

Determination # 1 – 01/03/2011 as amended on –

- (i) 20/10/2011 (amendments made to single investment exposure limits in Shares (b), Corporate Debts (c) and Deposits (d) stated in Table A in Determination # 1);
- (ii) 28/05/2012 (amendments made to the description of asset backed securities for General and Long Term Insurance Business – c (iv) of Table A in Determination # 1);
- (iii) 22/06/2012 (amendments made to items (G) and (H) in Determination # 1); and
- (iv) 01/04/2016 (amendments made to items (c), (f) and (i); inclusion of new items (d) (iii) and (j); deleting item (e) (iii) and note under item (e) of Table A; replacement of item (D) and (I) and removal of the Schedule of Determination #1).

INVESTMENT FROM THE TECHNICAL RESERVE & FROM THE LONG TERM INSURANCE FUND

(A) Every insurer carrying on general insurance business or long term insurance business shall invest the balance assets of Technical Reserve [referred to in Section 25(1) of the Act] or of the Long Term Insurance Fund [referred to in Section 38 of the Act and also known as Insurance Provision Life] respectively, in the following types of investments (described in detail in Table A) subject to the limitation stipulated therein:

- a) Government Debt Securities;
- b) Shares;
- c) Corporate Debts;
- d) Deposits;
- e) Property;
- f) Unit Trusts / Mutual Funds;
- g) Gold;
- h) Other Assets;
- i) Investment in Related Companies; or
- j) Investments in one Entity/Group.

Note: "Balance assets of Technical Reserve" & "Balance assets of the Long Term Insurance Fund" referred to above means assets available after having invested a minimum of 20% of the Technical Reserve and a minimum of 30% of the Long Term Insurance Fund respectively, in Government Securities as required in Section 25 of the Act.

Table A

	Type of Investment	Maximum % as a % of the Technical Reserve that could be held in any single investment	Maximum % as a % of the Long Term Insurance Fund that could be held in any single investment
(a)	Government debt Securities		
(i)	Government securities issued by Central Bank of Sri Lanka and /or Debt Securities fully guaranteed by Government of Sri Lanka.	100 %	100 %
(ii)	Debt securities issued or fully guaranteed by a foreign Government or a Central Bank of a foreign country, and carrying an investment grade rating to the instrument;	10 %	10 %
(b)	Shares (amended on 20/10/2011)		
	Ordinary Shares of a company listed on a licensed stock exchange;	5% of the Technical Reserve or 5% of the issued number of shares of the investee company, whichever is lower.	5% of the Long Term Insurance Fund or 5% of the issued number of shares of the investee company, whichever is lower.
(c)	Corporate Debts (amended on 20/10/2011 & 28/05/2012 & 01/04/2016)		
(i)	Corporate debts (including bonds, debentures, commercial papers and any other similar financial instruments) issued by a licensed commercial bank or a licensed specialised bank and carrying an investment grade rating to the instrument; or backed by a guarantee issued by a licensed commercial bank or a licensed specialised bank carrying , an investment grade rating ; or backed by a guarantee issued by a Multilateral Agency;	<p>(i) 10% of the Technical Reserve or 10% of the Shareholders funds of the company, whichever is lower; and</p> <p>(ii) In case of (iv) – 10% of the Technical Reserve or 15% of a single issue, whichever is lower.</p>	<p>i) 10% of the Long Term Insurance Fund or 10% of the shareholders funds of the company, whichever is lower; and</p> <p>ii) In case of (iv) – 10% of the Long Term Insurance Fund or 15% of a single issue, whichever is lower.</p>

		However, for investments in (c), (i), (ii) and (iii), investments, in excess of 5% of the Technical Reserve, should be invested in instruments which are rated "A" or above.	However, for investments in (c) (i), (ii) and (iii), investments, in excess of 5% of the long Term Insurance Fund, should be invested in instruments which are rated "A" or above.
(ii)	Corporate debts (including bonds, debentures, commercial papers, and any other similar financial instruments) listed on a licensed stock exchange;		
(iii)	Corporate debts (including bonds, debentures, commercial papers, and similar financial instruments) issued by a company and carrying an investment grade rating to the instrument;		
(iv)	Asset backed securities where the capital and interest or the maturity value, as the case may be, is fully guaranteed by a licensed commercial bank or a license specialized bank carrying an investment grade rating; or that are issued by a company listed on a licensed stock exchange, and carrying an investment grade rating to the instrument;		
	<p>Note:</p> <ol style="list-style-type: none"> 1. If debt is guaranteed by the same bank, the cumulative exposure to the same bank shall not exceed 10% of the Technical Reserve or the Long Term Insurance Fund, as the case may be, or 15% of the shareholders funds of the Bank, whichever is lower; and 2. Debt cannot be issued and guaranteed by one and the same bank (In case the issuer is a bank). 		

(d)	Deposits (amended on 20/10/2011 & 01/04/2016 & included on 01/04/2016)		
(i)	Deposits with a licensed commercial bank or a licensed specialized bank carrying an investment grade rating;	10% of the Technical Reserve or 15% of the shareholders funds of the Bank or Finance Company as the case may be, whichever is lower.	10% of the Long Term Insurance Fund or 15% of the shareholders funds of the Bank or Finance Company as the case may be, whichever is lower.
(ii)	Deposits with a licensed finance company carrying an investment grade rating;		
(iii)	Deposits with a licensed commercial bank or a licensed specialised bank which are guaranteed by the Government of Sri Lanka in terms of an Act of Parliament	20% of the Technical Reserve or 15% of the shareholders funds of the bank, whichever is lower.	20% of the Long Term Insurance Fund or 15% of the shareholders funds of the bank, whichever is lower.
	<p>Note:</p> <p>(i) All deposits shall be deposits bearing interest; and</p> <p>(ii) Deposits with any licensed finance company referred to in (ii) above, shall be considered only if such licensed finance company is listed on a stock exchange as on the date in which licensed finance companies are required to be listed by the Central Bank of Sri Lanka.</p>		
(e)	Property (amended on 01/04/2016)		
(i)	Freehold lands and buildings occupied by the insurer;	5%	5%
(ii)	Freehold lands and buildings held for investment purposes;	5%	5%
(f)	Unit Trusts/Mutual Funds (amended on 01/04/2016)		
	Unit Trusts/Mutual Funds;	7.5% .However, investments, in excess of 5%, should be invested in instruments which have an investment grade rating.	7.5% .However, investments, in excess of 5%, should be invested in instruments which have an investment grade rating.
(g)	Gold		
	Gold kept in safe custody in a licensed	100%	100%

	commercial bank or a licensed specialized bank;		
(h)	Other Assets		
	Outstanding policy loans, where the loan has been granted within the surrender value of the policy;	Not Applicable	100%
(i)	Investments in Related Companies (amended on 01/04/2016)		
	Investments made in all related companies; (Investments are required to be made in accordance with the limitations specified above)	10%. However, the maximum single exposure, other than in any licensed commercial bank or any licensed specialized bank carrying an investment grade rating should be limited to 5%.	10%. However, the maximum single exposure, other than in any licensed commercial bank or any licensed specialized bank carrying an investment grade rating should be limited to 5%.
(j)	Investments in one Entity / Group (included on 01/04/2016)	Investments in a single entity and/or in a group of companies.	Investments in a single entity and/or in a group of companies.
	Investment in a "single group of companies" defined as an investment in an entity /entities that are related to each other but not related to the insurance company, "related party" to have the meaning as defined in the Sri Lanka Accounting and Auditing Standards.	15% of the Technical Reserve, except deposits identified in item (d) (iii).	15% of the Long Term Insurance Fund, except deposits identified in Item (d) (iii).

(B) The Board may permit investments in other types of assets, on a case-by-case basis, subject to any conditions that the Board may lay down. Any investment approved by the Board under this clause will be made known to all insurers.

(C) All Assets of the Technical Reserve and of the Long Term Insurance Fund shall be free from any encumbrances.

(D) (amended on 01/04/2016)

Values of the Assets of the Technical Reserve and the Long Term Insurance Fund shall be determined in accordance with the methodology specified in the Solvency Margin (Risk Based Capital) Rules 2015.

(E) Investments under (a)(ii) in Table A above, will be restricted to the limits specified in Regulations made under Section 25(3) of the Act. All other investments from the Technical Reserve or from the Long Term Insurance Fund will be limited to Sri Lanka.

(F) An insurer shall treat an investment income which is overdue for more than six months as a doubtful debt and the asset on which such income is derived shall be excluded.

(G) (amended on 22/06/2012 & 01/04/2016)

An asset specified in (a) (ii) of Table A, shall be considered as an approved asset only if such asset is rated – according to Rule 15(2)(A) of the RBC Rules.

(H) (amended on 22/06/2012 & 01/04/2016)

Assets specified in (c) (i), (iii), (iv), (d)(i),(ii) and (f) of Table A, shall be considered as approved assets only if such asset or the entity, as the case may be, is rated according to Rule 15(2)(B) of the RBC Rules.

(I) (amended on 20/10/2011 & 01/04/2016)

In these Determinations unless the context otherwise requires "Act", "asset backed securities", "Board", "company", "investment grade rating", "licensed finance company", "licensed specialized bank", "multilateral agency", "related company", and "unit trust" shall have the same meanings assigned to it under the Solvency Margin (Risk Based Capital) Rules 2015 and "licensed commercial bank" and "licensed stock exchange"/"stock exchange" shall have the same meanings assigned to it under "Act" (the Regulation of Insurance Industry Act, No. 43 of 2000).

"shareholders funds" mean:

- a) issued and fully paid ordinary share capital;
- b) share premium arising out of (a) above; and
- c) all reserves with retained profits attributable for shareholders excluding non distributable or restricted reserves, in any manner."