

“ASSURANCE AMONG”
THE MARKET STRUCTURE IN
THE INSURANCE INDUSTRY
IN SRI LANKA

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ABSTRACT

Insurance industry of Sri Lanka is a developing business at the moment. But comparing with the peer territories of Sri Lanka it has to be increased. Additionally, Insurance industry in Sri Lanka is still at early stage of the life cycle apart from the growth momentum in recent times. The industry can be separated into Life Insurance and General (non-life) Insurance, where we see life insurance to lead general insurance in terms of Gross Written Premium growth. Currently, there are twenty- six registered insurance firms in the business which are legally authorized by the insurance regulatory commission. Therefore, it has expanded with the number of firms and it affects to the market structure of Ceylon insurance industry. In the introduction that particular text introduces about the present insurance industry of Sri Lanka briefly. Furthermore, it unveils about the expansion of the market structure of the Ceylon insurance industry, foreign competitors who arrived in to the scenery at the moment and some influential factors which decide the enhancement of insurance firms, concisely. Withal, within the second section which reveals about the industry overview analysis, the behavior of insurance companies inside the Sri Lankan insurance sector in previous years. Also that significant section explains about the present insurance firms in relation to the classification of the insurance zone. Particularly these insurance companies' contribution in the economy, profitability, Gross Written Premium, the penetration of insurance industry of Sri Lanka compared to peer foreign territories, top five contributors to the 'Gross Written Premium' and other insurers within the long term insurance business according to the statistical revelations which were gathered unto the behavioral impactions of each insurance company within the surround. For further within the third section the certain text describes about the applications that insurance companies apply to achieve the customers. Significantly methodologies that Sri Lankan insurance companies follow to attract the customer towards the specific insurance products of those firms. Also, that distinct section discloses about the legal frame in the Ceylon Insurance Sector and Insurance Brokering Companies which utilize as an interface to bring out customers to the platform of varied insurance companies. Within the conclusion section that text describes about the market structure of insurance industry and who are monopolizing the Oligopoly Insurance Market in Sri Lanka. Conclusion has concluded under the behavioral information which are pointed out analytically about the Ceylon Insurance Companies in the previous years.

Keywords: Insurance, Industry, Firms/Companies, Gross Written Premium, Market Structure, Monopolize, Oligopoly

(Words- 398)

EXTENDED ABSTRACT

Insurance industry in Sri Lanka is still at early stage of the life cycle apart from the growth momentum in recent times. The industry can be separated into Life Insurance and General (non-life) Insurance, where we see life insurance to lead general insurance in terms of Gross Written Premium growth. There are number of licensed insurance companies in the business at the present. Twenty-six insurance companies have registered under the regularities to perform as a legally authorized firm within the insurance system of Sri Lanaka. So, the market structure of Sri Lankan insurance industry has expanded for farther. Moreover, along with the inland firms there are foreign competitors too who entered to the Ceylon Insurance Industry. For instances AIA Insurance, Allianz Insurance can be illustrated. Additionally, those multi-national insurance companies are also willing to provide a competitive competition for localities. Within the introduction it divulges about the afore mentioned information along with the recent shaking up of the Ceylon insurance industry in relation to the Gross Written Premium summarily.

Furthermore, in the second portion the specific texts are attempting to uncover about the industry overview along with the analytical tables and graphs extracted from the ‘Statistical Review’ (2018) of the Insurance regulatory commission of Sri Lanka. Presently, Sri Lankan insurance industry is expanded with twenty-six licensed insurance companies in year 2018. Moreover, it can be classified into three categories, namely life Insurance, General Insurance and Composite Insurance.

<i>Long Term (Life) Insurance</i>	<i>General Insurance</i>	<i>Composite Insurance (Life and Non-life)</i>
1.Ceylinco Insurance PLC 2.AIA Insurance Lanka PLC 3.Union Assurance PLC 4.Jana Shakthi Insurance PLC 5.HNB Assurance PLC 6.Softlogic Life Insurance PLC 7.LOLC Life Assurance Limited 8.Allianz Life Insurance Lanka Ltd 9.Amana Takaful Life PLC 10.Life Insurance Corporation (Lanka) Ltd 11.Cooplife Insurance Limited 12.Arpico Insurance PLC	1.Ceylinco General Insurance Ltd 2.Janashakthi General Ltd 3.Fairfirst Insurance Limited 4.National Insurance Trust Fund 5.People’s Insurance PLC 6.Allianz General Insurance Lanka Ltd 7.LOLC General Insurance Ltd 8.Cooperative Insurance Company Ltd 9.HNB General Insurance Ltd 10.Continental Insurance Lanka Ltd 11. Amana Takaful PLC	1.Sri Lanka Insurance (SLIC) 2.Sanasa Insurance Co.Ltd

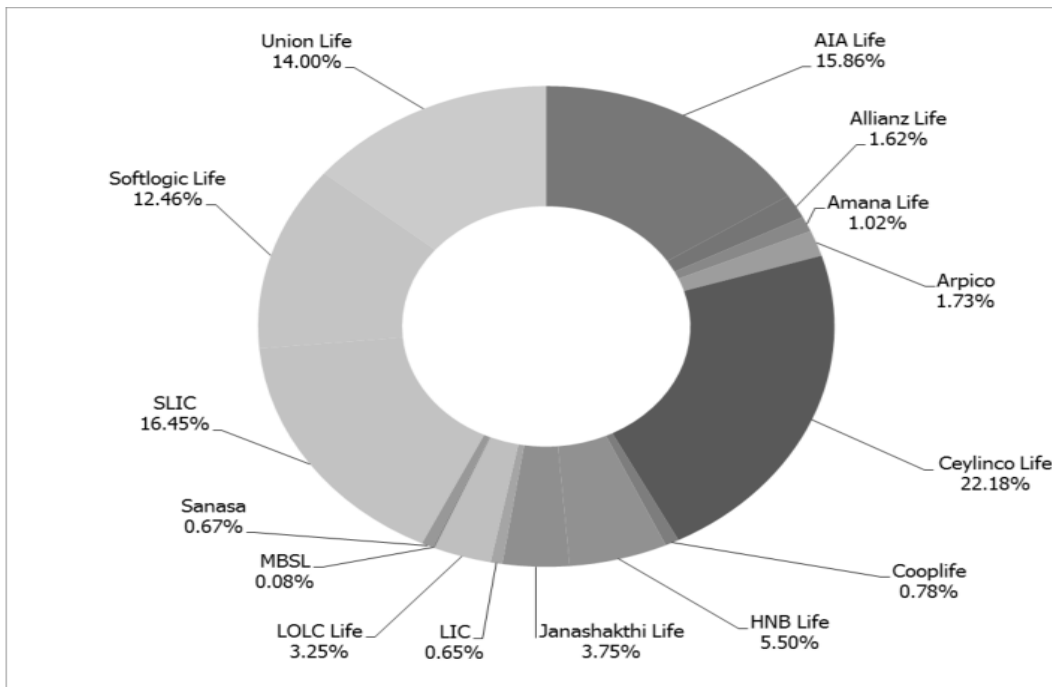
[KPMG International Sri Lanka, (2018 -first half), Sri Lanka Insurance Report -2018]

Additionally, this certain section lays down details about the total assets of insurance companies as follows in accordance with the ‘Statistical Review’ by the insurance regulatory commission of Sri Lanka.

Insurer	2017		2018	
	(LKR 000)	%	(LKR 000)	%
Allianz Gen.	6,954,152	3.75	31,203,197	16.42
Amana Gen.	3,201,348	1.73	3,309,045	1.74
Ceylinco Gen.	25,551,645	13.77	27,899,029	14.68
Continental	4,262,314	2.30	5,381,550	2.83
Cooperative Gen.	4,667,558	2.52	5,510,538	2.90
Fairfirst	15,975,791	8.61	14,917,948	7.85
HNB Gen.	4,385,775	2.36	4,773,910	2.51
Janashakthi Gen.	22,457,907	12.10	-	0.00
LOLC Gen.	5,077,102	2.74	5,531,511	2.91
MBSL	618,234	0.33	550,469	0.29
NITF	13,165,645	7.09	11,909,582	6.27
Orient	1,731,256	0.93	1,943,480	1.02
People's	7,745,115	4.17	8,417,568	4.43
Sanasa	633,678	0.34	715,143	0.38
SLIC	69,155,434	37.26	68,024,988	35.79
Total	185,582,954	100	190,087,958	100

Besides, it unwraps about the profitability of insurance industry recorded in the previous year (2018). According to the information, at the end of the year 2018, particular life insurers such as AIA Life, Ceylinco Life, HNB Life, Janashakthi Life, Softlogic Life, SLIC, and Union Life have transferred surpluses other than participating business to Shareholders with the recommendations of their Appointed Actuaries.

Withal, in the next stage of the second section it exposes data about the shareholders' funds of insurance companies. As stated by Sri Lanka Insurance Cooperation (SLIC) reported a very powerful position in terms of shareholders' funds by reporting LKR 58,806 million. However, SLIC is yet to segregate general and life insurance sectors. Ceylinco Life also reported a healthy reserve place by recording shareholders' funds of LKR 26,426 million followed by AIA Life and Union Life. In the respective stage it divulges an enlightenment about the Gross Written Premium in the long term insurance business. As claimed by Sri Lanka's life insurance industry continued its growth by recording a premium income of LKR 80,303 million with an exceptional year on year growth of 12.20% (2017:12.75%) in comparison to LKR 71,571 million recorded in year 2017. Moreover, the particular graph depicted below explains the wise market share of gross written premium long term insurance business for the year ended 31st December 2018.



[Insurance regulatory commission of Sri Lanka, (2018), ‘Statistical Review’]

Respectively, it unmarks about the penetration of insurance industry in Sri Lanka compared to peer territories. As manifested within the information, the penetration of insurance industry of Sri Lanka stood at 1.24% as of end 2017 which is specifically low compared to other neighborhood countries.

Sri Lanka	Thailand	Malaysia
Population: 21.4 Mn	Population: 69.9 Mn	Population: 32 Mn
Overall premium growth: 15.07% (not adjusted for inflation)	Overall premium growth: 4.00%	Overall premium growth: 1.90%
Insurance sector penetration: 1.24%	Insurance sector penetration: 5.29%	Insurance sector penetration: 4.77%
Life insurance penetration: 0.54%	Life insurance penetration: 3.59%	Life insurance penetration: 3.32%
General insurance penetration: 0.70%	General insurance penetration: 1.69%	General insurance penetration: 1.44%

[KPMG International Sri Lanka, (2018 -first half), Sri Lanka Insurance Report -2018]

According to the information, Ceylinco Life, Sri Lanka Insurance Cooperation, AIA Life, Union Life and Softlogic Life have obtained the top five market shares in the long- term insurance industry in 2018 as mentioned in the following table unto ‘Statistical Review’ by Insurance Regulatory Commission.

YEAR	JANASHAKTHI GEN./ALLIANZ GEN.	CEYLINCO	SLIC	UNION GEN./ FAIRFIRST	NITF	OTHERS
2016	12.74 %	19.18%	19.10%	8.24%	8.07%	32.67%
2017	12.57 %	18.22%	19.65%	10.29%	8.69%	30.58%
2018	18.39 %	17.92%	17.69%	10.82%	9.53%	25.65%

Furthermore, in the succeeding section it opens up details about the applications which are used to attract the customers towards the insurance products of insurance companies. As stated in this specific section Insurance firms and Insurance Brokering firms' engaged agents and in-house sales teams to sell these insurance products to the public society. The Insurance Broking companies are functioning as intermediaries for placing insurance business with the insurance firms. The Insurance Companies and Brokers select agents and they are required to maintain a register of agents on a continuous basis. The agents are paid a commission for the business they bring to their insurance companies. For further, according to the details struck about the legal framework, the Insurance Board of Sri Lanka was established with effect from first of March 2001 as provided by the Regulation of Insurance Industry Act, No. 43 of 2000 for the motive of development, supervision and regulation of the Insurance Industry of Sri Lanka. The object and responsibility of the Board is to ensure that insurance industry in Sri Lanka is transacted with integrity and in a professional and prudent manner with a perspective to safeguarding the interests of the policyholders and potential policyholders.

Within the concluding section, it reveals about the market structure of Ceylon Insurance Industry. As mentioned within the documentation, according to the assets of the Sri Lankan insurance companies attained up to thirty first of December, SLIC protect their first position with a massive percentage of 35.79% who is maintaining the Oligopoly Market and also, Allianz Insurance Lanka LTD with 16.42%, Ceylinco General Insurance LTD with 14.68%, Firfirst 7.85% and National Insurance Trust Fund 6.27% respectively conserve their positions with their total assets. Analyzing about the profitability Janashakthi Insurance PLC leads the process with a total profit of Rs.9 378 738 and Ceylinco Life Insurance LTD, SLIC, National Insurance Trust Fund and Ceylinco General Insurance LTD hold their top positions in relation to profitability. Furthermore, considering about Wise Market Share at Gross Written Premium for long term Ceylinco Life Insurance LTD gained the first position with a percentage of 22.18% and SLIC, AIA Insurance Lanka PLC, Union Assurance PLC with and Softlogic Life Insurance PLC marked the remained positions orderly. Withal, studying about Total Shareholders Fund, SLIC dominate the business with a massive percentage of 30.74% while Ceylinco Life and AIA Insurance Lanka PLC preserve their places respectively.

Accordingly, with the illustrated information, analyzer can conclude that SLIC and Ceylinco Life Insurance LTD are mainly mastering the monopoly insurance market industry in Sri Lanka. Therefore, afore-mentioned insurance firms also act as major forces in the monopoly insurance market industry in Sri Lanka.

Thusly, the entire document unearths an enlightenment into the 'Market Structure in the Insurance Industry in Sri Lanka'.