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INSURANCE REGULATORY COMMISSION OF SRI LANKA

INSURANCE REGULATORY COMMISSION OF SRI LANKA

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THE REGULATION OF INSURANCE INDUSTRY ACT, NO. 43 OF 2000 – DIRECTION

11th March 2026 No. 03 of 2026

Direction to Insurers on Suitability of Persons

Cancelled in view of Direction 3 of 2026 (revised) issued on 01.10.2026

(A) Requirement on Assessment of Suitability of Persons

The Insurance Regulatory Commission of Sri Lanka (IRCSL), at its 271st meeting, having considered the importance of suitability of persons performing their respective roles in insurers, has decided to direct insurers to require that their **Directors (individually and collectively), Senior Management, Key Persons in control functions and Beneficial Owners are suitable and remain suitable to fulfill their respective roles.**

Insurers should implement internal measures that reflect high standards of ethical conduct and integrity. To align with this Direction, they are advised to promote sound governance practices.

Insurers are encouraged to ensure that individuals appointed as Directors, Senior Management, and Key Persons in Control Functions and Beneficial Owners maintain an appropriate level of suitability at all times. Where individuals have limited prior experience in critical areas, additional training and support should be prioritized to strengthen their capability to contribute effectively.

The disqualifications outlined in the Second Schedule of the Regulation of Insurance Industry Act, No. 43 of 2000 (RII Act) apply to all Directors, Principal Officers, and Specified Officers. The suitability requirements stipulated in this Direction are supplementary to the said disqualifications in the Second Schedule to the RII Act and shall apply to Directors (individually and collectively), Senior Management, Key Persons in control functions and Beneficial Owners are suitable and remain suitable to fulfill their respective roles.

Notification of the Internal Self-Assessment to be submitted to IRCSL

The insurer shall demonstrate compliance with this Direction **on an ongoing basis through internal self-assessment** in addition to meeting the statutory requirements of the RII Act on such persons, in the following circumstances:

(i) Within **Fourteen (14) working days** of becoming aware of any event or circumstance that may materially adversely affect the suitability of any Director, Senior Management, Key Person in Control Functions, and Beneficial Owner;

(ii) In the event of any changes/appointments affecting Directors, Senior Management, Key Person in Control Functions or Beneficial Owner, including new appointments or the emergence of new controlling interests, within **Fourteen (14) working days** of such change/appointment in the relevant form in the Application available on the official website; and

(iii) *On an annual basis (i.e. for the year ended 31st December of each year)*, within **Fourteen (14) working days** after 31st December of each year, in respect of Directors, Senior Management, Key Persons in Control Functions, and Beneficial Owners in the form of the **Annexure.**

Internal Self-Assessment mentioned above shall be conducted based on the criteria of assessment mentioned under Part (B) below, on which the suitability of persons is assessed by IRCSL.

**** IRCSL reserves the right to verify the information provided by the insurer through any relevant regulatory and investigative authorities in Sri Lanka or overseas, including but not limited to the FIU, CID, SEC, IRD (Inland Revenue Department) and ROC (Registrar of Companies) etc.***

(B) Criteria of Assessment

Insurers are encouraged to undertake due diligence when assessing whether an individual is suitable to perform or continue performing their functions based on the following criteria.

(1) Directors, Senior Management and Key Persons in control functions shall be assessed on competence and integrity; and
(2) Beneficial Owners shall be assessed on the necessary financial soundness and integrity (demonstrated in personal or corporate behavior).

Competency Assessment

Competence is demonstrated through the combination of formal qualifications, sector-specific expertise and practical experience, and must encompass the appropriate level of commitment.

This criteria further includes ensuring that the individuals do not undertake concurrent roles or directorships that could impair their duties or give rise to conflicts of interest. Any such conflicts should be identified, managed, and mitigated in accordance with the insurer's conflict-of-interest policy.

Directors are expected not to hold an excessive number of external directorships (i.e. A person shall be disqualified to be a director of an insurer if such person is a director of more than twenty (20) companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995) and must demonstrate the level of **commitment** necessary for the effective discharge of their responsibilities. Insurers are reminded that IRCSL expects a collectively suitable Board of **diversity** which supports sound governance and robust decision-making.

Assessment of Integrity

Integrity is demonstrated generally through character, personal behavior and business conduct.

The integrity of an individual Director, Senior Management, Key Person in Control Functions and Beneficial Owner are assessed considering the following indicators:

Legal indicators: These provide information on possible legal misconduct. Such indicators could include civil liability, criminal convictions or pending proceedings: • for breaches of law designed to protect members of the public from financial loss, eg dishonesty, or misappropriation of assets, embezzlement and other fraud or other criminal offences (including anti-money laundering and the combating of the financing of terrorism. • against the individual in his/her personal capacity; • against a legal entity in which the individual is or was a Director, a member of the Senior Management, a Key Person in Control Functions or a Beneficial Owner; • or incurred by the individual as a consequence of unpaid debts.	**Financial indicators:** These provide information on possible financial misconduct, improper conduct in financial accounting, or negligence in decision-making. Such indicators could include: • financial problems or bankruptcy in his/her private capacity; or • financial problems, bankruptcy or insolvency proceedings of a legal entity in which the individual is or was a Director, a member of the Senior Management or a Key Person in Control Functions. • Electronic version of the Credit Score Report issued by the Credit Information Bureau of Sri Lanka submitted via My Report Plus to the dedicated email specified in the relevant prescribed form to assess whether the Risk Grade is within or better than C category (i.e. acceptable Risk Grades are A1-A3 (Very low risk),

	B1-B3 (Low risk) and C1-C3 (Average risk)) or the electronic version of an equivalent grade of a foreign credit report submitted to the dedicated email specified in the relevant prescribed form.
Supervisory indicators: These provide information gathered by or that comes to the attention of supervisors in the performance of their supervisory duties. These supervisors could also be authorities with supervisory responsibility in sectors other than insurance. Such indicators could include: • the withholding of information from public authorities or submission of incorrect financial or other statements; • conduct of business transgressions; • prior refusal of regulatory approval for key positions; • preventive or corrective measures imposed (or pending) on entities in which the individual is or was a Director, a member of the Senior Management, or a Key Person in Control Functions; • outcome of previous assessments of suitability of an individual, or sanctions or disciplinary actions taken (or pending) against that individual by another supervisor.	**Other indicators:** These may provide other information that could reasonably be considered material for the assessment of the suitability of an individual. Examples include: -suspension, dismissal or disqualification of the individual from a position as a Director or a member of the Senior Management of any company or organisation; • disputes with previous employers concerning incorrect fulfilment of responsibilities or non-compliance with internal policies, including code of conduct, employment law or contract law; • disciplinary action or measures taken against an individual by a professional organisation in which the individual is or was a member (eg, actuaries, accountants or lawyers); • or strength of character, such as the ability and willingness to challenge, as an indicator of a person's integrity as well as competence to perform the respective role.

The presence of a single indicator will not, in and of itself, be deemed determinative of a person's suitability. A holistic assessment shall consider all relevant indicators, including behavioural patterns or recurring conduct.

In evaluating such indicators, consideration will be given to the severity of the issue, the lapse of time since its occurrence, and the individual's subsequent conduct, including any corrective actions or evidence of improvement.

Assessment of Financial Soundness with relevant to Beneficial Owners.

In determining the financial soundness of Beneficial Owners, following will be considered:

(i) Electronic version of the Credit Score Report issued by the Credit Information Bureau of Sri Lanka submitted via My Report Plus to the dedicated email specified in the relevant prescribed form to assess whether the Risk Grade is within or better than C category (i.e. acceptable Risk Grades are A1-A3 (Very low risk), B1-B3 (Low risk) and C1-C3 (Average risk)) or the electronic version of an equivalent grade of a foreign credit report submitted to the dedicated email specified in the relevant prescribed form.

(ii) Whether the individual is a Tax payer in Sri Lanka or in another jurisdiction, as the case may be.

Where a Beneficial Owner is regulated by another supervisory authority, IRCSL *may rely on the suitability assessment conducted by that authority*, provided that such assessment reasonably meets the standards required under this Direction and the relevant information/documents are made available to IRCSL.

Other requirements

(i) Insurers are required to maintain the information collected in compliance with this Direction for a minimum of three years after that individual has ceased to perform as a **Director, Senior Management, Key Persons in control functions and Beneficial Owners** on behalf of the insurer.

(ii) The IRCSL may examine any such records or due diligence either in the context of an investigation of an insurer's compliance to this Direction or an investigation in relation to an individual's fitness and propriety to perform such a role. Insurers should have regard to their obligations under Personal Data Protection Act, No. 9 of 2022 as amended in holding the information referred to in this Direction including ensuring that the information is held securely and in an appropriate manner.

(iii) Where an insurer becomes aware that there may be concerns regarding the fitness and propriety of an individual performing such a role, the IRCSL expects the insurer to investigate such concerns and take action as appropriate whilst notifying IRCSL as the period mentioned in above (B).

(C) Regulatory measures relating to Directors, Senior Management or Key Person in Control Function

Non-Compliance with Suitability Requirements

The IRCSL may take measures on the Insurer if any Director, Senior Management or Key Person in Control Function do not meet the suitability requirements. Such measures include but not limited to:-

a) Requiring to provide additional education/training;

b) Suspend, dismiss, or disqualify the individual from their current role;

c) Require the appointment of a suitable replacement;

d) Impose conditions on the insurer's licence;

e) Increase supervisory oversight, including additional reporting obligations and enhanced solvency monitoring;

f) Cancel or suspend the insurer's licence in cases of serious or repeated non-compliance, especially where multiple individuals are involved or there is material risk to policyholder interest.

Providing False or Misleading Information

Where it is determined that an insurer or any individual—subsequently approved/acknowledged as a Director, Senior Management, Key Person in Control Functions, or Beneficial Owner—has willfully furnished false, misleading, or incomplete information to the IRCSL, the IRCSL , after providing an opportunity to the insurer and/or any individual to show cause, may:

(i) Revoke the approval/acknowledgement of the individual's appointment;

(ii) Warn the individual, the declarants and the Board of Directors; and

(iii) Impose any administrative sanction, in accordance with applicable laws and regulatory powers.

The above actions do not hinder the statutory powers under RII Act for taking action against the respective parties for providing false and misleading information.

In urgent cases where a position must be filled on short notice due to the unavailability of a Director, Senior Management, or Key Person in Control Functions, the IRCSL may permit a temporary appointment until a full suitability assessment is completed. The IRCSL may specify interim requirements depending on the nature of the position. Thereafter, the insurer shall comply with Part (B) above without undue delay.

(D) Interpretation

In these Directions -

"Directors" means Directors on the Board of the insurer elected or appointed to the Board and who are ultimately responsible for the governance and oversight of an insurer.

"Commitment" means the demonstrated capacity of a Director to allocate sufficient time and attention to the affairs of the insurer, which is relative to his/her responsibility assigned as a Director of the Board. Therefore, high level of commitment is expected from the Chairman, executive Directors and Directors on the Board Committees or assigned with additional tasks. Further, Directors are expected not to hold an excessive number of external directorships and must demonstrate the level of **commitment** necessary for the effective discharge of their responsibilities. Insurers are reminded that IRCSL expects a collectively suitable Board of **diversity** which supports sound governance and robust decision-making. A person shall be disqualified to be a director of an insurer if such person is a director of more than twenty (20) companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

"Diversity" means the situation whereby the characteristics of the members of the board, including their age, gender, geographical provenance and educational and professional background, are different to an extent that allows a variety of views and to cover the allocated duties to the Board of an insurer. **"Insurer"** shall have the same meanings as in the Act;

"Key Persons in Control Functions" *means persons* responsible for heading control functions including but not limited to persons heading the underwriting, claims, reinsurance, product development, actuarial, finance, sales/marketing, operations, human resource management, administration, legal, internal audit, risk and compliance. If any such person reports directly to the Board, he/she shall also be categorized under Senior Management.

"Senior Management" means the individuals or body responsible for managing an insurer on a day-to-day basis in accordance with strategies, policies and procedures set out by the Board of Directors.

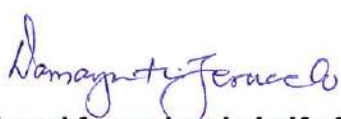
"Beneficial owner" *means* natural person who ultimately owns or controls ten per cent or more of a company, in whole or in part, through, direct or indirect ownership or control of shares or voting rights or other ownership interest in that company, and also includes a natural person who exercises effective control through other means.

(E) Effective date

This direction shall come into effect immediately.

This Direction is issued in terms of Section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000.

Director General



Signed for and on behalf of the Commission

Annexure

Notification of the Internal Self-Assessment conducted on an annual basis in terms of Direction .... of 2026 issued on 2026
(for the year ended 31st December 20xx)

The following Declarations have to be submitted by the Company Secretary and the Directors/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner of the company:

(A) Declaration by the Company secretary

I,..... (name of Company Secretary) bearing National Identity Card No./Passport No. ..... of ....., (address) in the Democratic Socialist Republic of Sri Lanka being a registered Company Secretary bearing registration no..... under the Secretaries Regulations issued by the Registrar General of Companies and the Company Secretary of .....(name of the applicant company) do hereby solemnly, sincerely and truly affirm/swear that:

i. the information provided regarding to following individual and/or entities and in the declarations attached hereto with relevant to them are accurate and complete as per the information and documents submitted by the respective persons for my inspection;

	Board Members	Members in the Senior Management	Key Persons in Control Functions	Significant Owners

ii. will notify immediately if there is a material change in the information provided that affect the suitability of such person;

The foregoing affidavit having been duly read over and explained to the within named Before me and he/she appearing to understand the contents and effects thereof affirmed to/sworn and placed his/her signature at ..... for Oaths on this .....day of .....20XX. Seal

Justice of the Peace/Commissioner

(B) Declaration by the Directors/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner

I,..... (name of the Director/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner) bearing National Identity Card No./Passport No. ..... of ....., (address) in the Democratic Socialist Republic of Sri Lanka being a ..... (Director/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner) of .....(name of the applicant company) do hereby solemnly, sincerely and truly affirm/swear that:

i. the information provided in this declaration and the Annexure attached hereto is accurate and complete to the best of my knowledge;
ii. provided the full and most up-to-date information necessary to assess the suitability of the Director/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner in accordance with Direction No. .....issued on ..... 2026, and have given due

consideration to this information in determining whether I remain fit and proper to serve as such a person;

iii. during the aforementioned period, no material changes that affect my suitability, have occurred in the particulars previously submitted and will notify immediately if there is a material change in the information provided;

Iv. that the .....[insurer's name] has made me aware of the legal and regulatory responsibilities associated with the function I am assigned in;

iv. do aware that providing false or incomplete information may constitute grounds for refusal or withdrawal of the fit and proper authorization, without prejudice to the possible imposition of legal and/or regulatory and/or administrative sanctions;

v. do aware of the processing and storage of personal data in accordance with the Personal Data Protection Act, No.09 of 2022 as amended.

The foregoing affidavit having been duly read over and explained to the within named and he/she appearing to understand the contents and effects thereof affirmed to/sworn and placed his/her signature at .....

Before me

Justice of the Peace/Commissioner for Oaths

on this .....day of .....20XX. Seal

Note: Separate Forms should be submitted in respect of each Directors/ Senior Management/ Key Persons in Control Functions/ Beneficial Owner.

Annexure

Directors/ Senior Management/ Key Persons in Control Functions

- **Non-material changes occurred during the period of 01st January 20..... to 31st December 20....**

Academic and/or Professional Qualifications completed during the afore-mentioned year

	Name of the Degree/Professional Qualification	Date Issued	**Institute**
Academic Qualification ☐ Bachelor ☐ Master ☐ PhD ☐ Certificate ☐ Other			
Professional Qualification			

Practical experience related to insurance, finance, business or of any other relevant discipline gained during the year

Position	Main Responsibilities	Approximate number of subordinates under the area of responsibility	Areas of Activities

Attendance to Training Programmes

Content of the training	Training provider (specify whether the provider is internal or external and state the names of external organisations)	Training Date	Length (hours)

Please submit an electronic version of the Credit Score Report issued by the Credit Information Bureau of Sri Lanka submitted via My Report Plus to the dedicated email specified below to assess whether the Risk Grade is within or better than C category (i.e. acceptable Risk Grades are A1-A3 (Very low risk), B1-B3 (Low risk) and C1-C3 (Average risk)) or the electronic version of an equivalent grade of a foreign credit report submitted to the dedicated email specified below:

Dedicated email – dl@ircsl.gov.lk

- **For Beneficial Owners**
  - **Information on Non-material changes that occurred during the period of 01st January 20..... to 31st December 20....**

Minor adjustments in shareholding that do not affect control.	
Changes in contact details or addresses of shareholders.	
Administrative updates that do not impact ownership structure or decision-making power.	
Any other information related	

Please submit an electronic version of the Credit Score Report issued by the Credit Information Bureau of Sri Lanka submitted via My Report Plus to the dedicated email specified below to assess whether the Risk Grade is within or better than C category (i.e. acceptable Risk Grades are A1-A3 (Very low risk), B1-B3 (Low risk) and C1-C3 (Average risk)) or the electronic version of an equivalent grade of a foreign credit report submitted to the dedicated email specified below:

Dedicated email – dl@ircsl.gov.lk

Please provide a list of Tax Identification Numbers of the Beneficial Owners.