

Sri Lanka: Investor optimism in life insurance landscape renewed



As Sri Lanka continues to recover from its earlier economic challenges, its life insurance industry has proven to be a dynamic landscape, with the rise of mobile technology and digital literacy, rising income and new digital infrastructure and progressive regulations. We speak to experts to find out more about the country's insurance sector and investment-related activities.

By Sarah Si



When compared to other growth markets in South Asia, Sri Lanka's life insurance sector "presents a distinct and compelling opportunity, particularly in how it is evolving to meet the needs of an underserved population", LeapFrog Investments co-head of Asian financial services Fernanda Lima told *Asia Insurance Review*.

Ms Lima's company is an investor in Softlogic Life, a Sri Lankan life and health insurer.

She noted that since 2021, the company has delivered premium growth of 26% per annum, despite a challenging macroeconomic environment, and also maintains strong underwriting profitability in health and life books.

"We see both near-term stability and long-term growth potential in Sri Lanka's life insurance market," she said.

As compared with South Asia

According to Ms Lima, although Sri Lanka's market is smaller in

absolute terms than countries like India, insurers in the country "are responding rapidly to structural shifts, particularly around digital transformation and product innovation".

She said, "This mirrors broader trends we see across our portfolio, where innovation in distribution and product design is reshaping how insurance reaches lower-income and mass-market consumers."

Sri Lanka's recovery

Sri Lanka's macroeconomic recovery has been stronger than expected, Ms Lima noted. While she did not deny that there has been volatility, she also pointed out that in 2024, the country achieved GDP growth of 5%.

Inflation has also dropped sharply in August 2024 to 0.5% from 2.4% in July 2024, according to the Central Bank of Sri Lanka (CBSL). CBSL had recorded inflation as 69.8% in September 2022.

These developments may have buoyed Sri Lanka's life insurance industry, which Ms Lima said "shows

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Ms Fernanda Lima



Mr Iftikar Ahmed

strong signs of growth and remains significantly underpenetrated”.

The country’s insurance regulator, the Insurance Regulatory Commission of Sri Lanka (IRCSL), recorded a 16.5% growth to LKR237.4bn (\$795.6m) in 3Q2024 from LKR33.7bn in 3Q2023.

She said that this suggested “rising consumer confidence and greater household financial security”.

“Despite this progress, insurance penetration remains below 1% of GDP, indicating a massive protection gap. Encouragingly, public awareness of the benefits of insurance is

increasing, as reflected in the steady rise of both general and life insurance premiums over recent years,” she said.

“The country’s digitally literate population, particularly among youth, where 77% have information and communication technology skills, also provides a solid foundation for expanding digital distribution channels and reaching underserved populations.”

Shifts in the landscape

“A challenge across many growth markets has been the cost of traditional, agent-led insurance models, which often focus on wealthier segments. In Sri Lanka, as elsewhere, this has limited the reach of life and health insurance products,” said Ms Lima.

“But the rise of mobile technology and digital literacy is now enabling insurers to serve a much broader customer base, at lower cost and greater scale.”

She has also observed a shift “from high-cost, face-to-face sales toward embedded, digitally distributed products that meet customers where they are”, whether that is while financing a home appliance or topping up mobile credit.

She said, “This is particularly relevant in markets like Sri Lanka, where the protection gap stems not just from a limited access, awareness and disposable income (compressing demand), but also from historical limitations on how insurance has been distributed.”

In addition, she pointed out the combination of rising income and new digital infrastructure, which is making insurance more accessible and affordable, alongside rising consumer engagement, is breaking down these barriers.

She also said that Sri Lanka’s insurers are “part of a broader movement to transform how protection is delivered, making it more accessible, relevant and affordable for millions of people who have historically been left out”.

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Technology's role

As the role of technology in Sri Lanka's insurance industry continues to expand, Softlogic Life managing director Iftikar Ahamed told us that investors are "increasingly rewarding insurers who show digital maturity especially on the AI front, not just experimentation", citing his company's full-stack digital onboarding, AI-led underwriting and AI based customer service platforms as proof points.

Said Mr Ahamed, "Right now, technology is helping us scale profitably, for instance reducing acquisition and servicing costs while boosting engagement and retention."

As an example, he pointed to Softlogic Life's AI-powered 'Health Score', a facial recognition-based tool that flags potential health risks, helping customers proactively manage their well-being.

He said, "This innovation is a major step toward embedding AI in daily life, allowing users to prevent serious health issues and avoid unnecessary medical costs."

Additionally, he said AI leveraged in claims processing has "increased claim processing efficiency by 80% and reduced claims processing time from days to hours, down to mere minutes even amidst an y-o-y increase in claims volume of 30% without an increase in staff for the last few years".

These improvements directly strengthen unit economics, which investors highly value, he noted, also highlighting that as technology adoption deepens across Sri Lanka's insurance sector, insurers with legacy systems may face margin and customer pressure.

Navigating regulations

Both Mr Ahamed and Ms Lima agreed that regulatory clarity and consistency "are essential in a sector like insurance, where long-term capital and trust are key".

Pointing to the IRC SL's mandate to actively drive life insurance penetration and their progressive stance from risk-based capital to digital licensing frameworks, they noted that these developments have enabled and allowed industry players to innovate responsibly.

"A strong, forward-thinking

regulator does not inhibit innovation, it enables it by setting guardrails that ensure systemic stability," they said.

"From an investor's perspective, a credible and proactive regulatory environment is a cornerstone for attracting global capital to emerging markets. Sri Lanka's regulatory improvements, particularly around risk-based capital, governance and digital transformation, support the development of a robust and transparent insurance sector."

In addition, they believe these measures protect policyholders while also enhancing investor visibility and trust.

With so many changes and development, we asked how Softlogic Life navigates these regulatory changes and the Sri Lankan economic climate to ensure continued investor confidence and business stability.

According to Mr Ahamed, first of all, the company benefits from "a positive and open regulatory environment that encourages innovation within a clear framework focussed on the customer's best interests".

He said, "Regulatory reforms are designed to expand access to better insurance products, and Softlogic Life's innovative approach targets new market segments and evolves distribution strategies to effectively meet these goals."

For instance, he noted that central to the company's resilience is a diversified three-tier distribution model, which comprises of agency, alternate and digital/micro channels that allow rapid adaptation and scalable growth.

He said, "This model effectively reaches all societal segments, including underserved populations, supporting the regulator's mandate to increase life insurance penetration."

His company is also part of what he called "the InsurTech revolution", as it is embedding a culture of technology and AI to improve accessibility, operational efficiency and customer experience.

Innovations he described included AI-powered claims automation and fully digital sales platforms and products that are transforming insurance delivery and strengthening

public trust in the sector.

Looking ahead

When asked what some trends and developments they expected for the Sri Lankan life insurance sector that could impact investor confidence and sentiment, Mr Ahamed and Ms Lima both highlighted that Sri Lanka's life insurance sector is "poised for meaningful transformation, bringing both challenges and opportunities that will shape investor confidence".

"We expect a growing emphasis on health-linked and hybrid protection products, as insurers respond to heightened consumer focus on affordability and relevance," they said.

"This shift reflects a broader trend toward customer-centricity, supported by advances in data analytics and the rise of omnichannel engagement."

Additionally, as insurers offer more personalised, seamless experiences across mobile apps, websites and social platforms, they believe customer loyalty and brand trust are likely to deepen, indicators for long-term investor confidence.

They said, "Digital distribution will also become a defining battleground. While many players are embracing digital channels, those who execute with clarity and scale will emerge as market leaders."

Alongside the predictions listed above, they expect regulatory developments, particularly moves toward greater alignment with global solvency standards, that will enhance transparency and foster a stronger, more investable ecosystem.

They also foresee a "rise in mergers and acquisitions and capital restructuring activity, as companies seek scale, optimise cost structures and adapt to evolving compliance demands". This consolidation signals a maturing industry and creates compelling opportunities for strategic and long-term investors, they said.

"Overall, the sector is on the cusp of reinvention. Players with the right blend of agility, technology and governance are well positioned to lead this next phase, inspiring renewed investor optimism in Sri Lanka's life insurance landscape," said Mr Ahamed and Ms Lima. ■