

REFLECTIONS FROM OUR MANAGING DIRECTOR

**OUR FOREMOST
PRIORITIES INCLUDE
ENHANCING PRODUCT
AND DISTRIBUTION
FOCUS, ENSURING THEIR
ROBUST DEVELOPMENT.
EXPLORING
OPPORTUNITIES
BEYOND SRI LANKA
REMAINS PIVOTAL FOR
US, AIMING TO BOLSTER
REVENUE AND MARKET
SHARE FOR SOFTLOGIC
LIFE LOCALLY**

**Gross Written
Premium**

LKR

26,341

Million



Iftikar Ahamed
Managing Director



**BIGGER.
BETTER.
BOLDER.**

Softlogic Life faced upto 2023 with grit and determination as market conditions see-sawed and challenges and opportunities ebbed and flowed. We approached what was going to be a tough year with planning and contingencies in place with the main thought of taking care of our policyholders who are also going through some of the toughest economic difficulties and times that are on record. We felt that it was important not to be blindsided or distracted by economic volatility. Instead, we simply focused on what was achievable amidst the prevailing unprecedented circumstances. As a Company, Softlogic Life possesses an exceptional set of people and a combination of these resources and the fantastic effort they have made in 2023 delivered a GWP of Rs. 26 Bn, marking a growth of 14%, which is higher than the industry growth rate for the year.

Despite the challenging events that unfolded during the year under consideration, Softlogic Life achieved 92% of budgeted GWP and recorded a Profit After Tax of Rs. 2.8 Bn compared to 2022, reflecting a growth of 6%. It is the second-largest life insurer in the market and has achieved this position over the last five years, which were particularly challenging ones. The relentless drive to mobilise all resources, motivate teams, drives growth which is how the Company has accomplished its position to be catapulted to the forefront of the industry.

We remain intent on upholding and maintaining this position and consolidating it further. At Softlogic Life, we continue to work on impactful strategies by being meaningful in what we achieve to ensure sustainable growth, not particularly interested in short-term gains. Our journey is and has always been sustainable and we will continue to focus on strategies and measures that deliver this nature of growth in the period ahead.

THE DYNAMICS OF OUR BUSINESS ENVIRONMENT, OPERATING CHALLENGES AND OPPORTUNITIES

The period under review was an extremely difficult year as all the negatives of the previous year came home to roost in 2023 in terms of economic impact. One of the most impactful occurrences was inflation - and since Softlogic Life is in the health insurance space, we had to deal with medical inflation that posed a formidable issue during the year. The situation was further exacerbated due to strains of viral flu, dengue and COVID-19, with upper respiratory tract infections that caused claims to spike across the health insurance book. One of the causes has been climate change. Sri Lanka witnessed unprecedented rainfall from September to the start of 2024, causing flooding and water stagnation, providing a breeding ground for various diseases.

Softlogic Life prides itself on being the market leader in health insurance with a 35% share of the market. We want to be there for customers when they need us in the health space or at any other moment in their lives where insurance is needed. As a result, a substantial hike in claims was witnessed in the month of May and then again towards the latter part of the year.

Moreover, due to various factors relating to the frequency and severity of claims we are seeing the expense level now migrating to a new normal. This situation has brought about a new paradigm. When life policies are

sold to customers, those who opt for health covers via riders gain protection related to hospitalisation and illnesses. These policies at the outset take into account average inflation and hence cannot bear the brunt of excessive inflation that has been evident in the recent months. Whilst life premiums will remain fixed for the term of the policy, health premiums that are annually reviewable, will hence need to keep pace with health inflation. We feel that the onus is on us to communicate these developments in a transparent and reassuring manner so that policyholders will be able to accurately assess their positions.

As the year progressed disposable incomes were impacted as a result of higher taxation that was both direct and indirect that have had an impact on retention rates of policies. We are therefore working hard to catch up with the persistency levels we had in the previous year. On the flip side, the average premium value paid per policy increased to Rs. 176,000 per annum during the year under review reflecting a push towards the higher end of the market. This is a positive sign and an area we will leverage further as annual inflation in the past years had so far largely been ignored by the market. With inflation pushing through customers need to realise that larger covers and higher value policies are required which provides an opportunity compared to previous years.

Considering the product mix performance in 2023, the DTAP business was impacted and contracted by 82%, however with market interest rates dropping in 2024, this business is set to resume and we are anticipating an increase of volumes and are geared up with our partner institutions to serve customers in this segment.

Softlogic Life has three distribution channels - agency, alternate and micro mobile channels. The agency channel, which is our main distribution force, comprises the best agency force in the

country, and recorded 13% growth in 2023. The alternate channel, which was pioneered by Softlogic Life, grew by 17% and the micro mobile channel grew by 15% during the year.

Softlogic Life remains focused on expanding products within the alternate channels and looking to commence a number of key bancassurance relationships which will bring in stability of earnings for the channel and usher in a substantial customer base, which then becomes available for a number of cross-selling opportunities.

LEVERAGING DIGITALIZATION FOR DISTINCTION

At Softlogic Life, we believe technology holds the key to the future. We are an organisation that focuses on how we can harness technology better: technology that is affordable, easily implemented and quick to adapt, so that new products or processes that need to be changed can be done speedily and enable customers to transact with greater convenience. Our focus on technology will continue to deliver meaningful customer solutions.

We have introduced technology that adds value all along the chain commencing from persistency alerts on proposal submission by the sales team and taken that through underwriting, servicing and claims. AI and machine learning have taken big strides in 2023 and we are looking at a number of areas to incorporate these technologies to improve our operations, especially on the claims side for efficient processing of the substantial volumes that we handle every day. We are keen to continue with our credo of paying as many claims as possible within a single day which is indicated and updated weekly on our website.

Digitalisation will involve robotic process automation that we have harnessed in a number of instances across the organization in all non value-adding tasks and have seen the huge benefits that appropriate technology

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can provide to the organisation. We are continuing to explore ways in which we can improve insurance products through underwriting mechanisms which will utilise the latest technology that will set us apart from the rest of the industry. In the present day there is access to enormous amounts of data and we will utilize technology in the most meaningful way to both avoid uncertain risks and take on newer underwriting opportunities.

CUSTOMER-CENTRICITY AT ITS FINEST

Softlogic Life exists for its customers and hence customer care is paramount with a number of touch points in place through which interactions can be made with the Company. These are subject to regular review so that we can understand areas of improvement and customer assistance in a speedy manner. There are times when we are unable to meet customer expectations, especially with regard to claims and we feel that this is an area that customer awareness on the details relating to insurance are key. We want to continue to be the insurer who always accommodates customer requests, and although insurance policies have fine print, we endeavour to rise above these to provide solutions when our customers are facing difficulties.

WINNING STRATEGIES

Softlogic Life is a company that has been built on growth. The brand stands for performance and growth that we want to achieve in a meaningful and progressive manner. We want to take longer strides and tap into under penetrated markets, compete, and garner a larger market share. Our strategy through three distribution channels is aimed at increasing market share across every area that is possible as all three channels are important to us.

During the year, we launched unit linked operations as a new product proposition. We are also looking at certain wealth management

propositions in 2024. Although Softlogic Life had previously focused on the protection market, we believe there is opportunity on the investment platform and we will compete in this area with a suite of wealth product propositions for customers whilst taking care of their protection requirements as well.

COMMITMENT TO COMMUNITY

In terms of community we are conscious about the company's responsibility to the community, even more so since we insure the largest number of lives 1.3 million. Softlogic Life engages with many eco systems with the objective to expand products and provide insurance solutions for all elements of society. This ethos goes hand-in-hand with its growth aspirations.

FUTURE OUTLOOK

Moving ahead, product and distribution focus will be our key priorities. We will solidly build on these aspects as we move forward. We are also a company that is unafraid to explore new opportunities, and some of these opportunities lie outside the shores of Sri Lanka. We are keen to see how we can access those opportunities and bring in revenue and market share for Softlogic Life in Sri Lanka.

The Company's fundamental pillars encompass its commitment to excellence in customer service and driving digital and technological advancements to streamline operations. Customer satisfaction remains a paramount yardstick of our accomplishments, while our digital strategy continually seeks to optimize both internal and customer-facing processes. Furthermore, fostering product innovation is vital to sustaining our growth trajectory.

A meticulous evaluation of the resources needed for future expansion was conducted and I am pleased to state that we are assured of our readiness across financial, human and intellectual dimensions to achieve our

strategic goals. We remain focused on enhancing our talent pool with the appropriate skilled resources to effectively tackle forthcoming work challenges.

APPRECIATION

I would like to express my appreciation to the Chairman and board members for their guidance and encouragement at all times. We have an outstanding senior management team that leads the way and together with everyone at Team Softlogic Life they have completed another exceptional year.

The unwavering support by our shareholders and all stakeholders was the encouragement we needed to stay on course.

We will stay true to our vision to be the insurance partner of choice for Sri Lankans through their life journey.

Sgd.

Iftikar Ahamed
Managing Director

Colombo, Sri Lanka.
04 March 2024