance and finance. Local state and private banks with extensive island wide branch networks will be in an ideal position to take a packaged product of finance and insurance to the rural areas of the country.

At present, according to the Act, only registered insurance companies and brokers, and their agents, can sell insurance policies to the public and the Act defines an agent to be an individual and so institutions cannot function as insurance agents.

Therefore, IBSL warned, any person (or institution) carrying on business as an insurance agent without being duly registered as an agent with an insurer or broker will be committing an offence under the Act.

"We are looking at promoting micro insurance and bringing the issuers to the main stream of regulation and this will be a priority for IBSL," Director General, Insurance Board of Sri Lanka (IBSL), Ms. Lasinee Seresinhe told the Island Financial Review.

"Only few people can afford to pay the premiums and a majority believe that saving in a bank is the best investment.

"Through micro insurance we hope to promote life insurance with relatively low premiums and high coverage," she said.

The insurance industry is marketing its products heavily but people are still sceptical about insurance. While advertising may help attract more customers to insurance companies and thus increase the penetration levels of life and general insurance, IBSL feels it needs to keep an eye on advertisements.

Commenting on the advertisement war between two leading insurance companies, Ms. Seresinhe said that IBSL has proposed new rules to have certain powers regarding insurance advertisements in the electronic media.

"All the insurance companies operating in Sri Lanka are registered with the IBSL. But some of the advertisements are questionable on ethical grounds and in some instances we

have discussed this with companies, which I should say that to some extent has addressed issues," she said.

Despite extensive advertising, both the IBSL and the Insurance Ombudsman feel that there is a need for insurance companies to promote and increase public awareness on the benefits of insurance; especially life insurance.

The IBSL annual report for 2006 showed that there was a marginal decrease in the insurance sector contribution to GDP from 1.58 pct in 2005 to 1.54 pct in 2006.

The premium income of the insurance sector, the report shows, had a growth rate of 25.94 percent in 2005 but fell to 15.61 percent in 2006.

"But in the year 2007 the premium income of the insurance industry witnessed higher growth than in 2006 which is around 20 percent," Ms. Seresinhe said.

In 2006 the penetration rate for life insurance to the total population increased to 8.8 percent from 8.3 percent in 2005. The penetration rate to the labour force also increased to 24.3 percent from 22.8 percent in 2005.