

CONSULTATION PAPER AUGUST 2025

Proposed Amendments to the Regulation of Insurance Industry Act No. 43 of 2000



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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1. Introduction

The Regulation of Insurance Industry Act, No. 43 of 2000 ("RII Act") serves as the principal statutory framework governing the regulation, supervision, and oversight of insurers and insurance intermediaries in Sri Lanka. It establishes the legal foundation for the powers and functions of the Insurance Regulatory Commission of Sri Lanka (Commission), setting out the obligations, standards, and enforcement mechanisms applicable to regulated persons coming under the purview of RII Act.

Since its last amendment in 2017, the insurance industry has expanded increasing complexity with more companies coming into the market as insurers and intermediaries, diversified requirements of consumers and the different market practices being adopted by the market players. Over this period, global regulatory standards and market practices have evolved significantly in the context of digital environment. Consequently, certain provisions of the RII Act have become no longer align with contemporary regulatory requirements and best practices of the industry. Application of the ICPs to the prevailing legal framework of Sri Lanka has become relevant than ever in the said circumstances, which is also considered in the draft amendments to the RII Act.

Further, the Ministry of Justice of Sri Lanka had established a dedicated team in the name of Insurance Law Review Committee in 2023 with the intention of revamping the insurance and regulatory laws of Sri Lanka in line with the international standards by replacing the RII Act with a new law. The Committee was working on different aspects of insurance regulations with the views of various stakeholders of the insurance industry, including insurers, the regulator, legal practitioners, Hon Attorney General, the Legal Draftsman, health sector participants etc. The Committee is currently inoperative, however, the amendments reviewed by the Committee regarding Part I of the existing RII Act de incorporated in the proposed amendments to the RII Act.

The present attempt focuses only on amending certain selected areas of the RII Act, rather than replacing the entire RII Act, and therefore, the areas that require priority were recognized for the proposed amendment of the RII Act.

In view of the above, the Commission, at its 264th meeting held on 24th July 2025, has decided to amend the RII Act to address selected areas on priority basis. Accordingly, following requirements were addressed in the proposed amendments to the RII Act:

1. Amendments regarding transferring the unclaimed benefits of the insurers to a separate special fund of the Commission.
2. Include confidentiality provisions in respect of information sharing in line with ICP 3.
3. Include provisions to impose penalties on the regulatees for selected non-compliance.
4. Amend the second schedule to permit the Commission Members and employees of the Commission to be appointed as Directors of Insurers in a reduced period of time than 3 years as previously decided by the Commission.
5. Amendments to expand the scope of disqualifications for being a director of an insurer in line with the fit and proper requirements.
6. Incorporate the amendments drafted through the Insurance Law Review Committee to Part 1 of the Act – ICP 1 and 2.

together with necessary amendments to the RII Act to facilitate the above amendments.

The Commission considered the current market practices in Sri Lanka, legal frameworks of other selected jurisdictions and observance of relevant ICPs in proposing the amendments to the RII Act regarding the above areas.

In view of above, the Commission intends to call for public views/comments/suggestions on the proposed amendments prior to following the formal procedure to give effect to the legal provisions in the proposed amendments.

The proposed amendments to the RII Act are attached hereto as **Annexure A**.

2. Objective and Scope of the Proposed Amendments

The proposed amendments introduce significant revisions to key areas of the RII Act, including provisions on unclaimed benefits, administrative penalties, confidentiality and disclosure requirements, fit and proper criteria for regulated individuals and entities, amendments to the First schedule of the RII Act and amendments to the Part 1 of the RII Act. While these amendments do not constitute a complete revamping of the RII Act, they affect greater portion of the substance of the RII Act and are intended to strengthen the regulatory framework in line with international standards, including ICPs, and evolving industry practices.

2.1 Objectives of the proposed amendments

Area of the proposed amendment	Objective for the proposed amendment
Amendments regarding transferring the unclaimed benefits of the insurers to a separate special fund of the Commission	<p>Upon observing that long term insurers have considerable amounts of money in their accounts as unclaimed benefits by the policyholders/beneficiaries, the Commission issued Direction # 18 dated 22nd February 2018 to all insurers who carry on long term insurance business prohibiting them from transferring any unclaimed benefits to shareholders, with effect from financial year ended 31st December 2018, and further to record the same as a liability in the Long Term Insurance Fund Balance Sheet as "unclaimed benefits", until the Commission issues guidelines on same.</p> <p>The Commission is now in the process of formulating Directions to the long-term insurers to transfer such unclaimed benefits to the Commission in the manner stipulate therein. However, there is no enabling provision in the RII Act with regard to transferring unclaimed benefits to the Commission.</p> <p>Hence, the Commission intends to formulate provisions enabling such transfer of money to a special fund created by the Commission.</p>
Include confidentiality provisions in respect of information sharing in line with ICP 3.	<p>Section 5(dd) of the RII Act empowers the Commission for entering into any bi-lateral or multi-lateral memorandum of understanding pertaining to the sharing of subject to information, with any local or foreign person. However, the confidentiality requirements pertaining to such information sharing have not been addressed sufficiently to facilitate collaboration with international entities for information sharing. ICP 3 too requires such provisions to be incorporated in the legal framework.</p> <p>Therefore, the proposed amendments intends to include confidentiality provisions regarding information sharing.</p>

Include provisions to impose penalties on the regulatees for selected non-compliance.	The existing RII Act does not contain provisions for imposing penalties to its regulatees, instead it has provisions for imposing fines and/or imprisonment after conviction. In light of ICP 10, provisions in the other jurisdictions and considering the process difficulties in imposing fines, the Commission intends to introduce administrative sanctions including penalties and amalgamating other sanctions such as suspension/cancellation of registration and issuing directions under a separate Part of the RII Act, by these proposed amendments.
Amend the second schedule to permit the Commission Members and employees of the Commission to be appointed as Directors of insurers in a reduced period of time than 3 years as previously decided by the Commission.	There is a dialogue to relax the existing 3 years' restriction of Commission members and staff of the Commission to be appointed as Directors of insurers, and this amendment to the second schedule of the RII Act intends to reduce the time bar from 3 years to 1 year.
Amendments to expand the scope of disqualifications for being a director of an insurer in line with the fit and proper requirements.	In observance of the ICP 5 on fit and proper criteria for the Board Member, Senior Management, and Key Persons performing control functions and a Significant Owner of an insurer or insurance broker, the Second Schedule of the RII Act will be amended to extend its application to all the above parties and to extend the applicability to brokers.
Incorporate the amendments drafted through the Insurance Law Review Committee to Part 1 of the Act – ICP 1 and 2	Part 1 of the RII Act is intended to be amended in line with the ICP 1 and ICP 2 as reviewed by the Insurance Law Review Committee. These amendments intend to improve the powers, constitution, objectives and functions of the Commission to strengthen same for better regulation of the insurance industry.

2.2 Scope of the proposed Amendment Act

The scope of the proposed amendments will be restricted to study of few selected jurisdictions, selected laws of Sri Lanka covering similar legal requirements and the relevant ICPs addressing the areas given above. This attempt does not extend to any other research or publications.

3. Justification of the proposed amendments

Amendments regarding transferring the unclaimed benefits of the insurers to a separate special fund of the Commission

Related existing provisions

There is no enabling provision in the RII Act regarding unclaimed benefits. However, IRCSL has issued Direction # 18 dated 22nd February 2018 to all insurers who carry on long term insurance business prohibiting them from transferring any unclaimed benefits to shareholders, with effect from financial year ended 31st December 2018, and further to record the same as a liability in the Long Term Insurance Fund Balance Sheet as "unclaimed benefits".

Respective ICP

There is no specific ICP available for this matter.

Available provisions in the other jurisdictions

India

- According to Insurance Regulatory and Development Authority of India (IRDAI) guidelines, any amount payable by an insurer (such as death benefits, maturity proceeds, survival benefits, etc.) that remains unpaid **for more than 12 months** from the due date is classified as "**unclaimed money.**"
- Insurers are mandated by IRDAI to publish details of unclaimed amounts on their websites. This includes names of policyholders or beneficiaries, policy numbers, and the amount due.
- Policyholders or beneficiaries can search online using basic details (like name and policy number) to trace unclaimed funds. Insurers are also directed to proactively reach out to policyholders using available contact details.
- If money remains unclaimed for more than 10 years from the date it became due, it is then **transferred to the Senior Citizens' Welfare Fund (SCWF)** managed by the Government of India. Even after transfer, beneficiaries retain the right to claim the amount by approaching the insurer with appropriate documents.

Singapore

- In Singapore, the Life Insurance Association (LIA) has an online portal '**Register of Unclaimed Life Insurance Proceeds**' was established in January 2016. This online register allows the public to search for unclaimed life insurance proceeds, including those from individual life and accident & health policies that have remained unclaimed for over 12 months. The register is updated biannually and aims to facilitate the identification and collection of outstanding payouts.

- This register is publicly accessible, allowing individuals to search for potential unclaimed proceeds. If a match is found, claimants are advised to contact the respective insurer directly to initiate the claims process.
- While the register aims to provide transparency, certain insurers have opted not to display unclaimed proceeds on their websites due to data protection concerns. Therefore, in view of the confidentiality of data, the Register of Unclaimed Life Insurance Proceeds has been permanently removed from 2021.

Malaysia

- In Malaysia, unclaimed insurance proceeds are managed under the **Unclaimed Moneys Act 1965 (Act 370)**.
- Insurance companies are required to report unclaimed amounts to the registrar (appointed by the minister in terms of Section 9 of the Unclaimed Moneys Act 1965) annually by the end of March.
- The Registrar shall credit to the Consolidated Trust Account all unclaimed money which has been lodged with him.
- If unclaimed money in the Consolidated Trust Account is not claimed within 10 years (Previously 15 years, amended in 2024), it will be moved to the Consolidated Revenue Account.
- Individuals can search for and claim unclaimed funds through the online portal '**eGUMIS**', or by visiting any State Accountant General's Department counter.
- Any person can make an enquiry into the existence of unclaimed moneys belonging to him with the Registrar on payment of a prescribed fee.

Available provisions in the other laws of Sri Lanka

- Banking Act Directions No. 5 of 2009 - 90% of the monies reported as abandoned property identified by Licensed Commercial Banks should be transferred to a special account in the Central Bank after 10 years. Where any claim received by the Bank should be paid from the retained 10% and any excess claim payments made over and above the 10%, may be reimbursed from the monies transferred to the Central Bank.
- Finance Business Act, No. 42 of 2011 – Dormant deposits which were lying with the company for 10 years shall be transferred to a special account in the Central Bank.
- National Savings Bank Act, No. 25 of 1995 as amended – Deposits which are lying with the NSB for more than 10 years without any transactions shall be transferred to Unclaimed Deposits Fund of the Bank, which may be paid to any claimant upon verification of the claim.

The gap identified

There is no provision in the RII Act empowering IRCSL to establish a separate fund and to maintain the same for these purposes.

Include confidentiality provisions in respect of information sharing as per ICP 3 and amendments to the First Schedule of the RII Act

Related existing provisions

- There is no enabling provision in the RII Act regarding confidentiality.
- Section 5 of the RII Act - (Powers, duties and functions of the Commission).

5(dd) enter into any bi-lateral or multi-lateral memorandum of understanding pertaining to the sharing of subject to information, with any local or foreign person

Respective ICP

ICP 3 requires the supervisor (i.e. regulatory bodies such as IRCSL) to obtain information from, and shares information with, relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

Available provisions in the other jurisdictions

India

- IRDAI (Sharing of Confidential Information concerning domestic or foreign Entity) Regulations 2012;
- Section 15 of the IRDAI Regulations, 2024- privacy and confidentiality of policyholder information

Singapore

- Monetary Authority of Singapore-Code of Conduct
- MAS Privacy Policy Statement

European Union

MoU between European Securities and Markets Authority & MAS - Article 7 provides for Confidentiality and onward sharing of information

Available provisions in the other laws of Sri Lanka

- *Public Utilities Commission of Sri Lanka Act, No. 35 of 2002*
- *Central Bank of Sri Lanka Act, No. 16 of 2023*
- *Securities Exchange Commission Act, No.19 of 2021*
- *Right to Information Act, No. 12 of 2016*
- *Personal Data Protection Act, No. 9 of 2022*

Available provisions in the internal documents of IRCSL

- *IRCSL Administration Manual*
- *Code of Ethics*
- *Communication Policy*

The gap identified

There is no provision in the RII Act directly dealing with confidentiality nor sharing and receiving of information. Therefore ICP 3 should be complied with by introducing such provisions to the RII Act.

Include provisions to impose penalties on the regulatees for selected non-compliance

Related existing provisions

- There are no provisions to deal with imposing penalties in the RII Act. Instead, the RII Act provides for imposing fines upon conviction after summary trial before a Magistrate as given in sections 54, 57, 67, 90, 91, 92 and 92A of the RII Act.
- The RII Act provides for cancellation/suspension of license of insurers on the grounds specified in section 18 of the RII Act.
- Further, it provides for issuing directions to insurers in terms of section 57(1) and issuing directions in lieu of cancellation or suspension of registration of insurers or brokers in terms of section 18(7).
- The Enforcement Procedure of IRCSL issued by Circular # 2 of 2024 provides for sanctions such as warning, removal of the Principal Officer, reprimanding the Board of Directors, without prejudice to any other enforcement mechanism available to the Commission by the RII Act.

Respective ICP

ICP 10 on Preventive measures, corrective measures and sanctions. In terms of ICP 10, the supervisor requires and enforces preventive and corrective measures; and imposes sanctions which are timely. Further, the supervisor should be able to impose a range of sanctions, which could be administrative, civil or criminal in nature. These can include the ability to impose fines, the ability to bar individuals acting in key roles from holding similar roles in future, and the ability to require remediation.

Available provisions in the other jurisdictions

India

Indian Insurance Act of 1938 provides penalties for breaches of the legal provisions and for actions such as withholding documents from the administrator, appointment of insurance agents in contravention of the law, acting as an intermediary without registering for the said purpose etc. This Act has provisions for penalties for each non-compliance in the Act itself.

Malaysia

The Financial Services Act of 2013 has provided for Administrative Actions for selected non-compliances including breaching of the provisions of the Act, regulations, Directions etc.

Available provisions in the other laws of Sri Lanka

- Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021 - Provides for imposing penalties to the regulatees as decided by the Commission, however, subject to a maximum of Rupees fifty million.

- Financial Transactions Reporting Act, No. 6 of 2006 - Under Section 19 (1) read together with section 19 (2), penalties are imposed on Institutions for non-compliance with the provisions of the FTRA. The penalty may be prescribed taking into consideration the nature and gravity of relevant non-compliance of the Institutions.
- Central Bank of Sri Lanka (CBSL) Act, No. 16 of 2023 - Section 107 of the CBSL Act provides administrative measures including fines on any person who contravenes any of the provisions of the said Act or any rule, direction or decision made or issued thereunder.

The gap identified

- The ICP 10 is largely observed (largely, but not fully, provided in the law and not in the practice) by the IRCSL according to the gap analysis conducted by us. This requires improvements of the legal provisions and ensuring practicing such provisions in enforcement actions.
- The provisions of the RII Act provide the power to impose fines after judicial proceedings, suspend/cancel licence, issue directions, etc. However, introducing the power to impose penalties would be practical and timely to enable preventive measures for possible non-compliances of the provisions of the RII Act.
- It is also observed that the provisions in sections 54, 57, 67 90, 91, 92 and 93 permits to refer matters to Magistrate's Court for imposing fines, and that such procedure has not been practically utilized to date. Therefore, imposing penalties for selected non-compliances would increase efficiency in sanctioning the regulatees.

Amend the second schedule to permit the Commission Members and employees of the Commission to be appointed as Directors of insurers in a reduced period of time than 3 years as previously decided by the Commission.

Amendments to expand the scope of disqualifications for being a director of an insurer in line with the fit and proper requirements.

Related existing provisions

- Second Schedule - Disqualifications for being a Director of an Insurer (mutatis mutandis applicable for principal officers and specified officers of insurers)
- Section 33 A – Appointment of Directors of insurers
- Section 32 – Appointment of Specified Officers
- Section 94 – Appointment of Principal Officers
- Direction No. 02 of 2023
- Determination 13

Respective ICP

- ICP 5 on suitability of persons captures Board Members, Senior Management, Key persons in Control Functions and Significant Owners to be and remain suitable for their respective roles.
- The suitability should be assessed periodically as well as at appointments.
- ICP 4 – Procedures for licencing may include assessment of suitability

Available provisions in the other jurisdictions

Singapore

Guidelines on Fit and Proper Criteria 2021 Singapore has identified the criteria for considering whether a relevant person is fit and proper include but are not limited to the following:

(a) honesty, integrity and reputation; (b) competence and capability; and (c) financial soundness.

Available provisions in the other laws of Sri Lanka

- Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021 - Guidelines on Fitness and Propriety issued by SEC has identified similar disqualifications as in RII Act. The said Guidelines are also applicable to Shareholders and/or ultimate beneficiaries, who are capable of exercising significant influence on the management of entities licensed and registered under the SEC Act.
- Central Bank of Sri Lanka Act, No. 16 of 2023 - By Banking Act Direction of 2019, Central Bank has published the Assessment of Fitness and Propriety of Directors of Licensed Banks in Sri Lanka. Here it has been mentioned that Directors shall submit the Affidavit annually, 15 working days before the Annual General Meeting of the respective licensed bank or by 31st March of each year, whichever is earlier. It was amended in 2024 by a way of a Determination and expand the fit and property Criteria to CEO and Officers performing Executive functions.

- Pertaining to reducing the number of years (3 years) restricting a member or an employee of the Commission to be appointed as a director, a member in the senior management, key person in control functions after serving the Commission, the Central Bank which has similar provisions in their Act (section 20) has not changed the said number of years in the new Act of 2023.

The gap identified

- In terms of the provisions of the RII Act, suitability required of Senior Management, Key Persons in Control, Significant owners have not been specified.
- There are no provisions for continuous assessment of the suitability of persons.
- The ICPs 5 and 4 are not fully observed by the IRCSL.
- The AML/CFT requirement of covering brokers under similar provisions is not addressed.
- According to a Commission decision it has been required to reduce the number of years (3 years) restricting a member or an employee of the Commission to be appointed as a director.

Incorporate the amendments drafted through the Insurance Law Review Committee to Part 1 of the Act – ICP 1 and 2.

Part I and the First Schedule of the RII Act was re-drafted by the Insurance Law Review Committee with the view of repealing the existing RII Act and to draft a new Act. However, as the current attempt is for amending the existing RII Act, the said draft Part I and First Schedule is adopted to the current purpose with suitable amendments for an Amendment Act with further reviewing with the ICPs 1 and 2.

4. Disclaimer

The contents of this paper do not constitute legal advice. Further said contents will not have any binding effect with respect of the Commission and the draft amendments to the existing RII Act proposed by this document are subject to changes consequent to comments received, further deliberations, or other reasons as determined appropriate by the Commission.

5. Public comments on the proposed amendments

5.1 Request for comments

The proposed amendments to the RII Act are detailed in **Annexure A**.

The Commission invites comments on the proposed amendments to the RII Act from all stakeholders and interested parties in the response format provided in **Annexure B**.

5.2 Submission Guidelines

5.2.1 All submissions will be reviewed by the Commission and may be made public unless confidentiality is specifically requested in the duly filled **Annexure B**.

To request confidentiality of a particular document submitted along with the Annexure B, clearly mark such content and submit it as a separate document, for convenience.

IRCSL may disregard confidential content that should be open for public comment.

Respondents are encouraged to avoid including confidential material or to keep it brief, precise, to the point and essential.

5.2.2 Copies of this consultation paper, the proposed amendments and the response format are available for download from the official website of the Commission at www.ircs.gov.lk

5.2.3 Please submit your comments on the consultation paper in the response format provided in **Annexure B** on or before **22nd October 2025** to the link provided <https://ircs.gov.lk/public-consultations/>

5.3 Contact details

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