

Uva Wellassa University

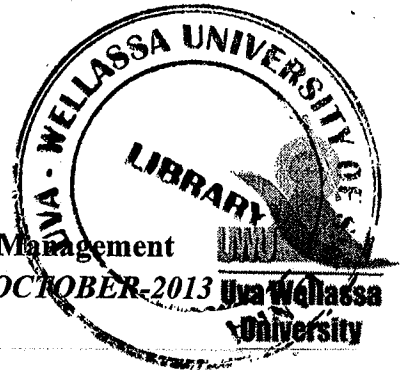
Faculty of Management

Degree of Bachelor Business Management in Entrepreneurship and Management

THIRD YEAR SECOND SEMESTER EXAMINATION- SEPTEMBER/OCTOBER-2013 Uva Wellassa University

EMG 363-2 – Decision Making in Insurance

Part C - Essay Questions



Answer **only two (02)** questions including question number 01.

Marks allocation: 50 Marks

6. Read the case study given below and answer the questions.

Insurance Game Plan - Shah Rouf explains why he is upbeat about the insurance sector in this country

The insurance sector received a boost when Asian insurance giant and Hong Kong-listed American International Assurance (AIA) entered the domestic market, following its recent US\$ 109 million acquisition of Aviva NDB Insurance. The re-branding and re-naming of Aviva NDB to AIA will conclude the handover, and this could well be a sign that the insurance giant is perhaps one of many global insurers that are eyeing Sri Lanka in the post-war era. So will strategic mergers and acquisitions be the order of the day, with the impending splitting of insurance activities into life and non-life business entities by 2016?

Aviva NDB Insurance Managing Director Shah Rouf says this is a likely scenario, although it will not happen overnight. He points out that since the top five players in insurance share approximately 80 percent of the market, changes will take place to bring in economies of scale. The fact that insurance penetration stands at a dismal 0.6 percent of GDP indicates that acceptance levels are low, and this offers tremendous scope for growth.

“The fact that Sri Lanka’s economy is doing relatively well, with the Government aiming to reach a GDP per capita income level of US\$ 4,000 by 2015, implies that the insurance sector will grow in tandem with this projected growth. Nevertheless, historical data indicates that the magical tipping point is a GDP per capita of 10,000 US Dollars. At that point, there’s a big leap in life insurance penetration, because with a per capita income level of US\$ 10,000, people command higher disposable incomes to invest in insuring life and property,” he explains.

Rouf is looking forward to the splitting of insurance into life and general, as deemed by the regulator. This is because he feels that competition will be on a more level playing field at that