



**BY REGISTERED POST/FAX**

**Ref: IBSL/DG/LEG/16/01/03**

04<sup>th</sup> January 2016

**Chief Executive Officers/Principal Officers of all Insurance Companies  
Principal Officers of all Brokering Companies**

Dear Madam / Sir,

**Changes in Ownership and Control of insurers and brokers – Insurance Board of Sri Lanka:  
Direction # 07 – of 04.01.2016 Issued under section 96A of the Regulation of Insurance  
Industry Act, No. 43 of 2000**

The Board of IBSL at its 154<sup>th</sup> meeting has decided to issue the following direction to all insurers and brokers to safeguard the interest of policyholders and potential policyholders:

**A – Changes in Ownership and Control of Insurers**

1. An insurer shall-
  - (a) notify the Board (IBSL) in writing of a proposed change in ownership or control of such insurer (either directly or indirectly or through nominees or by persons acting in concert etc.) immediately upon any of the Directors or the Company Secretary of the insurer becoming aware of same; and
  - (b) obtain the written approval of the Board prior to such change in ownership or control takes place.
2. A change in ownership or control referred to above may take place as a result of:
  - (a) a new issue of shares of the insurer to a person/s; or
  - (b) a transfer of shares by an insurer, of its subsidiary/associate insurance company/s to a person/s.
3. The insurer shall provide all information within its possession of the proposed change in ownership or control to the Board.
4. The Board in considering such request shall determine whether such proposed shareholder/s is fit and proper in terms of financial soundness and integrity and may require the insurer to provide any additional information pertaining to the change.

5. The Board shall only approve such change in ownership or control, if it is of the opinion that it is not detrimental to the interest of policyholders and potential policyholders.

**B – Changes in Ownership and Control of Brokers**

Direction (A) above shall with relevant modifications apply to brokers and for that purpose any reference to an insurer shall be deemed to be a reference to a broker.

**C – Interpretation**

1. "ownership or control" referred to above is defined as follows:
  - (a) The acquisition/disposition of fifty (50%) per centum or more of issued shares (stated capital) or financial instruments (such as compulsory convertible debentures) when converted would amount to fifty (50%) per centum or more of issued shares in an insurer; or
  - (b) voting rights attached to the aforementioned shares or financial instruments.
2. "acting in concert" means acting pursuant to an understanding (whether formal or informal) to actively co-operate in the change in ownership or control in an insurer so as to obtain or consolidate, control of the insurer.
3. "person" has the same meaning referred to in the Interpretation Ordinance, No. 12 of 1981 and includes anybody of persons, corporate or unincorporated.

**D – Effective Date**

The above Direction shall come into force with immediate effect.

Please acknowledge receipt of this Direction.

Yours faithfully,



Damayanthi Fernando  
**DIRECTOR GENERAL**

RA/TW

Cc:

Mr. Dirk Pereira, President, Insurance Association of Sri Lanka  
Mr. Rukmal Seneviratne, President, Sri Lanka Insurance Brokers Association