

Registration as an Insurance Company in Sri Lanka

- Insurance business in Sri Lanka is regulated and supervised by the Insurance Regulatory Commission of Sri Lanka (the Commission) in terms of the Regulation of Insurance Industry Act, No. 43 of 2000 (RII Act).
- A person who wishes to carry on insurance business in Sri Lanka as an insurer, must register under the RII Act, either for General Insurance business or for Long Term insurance business.
- Composite insurance businesses are no longer allowed in Sri Lanka.
- A person registered as an insurer shall not carry on any form of business other than insurance business.
- However, a person may carry on any financial services business which is ancillary or associated with the insurance business for which a registration is obtained under the RII Act, with the prior written approval of the Commission.

Qualifications for Registration in terms of Section 13 of the RII Act

1. A public company incorporated in Sri Lanka under the Companies Act No. 07 of 2007.
2. A Stated Capital of not less than Rs. 500 Million – Gazette No. 1848/26 dated 06th February 2014.
3. Board of Directors who are not subject to any one or more of the disqualifications specified in the Second Schedule to the RII Act.
4. A deposit to be made to the Treasury (Rule 2 of Gazette No. 1412/30 dated 29th Sep. 2005), i.e. Rs.200,000/- for General insurance business or Rs.50,000/- for Long term insurance business.
5. Registration fee of Rs.500,000/- (Regulation of Gazette No. 1746/4 dated 21st Feb. 2012) with the applicable taxes.
6. Fulfill such other requirements as may be laid down by the Commission.

Other Requirements under the RII Act

1. A Principal Officer approved by the Commission – Sec. 94 of the RII Act and Rule 8(1) of Gazette No. 1979/34 dated 11th August 2016.
2. Employ or retain an Actuary or Actuaries, on a permanent basis (specially for long term insurance business) – Sec. 46 of the RII Act.
3. A Specified Officer acceptable to the Commission – Sec. 32 of the RII Act.

The Procedure for Registration

Obtaining the name approval and incorporating the company

1. A proposal has to be submitted to the Commission which includes a detailed business plan for the said proposed insurance company, along with other supporting information, as outlined in the Attachment hereto.
2. If the Commission is satisfied with the proposal, a letter granting approval to incorporate an insurance company will be issued by the Commission to the Registrar of Companies.
3. After incorporating the company, a formal application has to be submitted to the Commission, requesting to register and carry on insurance business in Sri Lanka.

Application for Registration as an Insurer

1. The application for Registration as an Insurer can be downloaded from the Commission website under "Forms".
2. The documents requested under the "Note" of the application form should be submitted along with the application.
3. All information and documents requested in the application form should be furnished and if there is no information to be recorded please state "Not Applicable".
4. Copies of documents annexed to the application should be certified by the Company Secretary as being true copies of the originals, unless specifically provided otherwise.
5. Failure to submit the information and documents required under the application and any additional information and documents required by the Commission under the RII Act in a timely manner may delay in processing the application.
6. In the event the application is withdrawn by the applicant prior to granting registration, only 50% of the registration fee (exclusive of taxes) paid by the applicant will be refunded.

Grant of Registration

1. The Commission, being satisfied of suitability of the applicant, may register such company as an insurer and a licence will be issued specifying the class of insurance business which such company is authorized to carry on.
2. The licence shall be kept at all times at the principal office or place of business of the insurer, and be made available for inspection by the Commission.

3. It shall be the duty of an insurer, to forthwith furnish the Commission, of any alteration or a change made in the information or particulars contained in the application made at the registration.

Attachment

1. Ownership, Board and Management

- (a) Details of the shareholders of the company. In the event that any shareholder of the applicant company is a body corporate, details of the ultimate beneficial owner of the said company.
- (b) In the event that the applicant company is a subsidiary of a parent company/group, a brief history and an outline of their operations, substantial shareholders and directors, as well as the Balance Sheet, Profit and Loss account and off balance sheet business data for the previous three years.
- (c) Details of the directors of the applicant company, including their qualifications, work experience, shareholding in any other company, directorships (whether current or previous) in any other company, and a confirmation of their fitness and propriety.
- (d) An outline of the proposed organizational framework/structure, including the names of key management personnel, their designated responsibilities and a confirmation regarding their fitness and propriety.
- (e) Initial Capital Plan (including amount and composition) and a written undertaking by the shareholders of the company to provide additional capital, if required.
- (f) A statement from the initial shareholders confirming that their investment in the insurer represents a long-term commitment.
- (g) Information on the risk control systems of the proposed insurer, including:
- Finalized reinsurance formats & treaty arrangements along with certification of reinsurers and reinsurance policy of the company;
 - Underwriting & claims management policy;
 - Outsourcing policy & arrangements;
 - Information Technology arrangements & accounting systems;

- Arrangements for business continuity management;
- Enterprise risk management;
- Dedicated human resource function;
- Details if any of above arrangements are made with a related company of the proposed insurer; and
- Internal audit arrangements
- Disaster recovery plan, etc.

2. **Auditors and Actuaries**

(a) Details of the auditor proposed to be appointed (Name, qualifications, exposure pertaining to insurance industry)

(b) Details of the actuary proposed to be appointed as follows:

I. Annual Returns Certification: Appointed Actuary / External Actuary

- Name of the Actuarial Firm (if applicable):
- Name of the Actuary:
- Qualifications of Actuary:
- Contact Details of Actuary:

II. Quarterly / Monthly Returns Certification: Computations to be performed in-house or externally.

A. If the answer to the above is in-house, please submit the following:

- Details of the person who will certify the Returns
 - a) Name:
 - b) Actuarial Qualifications:
 - c) Actuarial Experience (total number of years, number of years with the current company and brief details):
 - d) Actuarial Modeling Experience and Training Received (total number of years experience, number of years experience with the current software being used and brief details of training received for the specific software):
- Details of software, models, systems to be used:
- Has external support been obtained initially, for example to build / check models, set assumptions, establish the valuation methodology etc. (yes/no):

If yes, please provide details of same:

If no, details of any future plan:

- Describe the procedure in place to seek external assistance when necessary (e.g. when introducing new products):
- Describe the procedure in place to update / amend models (including controls applied, documentation maintained, support of Appointed Actuary to be used etc.):
- Describe the procedure in place to update / amend valuation methodology (including controls applied, documentation maintained, support of Appointed Actuary to be used etc.):
- Describe the procedure in place to update / amend assumptions (including controls applied, documentation maintained, support of Appointed Actuary to be used etc.):
- Planned human resource changes:
- Planned other resource changes (software, in-house model set-up etc.):
- Frequency of computations to be done by the Appointed Actuary:

B. Computations performed externally:

- Name of the Actuarial Firm (if applicable):
- Name of the Actuary:
- Qualifications of Actuary:
- Contact Details of Actuary:

3. Business Plan

Provide a business plan of the proposed insurer (figures are requested for a period of 5 years or longer if a further capital infusion is required), comprising:

- (a) Details on the proposed classes of insurance business to be written, distribution channels (e.g. brokers, agents, bancassurance agreements etc.) with an estimate of the percentages of business from each source and details of the proposed target market/s.
- (b) Proposed sales plan.
- (c) Financial projections, including detailed statement of financial position (showing both tangible and intangible components), statement of profit or loss & other comprehensive income, statement of changes in equity, statement of cash flows, notes to the information presented in those statements, off balance sheet items. In the event of any deviations in the assumptions

used from the industry norms under the realistic scenario, the applicant company is required to fully justify same.

- (d) A stressed scenario (sensitivity / scenario testing results are required for products under Circular #39 also) is required in addition to the realistic scenario.
- (e) Key financial and capital ratios.
- (f) A justification for the assumptions used, including the business growth rates & confirmation on whether nature and marketability of the products to be launched have been taken into account when predicting business growth rates.
- (g) A summary of the Projected RBC Capital Adequacy computations in compliance with the Solvency Margin (Risk Based Capital) Rules, 2015.
- (h) Proposed investment policies and mandates for asset backing technical reserves and shareholder funds (if the proposed business is in respect of general insurance business). The said policy should include bear minimum items such as types & characteristics of its investments, expected returns & the purpose of its investments, investment concentration limits, investment decision criteria & other authorization levels etc.
- (i) Separate investment policies for each of the fund (if the proposed business is in respect of long-term insurance business) such as Participating Fund, Non Participating Fund, Shareholders Fund and if there are segregated funds for universal life type product etc.
- (j) A SWOT analysis of the proposed business.
- (k) The applicant company must provide supporting information for all the contents given in the Business Plan, to the extent that it displays how the company has arrived at the same. The Actuarial supporting information requirement of same is outlined below:

(i) Products – A finalized Actuarial Certificate as per Circular #39 for each product included in the Business Plan

(ii) RBC Capital Adequacy – A detailed report to support the summarized information provided in the Business Plan with the following requirement:

- Joint Certification by the Principal Officer, Specified Officer, Chief Financial Officer and Actuary stating that the said computations are true and accurate to the best of their knowledge and that the same complies with the requirements of the Solvency Margin (Risk based Capital) Rules, 2015
- Explanation of the systems/models, method, assumptions (and the basis for setting same) etc used to arrive at the results (for equity, asset, liability)
- Submit forms with regard to Solvency, TAC, RCR, SVCC, Market Consistent Balance Sheet (Table 1, Table 2, and Table 3) as given under Determination 12 for the periods as required under the Business Plan

4. Other

- (a) The Business Plan must be certified by the Chief Financial Officer, Principal Officer, Specified Officer, proposed Actuary and any other party which prepared the said Business Plan, stating that the information contained therein is true & accurate to the best of their knowledge.
- (b) The company should provide a separate certification by the Chief Financial Officer, Principal Officer, Specified Officer, stating the following:
 - (i) That the requirements of the RII Act, regulations, rules, determinations, guidelines issued by the Commission have been adhered to.
 - (ii) That all information provided to the Commission is true & accurate to the best of their knowledge.
 - (iii) That there is consistency between all information provided to the Commission.
 - (iv) That they have sought support from third parties / external professionals as deemed necessary for the application process and state such parties involved.
 - (v) That all required information has been provided to the said third parties / external professionals.
 - (vi) That the advice / findings of the said third parties / external professionals have been suitable incorporated in the information provided to the Commission.