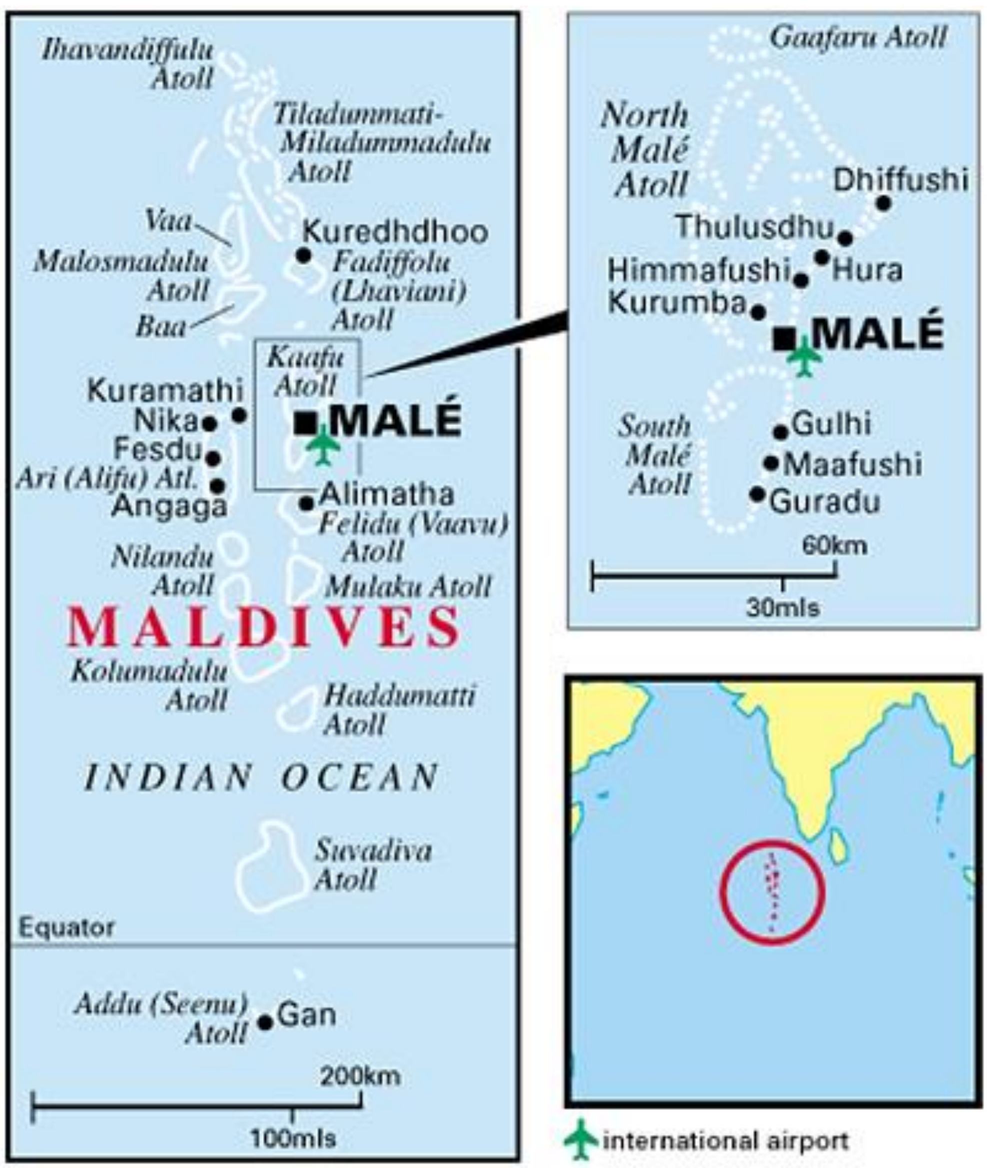
MALDIVES

Insurance Market Overview

by Hussein Elsayed



(I) MALDIVES: Country General Information

1. Country Socio-Economic Information

- **Official Name**: Republic of Maldives |
- **Region**: South Asia
- **Capital**: Malé
- **Location**: Indian Ocean, southwest of Sri Lanka and India
- **Time Zone:** GMT + 5.
- **Area**: 298 km² (spread over 26 atolls and approximately 1,190 coral islands)
- **UN Category**: Developing Country, Small Island Developing State (SIDS)
- **Government**: Federal presidential constitutional republic.
- **Population**: ~540,000 (2023 estimate)
- **Languages**: Dhivehi (official): ~97% | English: ~3% (commonly spoken in business and education)
- **Religions**: Islam (official and state religion): 100%
- **Unemployment Rate**: ~6.2% (2023)
- **Human Development Index (HDI)**: 0.740 (2022, High human development)
- **Poverty Rate**: ~8% (living below the national poverty line)
- **Literacy Rate**: ~98.6%
- **Life Expectancy**: ~79 years
- **Urbanization Rate**: ~43% (mainly concentrated in Malé)

- **GDP (Nominal)**: $6.5 billion (2023)
- **GDP Growth Rate**: 6.6% (2023 estimate)
- **GDP Per Capita**: ~$12,000 (2023)
- **Inflation Rate**: 2.8% (2023)
- **Currency**: Maldivian Rufiyaa (MVR)
- **Exchange Rate**: 1 USD = ~15.4 MVR (2023)
- **Sovereign Credit Rating**: Moody's: B3 (Negative) | S&P: B- (Stable) | Fitch: B
- **Major Industries**:
  - Tourism: ~28%
  - Fisheries: ~10%
  - Construction: ~8%
  - Agriculture: ~6%
  - Shipping and Logistics: ~5%
- **Exports**: $320 million (2023)
  - Major Products: Fish (especially tuna), marine products
  - Major Export Partners: Thailand, Sri Lanka, France, UK, Germany
- **Imports**: $1.85 billion (2023)
  - Major Products: Petroleum products, food, machinery, clothing, transport equipment
  - Major Import Partners: UAE, India, China, Singapore, Malaysia

2. Country Risk Information

- **Economic Risk**: High **:**
  The economy is highly dependent on tourism, which leaves it vulnerable to global economic downturns, environmental changes, and disruptions like the COVID-19 pandemic. External debt is rising, and the fiscal deficit remains high.
- **Financial Risk**: High**:**
  High public debt (over 100% of GDP), fiscal deficits, and reliance on external financing (aid and loans) contribute to financial risk. The financial sector remains small and underdeveloped, with limited credit availability.
- **Trade & Investment Risk**: High**:**
  Trade imbalances due to heavy import dependence make the economy vulnerable. Investment is mainly concentrated in tourism-related sectors, and diversification remains limited. Bureaucratic processes can be slow and inefficient for foreign investors.
- **Political Risk**: Moderate**:**
  Maldives has seen political instability in recent decades, with changes in government and concerns about democratic governance. Political risk is moderate due to ongoing reforms, but tensions remain.
- **Regulatory Risk**: Moderate**:**
  The regulatory environment for foreign investment has improved but still has challenges, including legal uncertainties and issues around land ownership (foreigners cannot own land). Corruption concerns persist in the public sector.
- **Social Risk**: Moderate**:**
  While the Maldives has a high literacy rate and a low poverty rate, economic inequalities exist, particularly between the capital Malé and the outer islands. Social tensions occasionally arise due to unemployment and housing shortages in the capital.
- **Operational Risk**: Moderate**:**
  Infrastructure is developed in Malé and tourism areas but remains underdeveloped in many outer islands. The small land area, coupled with rising sea levels, creates vulnerability for future developments.

3. Country Natural Hazards

Sea-Level Rise	High	**Drought**	Moderate
Storm Surge/Cyclones	High	**Earthquake**	Low
Flooding	High	**Landslide**	Low
Tsunami	Moderate-High	**Bushfire**	Very Low
Extreme Heat	Moderate	**Frozen**	None

Due to its geographical location and low-lying nature, the Maldives is highly vulnerable to sea-level rise, which threatens its long-term habitability. Cyclones, storm surges, and tsunamis also pose significant risks. Climate change is exacerbating extreme heat, flooding, and drought issues.




(III) MALDIVES: Insurance Market

Key Highlights

- *The Maldivian insurance industry is regulated by the Maldives Monetary Authority*
- *The primary law governing the insurance industry in the Maldives is the Insurance Industry Regulation*
- *The Maldivian government permits up to 100% foreign direct investment in the insurance industry*
- *Motor third-party liability insurance is compulsory in the Maldives*
- *Non-admitted insurance is not permitted in the Maldives.*

(A) Historical Landmarks and Regulatory Environment

1. Early Beginnings (Pre-Independence Era and Initial Growth: Pre-1965)

Before the Maldives gained independence from Britain in 1965, the insurance market was almost non-existent. The economy of the Maldives was primarily based on subsistence fishing, and there was minimal need for sophisticated financial or insurance products. The country's geographic isolation and lack of major industries further limited the development of any form of formal insurance.

During the colonial era, the few available insurance services were offered by foreign entities, mostly through South Asian firms operating out of neighboring India or Sri Lanka. These services were largely focused on providing marine and shipping insurance, given the Maldives' dependence on trade via sea routes.

2. Post-Independence Development (1965–1980s): Establishing a Foundation

After gaining independence in 1965, the Maldives began building its national economy, with fishing and tourism becoming the mainstays. During this period, the insurance market remained in its infancy, with most insurance services being provided by international companies, especially from Sri Lanka and India. The lack of infrastructure and formalized industries meant that there was minimal demand for comprehensive insurance solutions.

However, the booming tourism sector in the 1970s and 1980s led to an increased need for specialized insurance products, particularly related to marine, travel, and hospitality industries. Resorts, hotels, and foreign investors required property insurance, liability insurance, and coverage for business interruptions. These needs were met primarily by foreign insurers.

3. 1990s–2000s: Formalization and Local Market Growth

The 1990s marked a turning point in the Maldives insurance market as the government began focusing on formalizing and developing the financial sector. The Maldives Monetary Authority (MMA) started taking steps to regulate financial institutions, including insurance companies. This period saw the establishment of the first domestic insurance firms, offering limited but growing ranges of insurance products.

Key Developments in This Period:

- **Formation of Domestic Insurers:** The Maldives saw the entry of its first locally based insurance companies. These firms focused on offering basic insurance products such as motor, marine, and property insurance, with limited life insurance offerings. However, a large portion of the market continued to be dominated by foreign insurers, especially for more complex risks.
- **Growth of Tourism Insurance Products:** As tourism became the backbone of the economy, the demand for insurance in the tourism and hospitality sectors grew significantly. Resorts and businesses began seeking protection for property, liability, and marine risks. Travel insurance, covering tourists for health emergencies and travel disruptions, also started gaining traction.
- **Entry of International Insurance Brokers:** Although local insurers were becoming established, many large businesses continued to rely on international brokers to arrange more complex insurance solutions. International brokers, particularly from Sri Lanka and Singapore, helped place coverage for Maldivian businesses in global reinsurance markets.
- **Compulsory Motor Insurance:** As the capital city, Malé, developed, there was an increase in vehicle ownership, leading the government to introduce compulsory motor insurance for all vehicle owners. This move boosted the penetration of non-life insurance in the market.

4. 2000s–2010s: Market Expansion and Regulatory Evolution

The 2000s saw significant expansion in the Maldives insurance market, supported by a more robust regulatory framework and the increasing sophistication of the domestic economy. The government recognized the need to develop a financial services sector that could support economic growth, particularly in tourism, infrastructure, and construction.

Key Drivers of Growth:

- **Establishment of the Insurance Regulatory Framework:** In 2004, the Maldives Monetary Authority (MMA) was granted regulatory authority over the insurance sector. This marked a critical step in formalizing the insurance industry. The MMA introduced regulations aimed at improving market transparency, ensuring solvency, and protecting policyholders. Key legislation was also passed to govern the licensing and operations of insurers and intermediaries.
- **Local and Foreign Insurers Operating Together:** While the local insurance market grew, foreign insurers continued to play a significant role in covering large risks, such as those related to tourism infrastructure, aviation, and marine trade. However, local companies began to expand their product offerings, including life insurance, health insurance, and corporate insurance solutions.
- **Development of Life Insurance Market:** Life insurance started to gain popularity in the Maldives during the 2000s. Local insurers, alongside foreign players, began offering term life insurance, savings plans, and investment-linked life insurance products, especially targeting the growing middle class and expatriates working in the tourism and service industries.
- **Health Insurance Growth:** The rising demand for health services, both from locals and expatriates, led to the expansion of the health insurance market. Private health insurance plans were introduced by both local and foreign insurers, providing coverage for medical expenses, hospital visits, and emergency treatments. This trend was bolstered by the government's efforts to improve healthcare services across the country, including the construction of new hospitals and healthcare facilities.
- **Catastrophe Risk Insurance:** Given the Maldives' vulnerability to natural disasters like tsunamis and rising sea levels, insurers began developing products tailored to cover climate-related risks. The 2004 Indian Ocean tsunami, which devastated parts of the Maldives, highlighted the importance of catastrophe insurance and pushed both the government and businesses to seek better protection against such events.

5. Recent Trends (2010s–Present): Digitalization and Innovation

The Maldives insurance market has evolved rapidly over the last decade, with new technologies, regulatory enhancements, and an increasing focus on risk management. The market remains small in comparison to other South Asian countries, but it has seen steady growth.

Key Features of the Current Market:

- **Digital Insurance Platforms:** The rise of digital and mobile technology has transformed the way insurance products are distributed in the Maldives. Insurers have started using digital platforms to reach customers, process claims, and offer policy renewals. Given the geographic challenges of the Maldives, with its dispersed islands, digital services have proven essential in expanding insurance coverage to remote areas.
- **Regulatory Enhancements:** The Maldives Monetary Authority (MMA) has continued to strengthen the regulatory framework governing the insurance market. New regulations have been introduced to improve solvency margins, capital adequacy, and consumer protection. The MMA also monitors the market to ensure compliance with international insurance standards.
- **Marine and Aviation Insurance:** Given the importance of tourism, trade, and transportation, the demand for marine and aviation insurance has remained high. Insurers offer coverage for boats, yachts, fishing vessels, and commercial aircraft, which are integral to the Maldives' economy.
- **Microinsurance Initiatives:** In recent years, there has been a growing focus on financial inclusion in the Maldives. Microinsurance products, designed to be affordable and accessible to lower-income populations, have been introduced to provide coverage for basic health, life, and property risks. These products target small-scale farmers, fishers, and rural households, helping them mitigate risks associated with their livelihoods.
- **Risk Management for Climate Change:** The Maldives remains at the forefront of discussions on climate change, particularly the threat posed by rising sea levels. Insurers are increasingly involved in offering solutions for climate risk management, including policies that cover infrastructure damage due to flooding, coastal erosion, and extreme weather events. There is also a growing demand for business interruption

insurance, which is particularly important for resorts and tourism-related businesses that are vulnerable to climate shocks.

- **Corporate and Construction Insurance:** With the growth of infrastructure projects, particularly those related to tourism development, there has been an increasing demand for corporate insurance products. Construction insurance, liability insurance, and property coverage for new resorts, airports, and harbors are essential as the country continues to attract foreign investments.

Insurance Supervision:

Insurance Regulator

The insurance industry of Maldives is regulated and supervised by Maldives Monetary Authority MMA

In accordance with the provisions of the Presidential Decree no 2002/6 dated 16th January 2002, the Maldives Monetary Authority (MMA) as the designated competent authority has sole responsibility for the regulation and supervision of the insurance industry. The Maldives Monetary Authority (MMA) is the central bank and the main regulator of the financial sector in the country. Established in 1981, the MMA derives its scope, regulatory powers, and mandate from the 1981 MMA Act. The MMA performs the functions of state management for currency, banking activities and foreign exchange; performs the central bank functions for issuing money, bank of credit institutions and providing monetary services to the government. It supports government's monetary policy; ensures the safety of banking operations and the system of credit institutions; ensures the safety and efficiency of the national payment system; and contributes to promoting socio-economic development. The MMA is responsible for supervising the insurance market in the country. It has the power to grant and withdraw licenses and has the authority to issue the regulatory framework (decrees, circulars and decisions) which provides guidelines for insurers and intermediaries, covering both the life and non-life insurance, as well as Takaful segment.

In this regard the MMA has the power to:

a) Make further orders and regulations to give full effect to the provisions of these regulations;
b) Amend or revoke any such orders and regulations;
c) Impose sanctions, fines and penalties on authorised undertakings, insurance agents and insurance brokers. And where appropriate its directors and officers for contraventions or violations of the provisions of these regulations;
d) Prescribe the level of fees that should be paid by an undertaking or intermediary to the MMA for the regulatory and supervisory services it provides;
e) Prescribe who can write insurance business or act as market intermediaries (for those who write insurance business), in the State and the basis on which an authorisation to do so shall be granted;
f) Attach conditions to the granting of an authorisation;
g) Prescribe the returns and documents to be submitted by the holder's of an authorisation to write insurance, reinsurance or act as an intermediary and request any additional information as may be required;
h) Require any return or document submitted by an undertaking, agent or broker to be attested by a person of professional standing specified by the MMA. And where appropriate by the directors and such officers of the insurance undertaking, agency or brokerage as the MMA may prescribe;
i) Require that any such return or document shall be published in such a manner as the MMA sees fit;
j) Gather, collect and disseminate in whichever way it deems appropriate, data, statistics and financial information on the insurance sector in the Maldives;
k) Make orders and regulations concerning the books and records to be kept by authorised undertakings and intermediaries;
l) Make further regulations concerning the manner in which the insurance undertaking is managed; and

The MMA may make further regulations for the proper exercise of its supervisory function over insurance undertakings and market intermediaries under these regulations, in respect of the following:

a) The calculation of technical or mathematical reserves representing underwriting reserves;
b) The minimum level of capital to be maintained by an insurance undertaking;
c) The valuation of assets of an insurance undertaking;
d) The nature and spread of assets representing underwriting liabilities and the localisation and matching of such assets;
e) The calculation of underwriting liabilities;
f) The level, nature and extent of all reinsurance arrangements entered into by an authorised undertakings including information that undertakings must supply in respect of their reinsurance arrangements;
g) The prohibition or limitation of investments of a specified class or description;
h) On-site inspections;
i) The percentage of distributed surplus to policyholders;
j) The designation of certain classes of insurance as compulsory insurance and the prescription of any conditions and general provisions that should apply to such compulsory insurance;
k) The establishment and imposition of maximum or minimum tariff rates and premiums for any class of insurance business;
l) The imposition of penalty technical provisions;
m) Policy conditions;
n) The level of premiums;
o) The payment of commissions; and
p) The level of fees charged by insurance undertakings and intermediaries.

❖ Key Insurance Legislations & Regulations:

The insurance industry is regulated by the MMA under the powers provided to it in the MMA Act of 1981. The Insurance Industry Regulation of 2004 and insurance guidelines set out specific criteria for authorization and other regulatory requirements to undertake business as insurers and insurance intermediaries in the Maldives.

The legal framework for insurance business activities in the Maldives is being improved, moving towards compliance with international standards of regulation, management, and supervision of insurance business activities. Currently, there is no dedicated law on insurance in the Maldives. The insurance companies are licensed and operating under the primary law of 1981 MMA Act. This, however, comes with limitations both for MMA to effectively regulate the insurance entities as well as the industry which is yet to flourish due to limitations under the current legal framework.

❖ Types of licenses issued in the Maldivian insurance industry

The different types of insurance licenses issued in the Maldivian insurance industry are licenses for life or non-life insurance business, license for reinsurers, composite insurance, and license for intermediaries.

Licenses for life or non-life insurance business in the Maldives

Under this, insurers provide life insurance licenses for different types of life insurance and non-life insurance licenses for aircraft insurance, vessel insurance, goods-in-transit insurance, legal expenses insurance, assistance insurance, personal accident insurance, and so on.

License for reinsurers in the Maldives

Reinsurers are insurance companies that sell insurance policies to other insurance companies, protecting them from the risk of unexpected financial losses. A reinsurer is not permitted to operate in any type of insurance business in the Maldives, without the permission of the MMA.

Composite insurance license in the Maldives

Specific provisions on the issuance of a license for the operation of a business in both life and non-life insurance classes are not stipulated in the Insurance Industry Regulation. However, with the enactment of the new Insurance Supervision Act, composite insurance licenses will not be issued in the country by the MMA. In addition, composite insurers operating at present must separate their life business from the non-life business after the enactment of this act within a timeframe as stipulated in the act.

License for intermediaries in the Maldives

Intermediaries act as distributors of insurance or reinsurance products and services. An intermediary sells, solicits, or negotiates insurance contracts with customers on behalf of firms for compensation. Intermediaries also counsel customers and provide advice on various insurance products. Insurance agents, brokers, risk managers, insurance investigators, and claims-settling agents also operate as intermediaries

- Most of the insurers in the country are licensed as non-life (general) insurers, although a single insurer has been licensed to conduct life insurance services and has been transacting life insurance business.

- Insurance in the Maldives is distributed through both direct and indirect channels. Most of the insurance companies have a traditional-style network of offices/branches mainly in the Capital City. The indirect distribution channel is through intermediaries including agents and brokers. Certain emerging distribution channels, such as bancassurance, are also now being used by insurers. However, the insurers generally rely on the agent networks with a direct outreach to the insurance customers. This provides an added advantage as the small businesses and customers can access insurance services across the country. The online distribution channel is developing in the Maldives, yet it is necessary to develop new platforms for this activity.

- MMA reported that the average risk retention of the Maldives' insurance industry has remained at 34.8% over the last five years, with an average net claim ratio of 43.5% and the net combined ratio of 72.7%. There is a wide range of products and classes of insurance provided by the Maldives' insurers, from motor to property to marine. However, a few insurers also specialize in specific products for example customized covers for tourist resorts.

- Most of the insurers invest in safe and short-term investments, mainly in fixed term deposits held with various with depository corporations, securities and equity markets. Investments in stocks and bonds are not uncommon, though stock investments are more common in blue-chip companies, despite investments in such equities being less liquid in the Maldives. The solvency regulations are yet to be issued by the regulator, thus currently there are no investment limits on the proportion of investments to insurer's equity in terms of the allocation of assets in each portfolio.

- There is no locally domiciled reinsurance company in the Maldives. Depending on the insurance company and type of insurance lines, the reinsurance cession ratio ranges from 10% to 90%, though the average retention ratio has remained 35% over last five years. There is a wide variety of prominent international reinsurers doing business in the Maldives for large scale insurance products, though there is a lesser reliance on reinsurance in small-scale retail insurance products as these are usually retained by the local primary insurers.

- As there are no solvency regulations and insurers do not have any restrictions to retain specific levels of risk or maintain a specific percentage of equity. Therefore, it cedes to the reinsurers as part of their own risk management strategy.
  Generally smaller risks are retained by the local insurers but there is no standard pattern. Reliance on reinsurance varies from company to company. Stop-loss reinsurance arrangement is not common but some companies are using it. About 70% of reinsurance premiums are ceded in the form of treaty while remaining are in the form of facultative reinsurance.

❖ The Regulatory provisions govern the insurance sector in Maldives:

- *Regulations*
  - Insurance Industry Regulations (2004)
  - Regulation for Life Insurance Business and Family Takaful Insurance Business on Prevention of Money Laundering and Financing of Terrorism
  - Regulation for the Provision of Annuity by Insurance Companies
  - Regulation on Charges and Fees Payable by Financial Institutions
  - Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies
  - Risk Management Guidelines for Banks, Finance Companies and Insurance Companies

- *Register Of Insurance Providers*
  - Register of Insurance Companies
  - Register of Insurance Intermediaries

- *Licence Application Forms*
  - Application Form for Insurance Agents
  - Application Form for Insurance Brokers

- *Insurance Guidelines*
  - Guideline on Prudential Requirements for Insurance Undertakings
  - Guidelines for the Administration of Insurance Agents – 2010
  - Guidelines for Insurance Brokers 2011
  - Guidelines on Fit and Proper Criteria for Insurance Undertakings

- *Circulars*
  - Fitness and Propriety Assessments
  - Submission of Strategic Plan and Budget
  - Submission of quarterly returns
  - Capital Requirements and Compliance
  - Notifying MMA in the absence of CEO of the Insurer
  - Submission of Audited Financial Statements
  - Regulation on charges and fees payable by banks and financial institutions
  - Recruitment of Local Staff
  - Takaful operators ceding to conventional reinsurance
  - Insurance Policies in Relation to Banks' Products
  - Clarity in stating the premium figure
  - Aiding unauthorized insurance intermediaries in the sale of insurance policies

➢ Compulsory Insurances

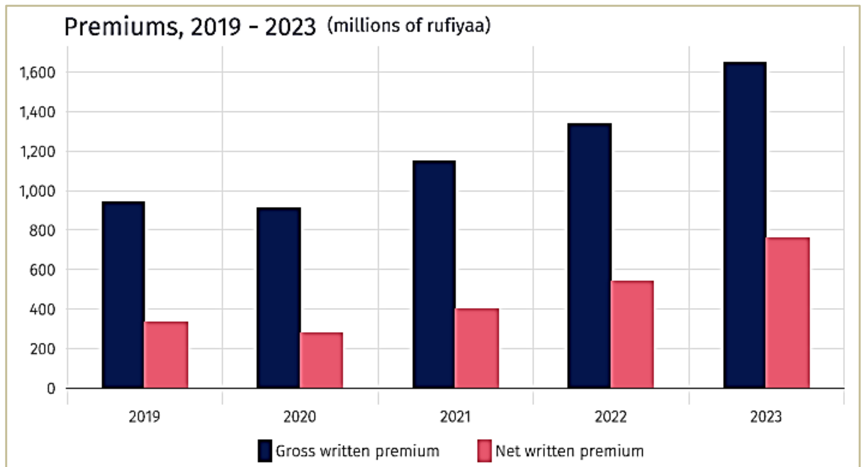
List of Compulsory Insurances

- Motor Third Party Liability
- Expatriates Health Insurance
- Fire and Allied Perils cover for hostels and guesthouses
- Hull – Minimum total loss cover including wreck removal

(B) MALDIVES: Insurance Market Statistics & Performance

Number of insurance companies:

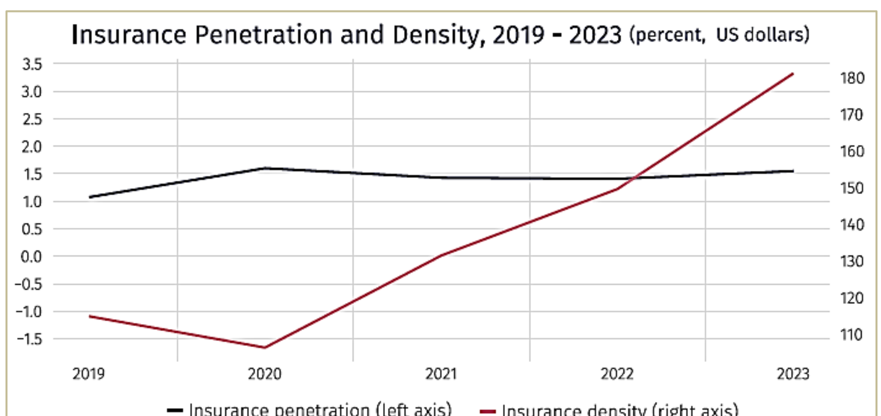
5 Insurance Companies, | **10** Insurance Brokers, and | **60** Insurance Agents.



Source: Maldives Monetary Authority
Note: Data for 2023 is from unaudited financial statements. Data for gross written premium includes reinsurance inwards.

During the year 2023, the general insurance sector exhibited robust performance and maintained sound prudential indicators. The volume of insurance policies sold saw an annual increase of 11%, as a result of which the GWP saw a notable increase GWP excluding inward reinsurance increased by 21% from the previous year, reaching MVR1.5 billion. Including inward reinsurance, the GWP increased by 23%, totalling MVR1.6 billion by year-end. With an NWP to annualised equity ratio of 99% and an equity to assets ratio of 30%, the insurance companies have maintained a robust level of capitalisation relative to the business they underwrite and retain.

The upsurge in GWP has led to a simultaneous increase in insurance penetration and density, recognized as pivotal benchmarks indicating the maturity of the insurance sector. Insurance penetration, represented as the ratio of GWP to GDP, and insurance density, a measure of GWP per capita, both experienced notable improvements.

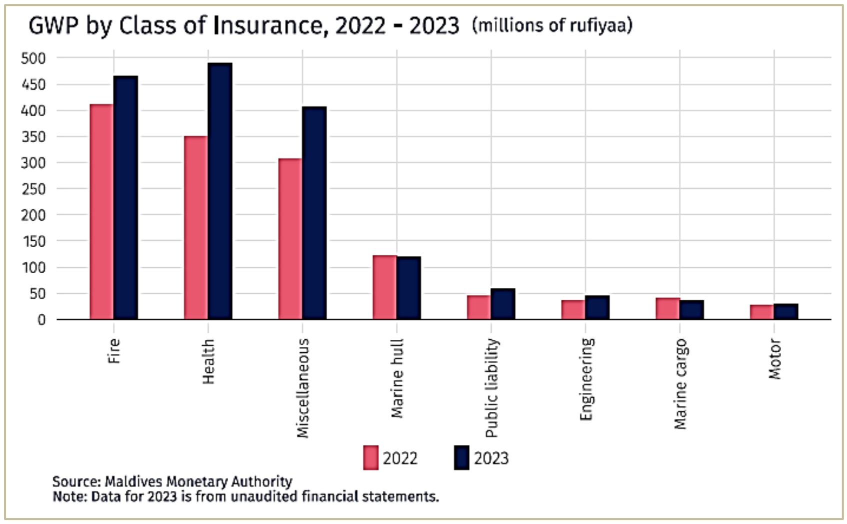


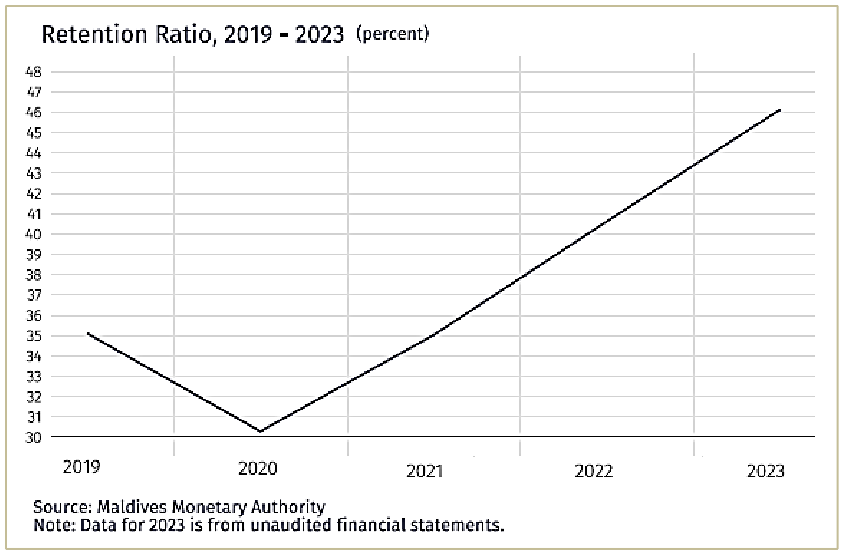
Source: Maldives Monetary Authority
Note: Data for 2023 is from unaudited financial statements.
Insurance penetration is GWP as a percentage of nominal GDP for the year.
Insurance density is ratio of total GWP to mid-year population estimate for the year.

In 2023, the insurance penetration for general insurance business stood at 1.5%, while the insurance density rose from US$149.6 to US$181.1 per capita. The significant increase in GWP in 2023 was primarily led by the health insurance class, which contributed to over 45% of the GWP growth, and increased by MVR140.2 million (40%), continuing the upward trend observed in the past two years. This growth was mainly driven by insurers' adjustments in pricing to reflect the rising costs of healthcare services.
Additionally, fire insurance, contractors' all risk, and public liability classes also saw moderate year-on-year increases in GWP, totaling MVR53.3 million, MVR14.6 million, and MVR13.2 million, respectively.

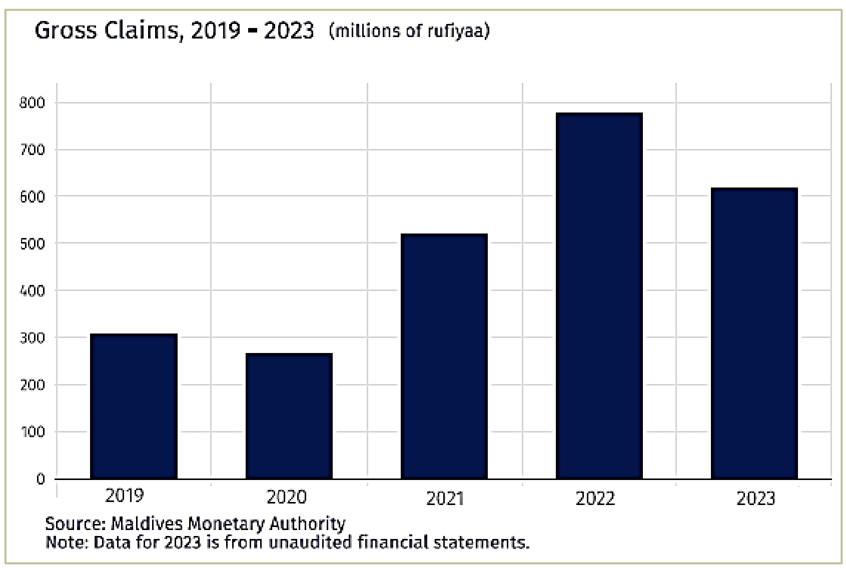
In 2023, the health insurance class accounted for the largest share of the total GWP distribution at 30%, followed by fire insurance at 28%, and marine insurance at 10%.

The retention ratio, measured by the NWP relative to GWP, serves as a key indicator of the extent of reinsurance utilised. This ratio varies based on the lines of business, reflecting diverse risk levels and insurers' corresponding risk appetites. Typically, insurers opt to retain a smaller fraction of premium for classes of insurance with a higher claim's volatility, while retaining a larger percentage for those with lower volatility. Throughout the year, the retention ratio for the general insurance industry experienced growth from 41% to 46%. The significant increased premiums in the health insurance class, which typically has a high retention ratio, amounting to 98% in 2023, was the primary contributor towards this increase.





In 2023, there was a notable decrease of MVR153.9 million (20%) in the aggregate gross claims compared to the previous year. However, the net incurred claims, which represent the claims burden borne by local insurance companies after reinsurance adjustments, saw a substantial increase of MVR171.1 million (63%) compared to 2022. This increase in net incurred claims in contrast to the trend of gross claims is primarily due to the increase in claims from the health class, which is almost entirely borne by the local insurers. The increase in health claims is largely attributed to medical inflation.

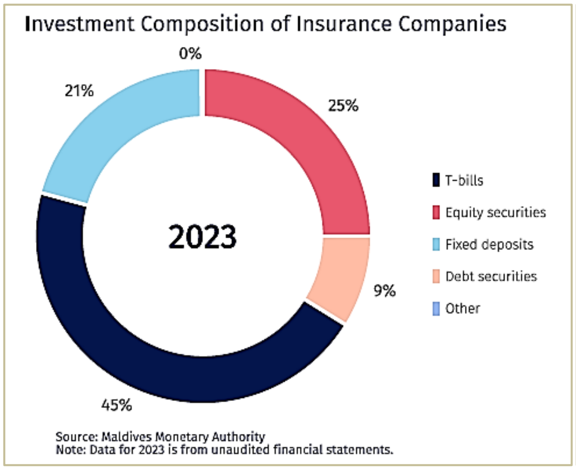


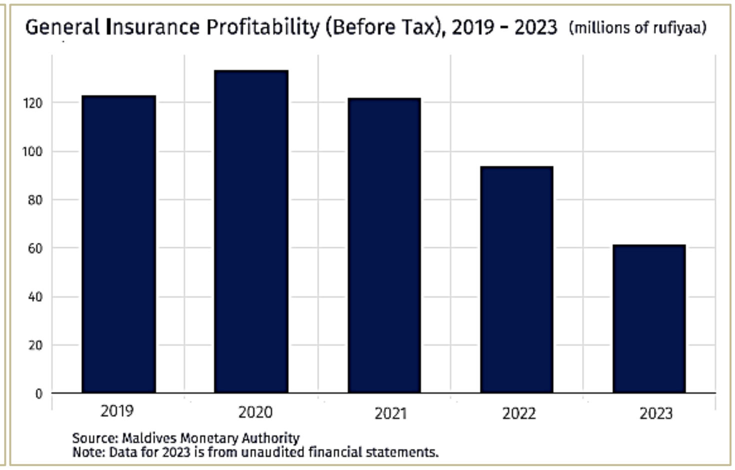
In terms of the asset composition of the general insurance industry, investments constituted 32% of total assets, with reinsurance recoverable and premium receivables comprising 19% and 13% of assets, respectively. At the end of 2023, the majority of insurance companies' investments was in local treasury bills, equity securities, and fixed deposits, accounting for 45%, 25%, and 21% of total investments, respectively. The absence of Shari'ah-compliant investment instruments has resulted in a significant portion of Takaful funds being invested in fixed deposits.

The net loss ratio, calculated by dividing net incurred claims by net earned premium, is a key indicator of underwriting profitability, and the ratio increased from 58% in 2022 to 66% in 2023 for the general insurance industry, indicating reduced profitability on account of increased net claims. In addition, underwriting expenses increased year-on-year as well, contributing further to the decline in profitability.

As a result, pre-tax profits of the general insurance sector decreased by 35% to MVR 61.0 million.

Key profitability ratios, ROA and ROE, stood at 1.9% and 6.5%, respectively.





MALDIVES MONETARY AUTHORITY

Top Life Insurance Companies in the Maldives (2022 & 2023)

1. **Allied Insurance Company of the Maldives Ltd:** Leading life insurer in the Maldives, offering a range of life insurance and pension products.
2. **LIC (Life Insurance Corporation) Maldives Pvt. Ltd:** A key player with strong growth in life insurance policies, offering traditional life, endowment, and unit-linked insurance products.
3. **Dhivehi Insurance:**: Emerging player in the life insurance sector, focusing on individual and group life insurance solutions.
4. **Amana Takaful Maldives (Family Takaful):** Provides Shariah-compliant life (family Takaful) insurance products, catering to the Islamic insurance market segment.
5. **Maldives Islamic Bank (Takaful Unit):** Focuses on Islamic life insurance products, growing its presence through bancassurance channels.

Top Non-Life Insurance Companies in the Maldives (2022 & 2023)

1. **Allied Insurance Company of the Maldives Ltd:** Dominant player in non-life insurance, offering comprehensive coverage in motor, property, marine, and health insurance.
2. **Amana Takaful Maldives (General Takaful):** Leading provider of Shariah-compliant general insurance (Takaful) products, covering motor, property, and health insurance.
3. **Dhivehi Insurance:** Rapidly expanding in the general insurance market, focusing on motor, travel, and property insurance.
4. **State Trading Organization (STO) Insurance:** Strong presence in corporate and marine insurance, catering to large-scale commercial clients.
5. **LIC (Life Insurance Corporation) Maldives Pvt. Ltd:** Expanding its portfolio to include some non-life products, primarily focusing on health and travel insurance.
6. **MIB Insurance:** Provides specialized non-life insurance solutions, particularly in property and casualty.

➢ Key Market Insights (2022 & 2023)

- **Allied Insurance Company of the Maldives Ltd.** remains the dominant player in both life and non-life insurance segments.
- **LIC Maldives Pvt. Ltd.** has a strong foothold in life insurance but is also diversifying into health and travel insurance.
- **Amana Takaful Maldives** is focusing on growing its Takaful products, catering to the Islamic insurance market.
- Emerging players like **Dhivehi Insurance** and **MIB Insurance** are increasing their market share in niche segments.

❖ Challenges and Opportunities

While the Maldives insurance market has shown steady growth, several challenges remain:

- **The lack of a comprehensive insurance act** is a major obstacle. Implementing a robust insurance law would enhance industry transparency and consumer protection. The current draft law includes provisions for a consumer complaints process and the establishment of an Insurance Ombudsman for dispute resolution. Additionally, introducing legislation on Takaful would provide a fair regulatory framework for Takaful operators and address issues such as mandatory deposit requirements.

- **The need to develop local loss adjustment capacity** due to the scarcity of insurance loss adjusters, which poses a significant challenge to local risk management. This issue is exacerbated during insurance claim events, such as marine salvage operations, where the limited availability of local salvage operators can lead to disproportionately high claim costs for insurers.

- **The need to raising insurance awareness and education is crucial**, especially in areas like agricultural insurance and disaster risk insurance. Development partners, such as UNDP, can support these efforts by partnering with insurance companies and engaging with stakeholders in the tourism sector, agriculture, and island associations.

- **Low Insurance Penetration:** Insurance penetration remains relatively low compared to more developed markets. Public awareness of insurance products, particularly life and health insurance, is limited, especially outside urban centers.

- **High Reliance on Foreign Reinsurers:** Due to the small size of the domestic market, local insurers rely heavily on foreign reinsurers to cover large risks, particularly in the tourism and marine sectors. This reliance exposes the market to global reinsurance pricing fluctuations.

- **Climate Change Risks:** The Maldives is not one of the most disaster-prone countries globally, but it is highly vulnerable to climate change risks, which are increasing worldwide. Key threats include rising sea levels, saltwater intrusion, unpredictable flooding, and storm surges. Coastal flooding is a frequent cause of economic loss, especially since most of the population and assets are located in low-lying coastal areas. Climate change will significantly impact sectors like tourism, fisheries, agriculture, and water resources. Coastal erosion and saltwater intrusion will threaten tourism, agriculture, and water supplies.
  - ***The Maldives tourism industry*** is focusing on adaptation initiatives to address the risks posed by climate change and resource overexploitation from unsustainable tourism. As part of a fifth tourism master plan, the Ministry of Tourism emphasizes the importance of climate risk insurance to ensure the long-term sustainability of the industry. Currently, in the absence of such insurance, the Ministry manages contingencies through a trust fund, overseen by a committee from the Ministry of Finance and Ministry of Home Affairs. Rather than replacing the trust fund, the plan proposes using it to pay insurance premiums, reducing the need to cover full recovery costs from damages or losses directly.
  - ***Credit and financial risers***: The Maldives tourism industry faces financial risks due to vulnerabilities in the global tourism supply chain. A key example is the collapse of UK tour operator Thomas Cook, which left a large number of tourists stranded in the Maldives and resulted in unpaid bills to several resorts. This incident highlights the need for insurance and risk transfer solutions to protect both

tourists and the long-term sustainability of the industry. Such measures would help mitigate the financial impact of similar disruptions in the future.

- ***Fire, property and third-party risks:*** In the Maldives, where the economy heavily relies on tourism, there is a growing opportunity in guest houses, safaris, and homestays. However, these small but expanding businesses lack adequate insurance products to protect against risks like fire, property damage, and third-party liabilities. While some resorts have invested in risk reduction measures like seawalls, smaller businesses located near shorelines lack the resources for such costly adaptations, making them more vulnerable to adverse impacts. This underscores the need for tailored insurance solutions for these businesses.
- ***Professional indemnify:*** Tour operators in the Maldives face substantial risks that highlight the need for professional indemnity or liability insurance. Clients often experience setbacks in their travel plans due to factors beyond the operators' control, leading to costly consequences for the operators. Insurance is essential to cover these professional liabilities. Additionally, bundling travel insurance with tourism packages can protect travelers from cancellations or uncontrollable events, such as bad weather delaying seaplanes and causing missed onward flights. A national-level insurance scheme is recommended to protect the tourism sector's viability and reduce the financial burden on both operators and clients.
- ***Public and private assets:*** Disasters can have severe consequences for both public and private assets, but the loss of public infrastructure, particularly in critical sectors like energy, can have far-reaching impacts on the public. The Maldives' current strategy for financing the reconstruction of public assets is event-dependent and linked to its fiscal capacity. There is a need for compulsory disaster risk insurance for public assets, especially critical infrastructure. A government decree, developed in collaboration with the Ministry of Finance (MoF), National Disaster Management Authority (NDMA), and the Maldives Monetary Authority (MMA), would help address gaps in disaster risk insurance.
  A comprehensive database of public assets, including financial valuations, is crucial for decision-making, determining exposure, and setting insurance premiums. This would also aid in developing a national insurance portfolio for public assets, enabling economies of scale and lower insurance premiums. Insurers should provide technical assistance to public entities in designing disaster and climate insurance coverage. The government must prioritize assets for protection, and insurers need access to adequate data and tools to calculate premiums.
  Moreover, standardized property insurance policies should be developed with insurers and reinsurers to identify public property risk exposure and insurance needs. Budgetary allocations for insurance premiums should be institutionalized, ensuring disaster and climate risk insurance is included in government expenditures and planning. This approach will support cost-effective and long-term risk management.
- ***Agriculture insurance:*** Developing sustainable agriculture insurance solutions is essential for ensuring food security and agricultural sustainability. Despite the absence of agriculture insurance, it remains a key area for development, particularly in crop, livestock, and fisheries sectors. However, insurers and reinsurers have not explored this market due to limited risk assessment skills and a lack of understanding of farmers' needs. One effective way to promote agriculture insurance is through local distribution channels, such as island associations, which are close to farmers. A risk assessment of farmers is needed to offer suitable insurance products linked to existing services they use. Insurers and reinsurers also require support in terms of tools and capacity to calculate premiums and design appropriate products with minimal exclusions. To encourage farmers, many of whom are low-income earners, government subsidies will be essential in the short and medium term. However, for long-term sustainability, these "smart subsidies" should focus on reducing transaction costs and facilitating product delivery. Support from development partners will be crucial for the success of these initiatives.

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