

OPERATING ENVIRONMENT

2025 marks a pivotal transition from recovery to recalibrated growth. Globally, inflation has moderated and capital markets are stabilising. Domestically, Sri Lanka is progressing through structural reform under the IMF programme, rebuilding macroeconomic confidence and restoring private sector momentum.

In this defining moment, the ability to make bold, well-timed strategic moves will determine long-term competitive impact. For Softlogic Life, 2025 is not simply a recovery year it is a platform year.



Global Economy		Global Life Insurance	
2025	2026 -2028	2025	2026 -2028
Global GDP Growth - 3.1%	Global GDP projected to stabilise around 3.0-3.2%	Global Life Premium Growth - 2.6%	Expected real annual life premium growth of 2.5-3.0%
Global Inflation – 4%	Continued disinflation towards 3% range	Global Life Premium Volume: Approx. USD 3 trillion.	Accelerated growth in emerging Asia (4% - 5%)
Emerging Market Growth - 4.1%	Expansion of digital financial services	Asia-Pacific contributes ~35% of global life premiums.	Protection gap globally remains above USD 1.8 trillion
Sources :- IMF World Economic Outlook, World Bank Digital Finance reports		Sources :- Swiss-re reports	

GLOBAL TRENDS IN LIFE INSURANCE

- Longevity risk solutions expansion
- Embedded insurance through digital ecosystems.
- Data-driven underwriting and AI-enabled claims.

indicators and structural factors are expected to shape the country's growth trajectory. These include sustained single digit inflation, gradual stabilisation of the Sri Lankan rupee, improved foreign reserves buffer, and targeted public investment in digital infrastructure estimated at approximately 4% of GDP. For the insurance industry, this environment presents unique opportunities for product innovation, expanded financial inclusion, and deeper market penetration across underserved segments, while demanding prudent risk management amid lingering external vulnerabilities and evolving regulatory requirements.

SRI LANKA ECONOMIC ENVIRONMENT – 2025 STABILISATION, MEDIUM TERM STRUCTURAL GROWTH

Sri Lanka is transitioning into a phase of disciplined growth, setting the stage for sustainable economic expansion and a favourable environment for long-term insurance and financial sector development. Following the successful completion of the IMF program, the country is focused on maintaining fiscal consolidation while navigating the resumption of external debt servicing from 2027 onwards. Looking ahead to the medium term spanning 2026 to 2028, several critical macroeconomic

KEY ECONOMIC INDICATORS (2026-2028)

Indicator	Projection	Remarks
GDP Growth	3.5-4.5% annually	IMF medium-term outlook
Inflation	4-6%	Stabilising within target range
Fiscal Deficit	Below 5% of GDP	Gradual reduction expected
Tourism Revenue	>USD 4 billion annually	Return to pre-crisis levels

PESTEL ANALYSIS

We have conducted a PESTEL analysis to identify the risks and opportunities present in our external environment. A summary of key findings is provided below, which have been considered in shaping our strategy and corporate planning process based on their impact on our business model

P

POLITICAL

Stable government with majority power

Fact

Sustained performance & robust governance frameworks will increase investor confidence.

Opportunity

Reform under IMF programmes can improve investor confidence, strengthen governance, and attract international capital into financial services, including insurance.

Key Risk

Policy uncertainty and potential unrest could disrupt investor confidence and long-term planning for insurers.

E

ECONOMIC

Continued reforms under IMF programmes to stabilise the economy and financial sector

Fact

Projected real GDP growth ~2.9% in 2026 and ~3.1% in 2027, indicating stabilisation post-crisis

Opportunity

The recovery in gross written premium (GWP) and insurance demand is strong.

Key Risk

Slower than expected economic recovery and inflation volatility could suppress disposable income and reduce premium uptake.

S

SOCIAL

Growing financial awareness and middle-class expansion, increasing health concerns among community.

Fact

Robust industry growth (Life insurance industry growth of 25% in 2025)

Opportunity

Increasing aging population, non-communicable diseases create opportunity for business expansion.

Key Risk

Emerging financial market opportunities could see as substitute for insurance. Employee health and safety.

T

TECHNOLOGICAL

Digital distribution, insurtech, and data analytics adoption are improving efficiency and reach in the sector.

Fact

Digital frameworks and regulatory support aim to foster digital products and micro-insurance sales (IRCSL digital initiatives).

Opportunity

Insurtech adoption and digital distribution (online onboarding, mobile sales) enable reaching new customer segments and cutting operational costs.

Key Risk

Limited digital infrastructure adoption customers could constrain overall digital transformation. Infrastructure obsolete due to Technological advancements

E

ENVIRONMENTAL

Increased natural catastrophe incidence raises awareness of risk coverage importance.

Fact

Cyclone Ditwah (Nov 2025) caused widespread damage, highlighting climate risk exposure in Sri Lanka.

Opportunity

Climate related risk products such as catastrophe coverage and parametric solutions can become growth drivers.

Key Risk

Higher frequency/severity of natural disasters elevates claims volatility and reinsurance costs, challenging underwriting profit margins.

L

LEGAL

IRCSL strengthening solvency, capital, and consumer protection frameworks to align with global standards.

Fact

IRCSL tightening capital requirements and updating regulations to improve financial stability and consumer trust

Opportunity

Regulatory strengthening (solvency, consumer protection, capital adequacy) enhances trust and resilience to support industry growth.

Key Risk

Regulatory compliance cost increases and reputational risk due to non compliance.

OPERATING ENVIRONMENT

SRI LANKA LIFE INSURANCE MARKET – 2025 RECOVERY, MEDIUM TERM EXPANSION

The Sri Lankan life insurance sector is on the verge of significant transformation, driven by macroeconomic recovery and shifting demographic profiles. If the country maintains stable GDP growth, life insurance penetration is expected to potentially double, reaching approximately 1% of GDP by 2030. This expansion is anticipated across several product categories, including microinsurance, health riders, SME group life, and retirement-linked products. These developments are informed by the unique demographic characteristics of the population, which provide substantial growth catalysts for the industry.

DEMOGRAPHIC CATALYSTS

Demographics are a key driver of the market's long-term outlook as provided below

Demographic Indicator	Value	Opportunity
Working-age population	~63%	Currently, the working-age population represents about 63% of the country's total, providing a broad customer base for insurance products.
Population aged over 60	>20%	The proportion of people over the age of 60 is expected to exceed 20% by 2030, according to the United Nations. This aging trend is likely to spur demand for retirement-related and health insurance solutions.

INDUSTRY ATTRACTIVENESS

Below Porter's five forces analysis provide key insights of Sri Lanka's life insurance industry attractiveness. The findings indicate that while the industry offers stable long-term potential, high entry barriers, such as stringent capital requirements, moderate the threat of new entrants. Competition among existing players remains intense, driving the need for differentiation through innovation and customer-centric strategies.

COMPETITIVE RIVALRY

HIGH ⬆️

- Over 10 licensed life insurers.
- Aggressive agency expansion
- Increased digital marketing investments.



THREAT OF NEW ENTRANTS

LOW ⬆️

- High capital requirements under RBC
- Strong regulatory oversight
- Brand trust barriers



BARGAINING POWER OF CUSTOMERS

MODERATE ⬇️

- Digital transparency.
- Financial literacy growth.
- Social media influence



BARGAINING POWER OF SUPPLIERS

MODERATE ⬇️

- Skilled actuarial talent scarcity.
- Technology vendor dependence.
- Low attraction of new sales agents to industry



THREAT OF SUBSTITUTES

MODERATE ⬇️

- Policy benefits can be replicated by other player
- Other investment opportunities (Eg: Fixed deposits etc.)



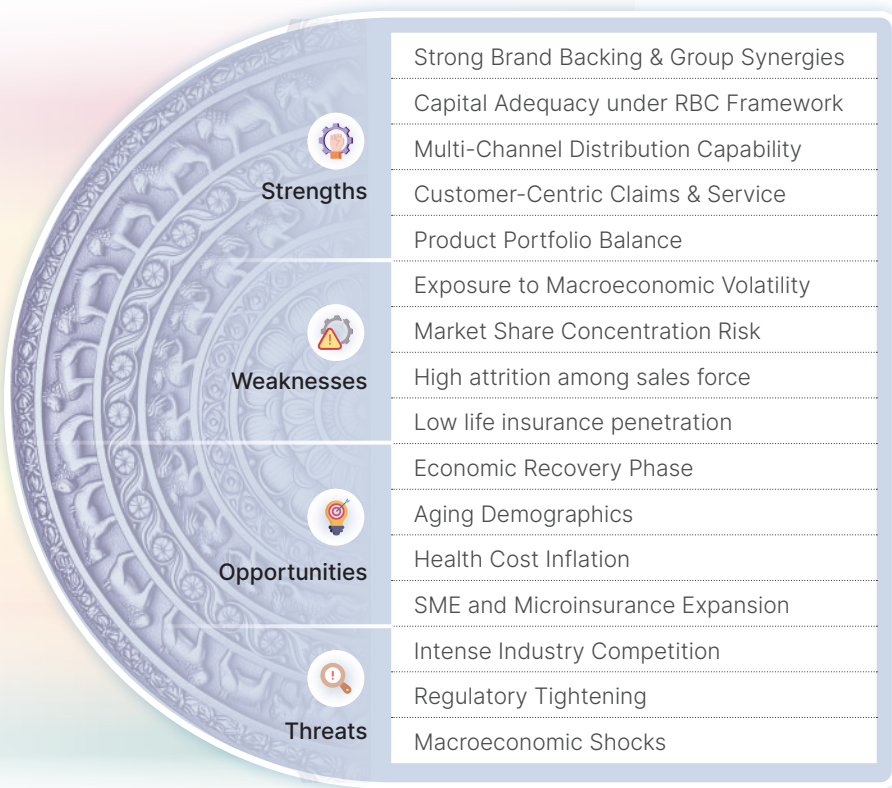
LIFE INSURANCE FUTURE PROSPECTS – MEDIUM TERM STRATEGIC OPPORTUNITY WINDOW

The medium-term horizon presents transformative potential due to

- Protection gap exceeding 70% of population.
- Rising healthcare cost inflation.
- Women workforce participation growth
- SME sector expansion
- Digital adoption
- Pension adequacy concerns

SOFTLOGIC LIFE – CONVERTING MOMENTUM INTO MARKET LEADERSHIP

In a stabilising yet competitive environment, Softlogic Life’s strategic priorities align directly with the opportunity curve. Following SWOT analysis demonstrate our capacity to capitalise opportunities emerging in the market.



SRI LANKA INSURANCE INDUSTRY



OUTLOOK

Sri Lanka’s life insurance sector is entering a favourable growth phase, with penetration at only 0.5% of GDP well below regional averages indicating significant untapped potential. As economic stability strengthens in 2025 and GDP growth is projected to accelerate through 2026–2028, rising incomes, improving confidence, and increased protection awareness are expected to support double-digit industry growth.

With strong capital adequacy, diversified distribution, digital acceleration, and a balanced protection-focused portfolio, Softlogic Life is well positioned to capture emerging opportunities and convert market momentum into sustained, long-term leadership.