

AIA: For A More Secure Future



AIA is the largest independent publicly listed life insurance group in Asia – with a presence in 18 markets across the Asia-Pacific region. Pankaj Banerjee, CEO of AIA Sri Lanka, talks about the role the company plays in the Sri Lankan insurance sector and the growing significance of health insurance, pensions and retirement planning for the future.

AIA is one of the largest independent insurance groups in Sri Lanka. Could you tell us about the company and your product offering?

AIA is the world's 2nd largest life insurer in terms of market capitalization and it is Asia's leading life insurance group. The Sri Lankan operation commenced with the acquisition of an already existing company- Aviva NDB, which was a composite company, consisting life and non-life insurance. As a group, AIA's focus is concentrated on life insurance. Therefore, we sold our non-life business so as to fully focus on the life business, which is our key competence. Today we are a leading life insurer in Sri Lanka, present in all provinces, with over 100 branches Island wide.

We Will Continue To Learn From And Adapt Best Practices From Other Markets, So As To Provide Sri Lanka With The Best In Health Products And Services.

Our product offerings are in the spheres of retirement, savings and health. This includes pension policies and retirement savings plans, health covers, life insurance and savings for children's higher education. Of course, we prioritize the customer and providing apt solutions to fulfil the retirement, savings and protection needs of Sri Lankans is our key priority.

What are your thoughts on the need for health care protection in Sri Lanka? How does AIA prepare clients for these contingencies?

Sri Lanka's entire health care expenditure is approximately 3.5 to 4 percent of the GDP, amounting to roughly 4 billion USD. That is equivalent to LKR 600 billion. Notably, 42 percent of that health care expenditure is 'out of pocket'. This means that close to LKR 240 – 250 billion of healthcare expenditure is borne by people and not covered by insurance! This highlights a significant need to provide health insurance protection to Sri Lankans, so they can manage these expenses.

The other very critical factor of health management is 'health inflation'. Data shows that in 1995 Sri Lanka's health expenditure per capita was 25 USD. In 2015, it surpassed 125 USD, increasing fivefold in just 20 years. This goes to prove that Sri Lankans need comprehensive, longer-term health insurance solutions.

And that is why we believe we have an important role to play. In all the other markets, AIA has a very strong health insurance portfolio. We are currently working

on enhancing Sri Lanka's portfolio so we can offer a better range of solutions to our customers. We just launched a new product, 'AIA HealthFirst', a comprehensive medical coverage with a host of unique features. This product covers critical illness including heart attacks, strokes and cancers and offers a very high coverage limit. It has a long-term cover for you (up to 70 years of age) as well as your family and coverage for surgery and hospitalization costs both locally and overseas. The product boasts a host of other benefits, specially designed to help the customer and the family in times of medical need. We will continue to learn from and adapt best practices from other markets, so as to provide Sri Lanka with the best in health products and services.

As The Affluence Level In Sri Lanka Increases, So Will The People's Needs. As A Company, We Will Prioritize Understanding These Needs And Providing The Most Suitable Solutions.

Also, we recently launched AIA Vitality, a first-of its kind in Sri Lanka, which is an innovative and unique programme, which rewards people for being active. You can download it from the Google play-store or the Apple Ap-store and just start walking! AIA will reward you for achieving your step targets- no strings attached! Our objective is to motivate people to get healthy and stay fit, as part of our greater mission to help Sri Lankans live longer, healthier, better lives.

You have a specially designed pension plan offering. What is the importance for long term retirement savings in Sri Lanka?

Average life expectancy in Sri Lanka has increased significantly, up to 75 years. In the 1990s it was 68-69 years, but now with the improvements in medical facilities, life expectancy is steadily increasing. However, the age of retirement remains the same at 55-60 years, thus creating a palpable 'pensions gap'. Therefore, the number of years an individual lives without a monthly income, is also longer, leaving many retirees without a means of income to carry on with the lifestyles they are used to. This is where retirement savings becomes crucial.

Moreover, there is significant inflation to be reckoned with. The average household expenditure in Sri Lanka, in the 1980s, was close to LKR 2,000. This year, it is more than LKR 30,000. This will surely increase in the years to come, with a majority of Sri Lankans not having adequate income to fund their expenses, without a high

earning. Hence the need for a solid retirement fund. AIA offers a host of flexible products, which lets you save and build a fund while you are working, so you have a steady monthly return from it, when you retire.

What are your thoughts on the Sri Lankan insurance industry? What more can be done to cater to the needs of all Sri Lankans?

Sri Lanka is a mid-income country and our GDP per capita is around 4000 USD. When compared to our peer countries, which have a similar GDP, Sri Lanka's life insurance penetration is very low. While penetration in those markets range between 1.5 -2 percent, in Sri Lanka it is just at 0.4 percent. So there is a significant opportunity for the life insurance business to grow in Sri Lanka over the next 5-20 years.

The responsibility to develop the sector lies on the operators and insurance players. We need to educate and create awareness around the need for insurance, pensions and protection, while providing high quality, transparent, consumer-focused products and services to our customers.

What are the future plans for AIA Insurance? Do you plan on expanding your insurance service offering?

As a life insurance company, we at AIA will continue to remain focused on providing financial protection to all our customers. We definitely see gaps and needs in long term retirement funding, as well as the health and protection spaces. As the affluence level in Sri Lanka increases, so will the people's needs. As a company, we will prioritize understanding these needs and providing the most suitable solutions. We will keep abreast the changing times and changing needs of the consumer whiles continuously engaging them so we can always keep it relevant and beneficial to the customer.