

Munich Re Foundation From Knowledge to Action



12th International Microinsurance Conference

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## The Landscape of microinsurance in Sri Lanka



Presented by Jenny Nasr Senior Development Coordinator Microinsurance Network

## **Definition of Microinsurance**



micro

insurance network

> Developed specifically for low-income people and managed on the basis of insurance principles

Insurers are the risk carriers (government programmes can support)











micro insurance network

### The Insurance Industry

Total industry premiums (2015)	USD 824 million	16% growth rate from 2014
Long term insurance business	USD 360 million	20% growth rate from 2014
General insurance business	USD 465 million	13% growth rate from 2014
Insurance density	USD 39 compared to USD 136 in emerging markets	15% growth rate from 2014
Insurance penetration	1.09% of GDP (2.7% in emerging markets)	8% growth compared to 2014

#### micro Insurance Sri Lanka microinsurance profile

Population	20 million
Low income population	40%
Microinsurance policies issued (2015) based on the survey	1.46 million policies
MI policies issued as % of total population	7%
Life and PA	Account for 98% of the MI covers



**Primary/secondary research** 

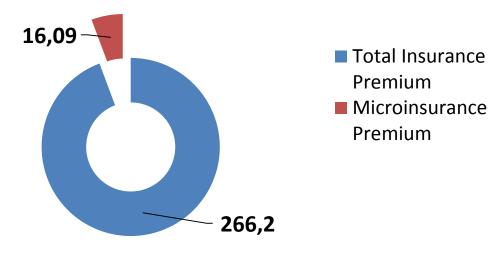
**Interviews & survey** 

**Responses received from 9 providers** 

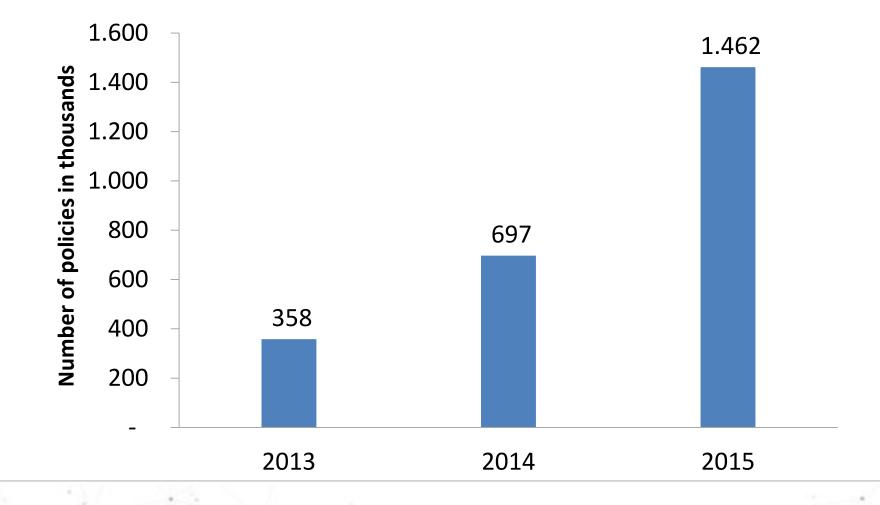
Data provided voluntarily (agreed anonymity)



## 6% share of microinsurance premium over total premium reported in 2015 (in million USD)

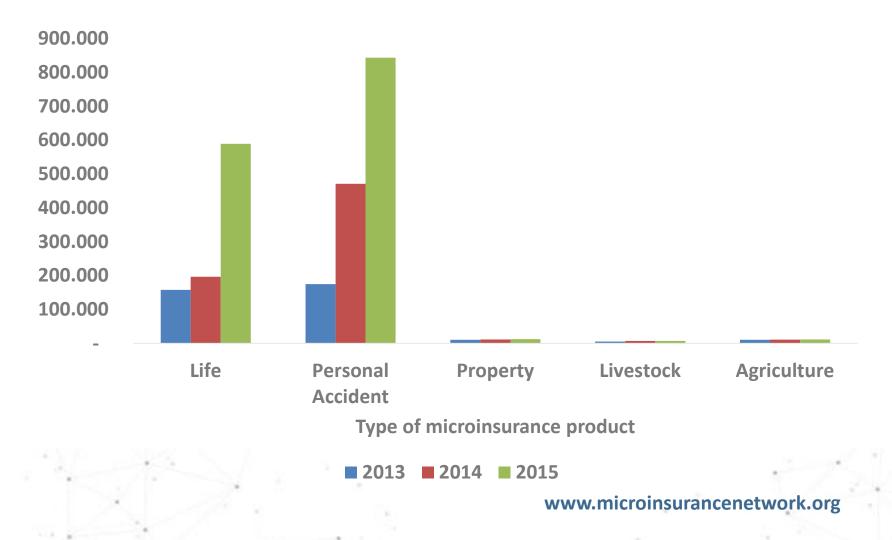


#### micro Insurance network Total MI policies issued 2013-2015



## nsurance Number of MI policies by product

#### Number of policies issued by type of microinsurance product (2013-2015)

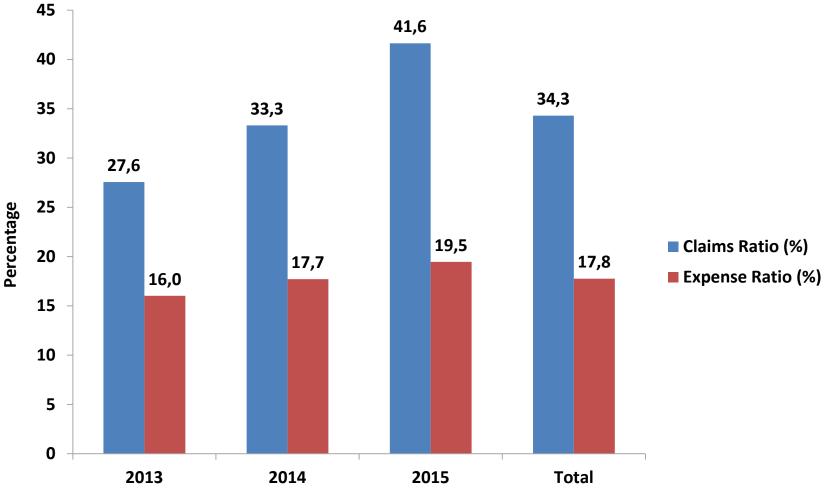


## **Percentage increase in the lives covered by microinsurance product types** (in the 2013 - 2015 period)

Product	Percentage increase
Life	275%
Property	20%
Livestock	39%
Personal accident	385%
Agriculture	10%
Health	n.a

#### micro Insurance Claims and expense ratios

F



Year

## nsurance Public sector organisations offering MI

#### **Agriculture and Agrarian Insurance Board**

- Established by the Ministry of Agriculture
- Set up in **1973**
- Provides crop insurance for more than **700,000 farmers**
- Currently introducing an index product
- Extended to offer pension schemes and permanent disability

#### Sri Lanka Social Security Board

- under the Ministry of Social Empowerment & Welfare
- Offers **pension** and **social security** schemes for self-employed and **PA covers**
- Is voluntary

- Target population includes, migrant workers, artists, tea sector workers, craftsmen, small industrial workers, employees in beauty care and handloom industry. www.microinsurancenetwork.org

## nsurance Public sector organisations offering MI

#### **Department of Divinaguma Development (Samurdhi Authority)**

- established under the Ministry of Social Empowerment & Welfare.
- Financially assist unemployed people below the poverty line
- Benefits around 1.4 million families
- Offers life insurance and hospital cash
- Ex-gratia payments at marriage, and birth of children

#### **National Insurance Trust Fund**

- Set up in **2006 under the Ministry of Policy Planning and Economic Affairs** 

- -Acts as a reinsurer to the insurance business
- Reaches > than 2 million clients
- Health insurance for public servants
- Crop and loan protection for farmers
- Has a national natural disaster coverage

## nsurance Informal sector MI offerings

#### **Death Benevolent Societies:**

- 30,000 in existence across the country
- Operate at the community level
- Help families in **funeral arrangements** and **expenditures**

#### Yasiru:

- NGO involved in grass root level poverty alleviation
- Offers life insurance to its members up to 65 years.
- Cover can be extended for **hospitalisation**.
- Operates in 6 districts
- Around 10,000 members

#### Sarvodaya Economic Enterprise Development Services (SEEDS):

- Mission to eradicate poverty by promoting economic empowerment
- Comprises 4000 village level societies; 1 million members
- Loan protection scheme to members borrowing up to LKR 100,000.

#### Regulated private insurers: 21 companies

12 composite insurers, 3 life insurers and 6 in general insurance business

#### **Companies approached for the study:**

Ceylinco General Insurance Ltd.		
SANASA Insurance		
CoopLife Insurance Limited		
Amana Takaful Insurance		
Janashakthi General Insurance Limited		
LOLC General Insurance		
MBSL Insurance Co. Ltd		
Asian Alliance Insurance		
Sri Lanka Insurance Corporation Ltd		
HNB Assurance		
Continental Insurer		
Union Assurance General Limited		

**AIA Insurance Lanka PLC** 

## Mobile Microinsurance in Sri Lanka



#### **Dialog Axiata**

micro

insurance network

- Largest telecommunications provider in Sri Lanka
- Partnered with BIMA in 2013
- Has since covered 1.4 million customers.
- First product launched: Dialog Accident Cover

- Followed by **Dialog Hospital Cover** in May 2014, offering customers a **pay out** in the event of **hospitalisation** resulting from **accident** or **injury** 

## nsurance Some regulatory advances

- The MICROFINANCE ACT, No. 6 of 2016 was passed for the licensing, regulation and supervision of companies carrying on microfinance business. A licensed microfinance company may partner with an insurance company and offer credit-life covers.
- Move from solvency margin regime to Risk Based Capital regime since 2016; requires insurance companies to determine their capital based on risk appetite.
- The Insurance Board of Sri Lanka has required insurance companies to increase their stated capital from LKR 100 million to LKR 500 million

## insurance Challenges and conclusion of the study

- There is no common definition of MI among insurers

micro

- MI is not considered as a **specific category** neither by the regulator nor by providers
- Some insurers consider LKR 20,000 (around USD 120) as a cut-off annual premium for MI
- Data limitations due to lack of complete financial information from providers
- The **informal and public sectors** play an important role in reaching to the low-income population.
- There is a need to develop **new MI products**, with **innovative distribution channels** and effective claims responses.

#### micro insurance network

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