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இலங்கை காப்புறுதி ஒழுங்குமுறைப்படுத்தல் ஆணைக்குழு
INSURANCE REGULATORY COMMISSION OF SRI LANKA



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REGULATION OF INSURANCE INDUSTRY ACT DIRECTION

10th March 2021

No. 01 of 2021

DIVIDEND DECLARATION AND DISTRIBUTION

Issued in terms of the powers conferred by Section 96 A of the Regulation of Insurance Industry Act, No. 43 of 2000.

The Insurance Regulatory Commission of Sri Lanka (IRC SL), at its 206th meeting, has decided to issue the following terms and conditions to insurers when declaring and distributing dividends (including interim dividends) to shareholders:

Terms and Conditions

1. The Board of Directors of the insurer should consider a dividend declaration based on the following:
 - a. Results of the Audited Financial Statements for the year ended or for the applicable period in case of interim dividend (Audited Financial Statements should be prepared for the applicable period);
 - b. Impact on financials and solvency positions assuming (1) all contingent liabilities of the company have been fully provided; and (2) proposed dividend payout to the shareholders (as directed by IRC SL letters dated 20th February 2019 & 29th November 2019);
 - c. Prudently considering its own stress testing analysis and thoroughly considering all the potential risks faced by the insurer in the Covid-19 economic and health environment that continues to prevail around the world and not rely on a single scenario.
This should include assessment on insurer's capacity to continue to write business under a range of different scenarios;
 - d. Possible RBC rule changes in near future which might lead to additional capital requirements for Insurers; and
 - e. An appropriate buffer over and above the enforcement levels of TAC (Rs 500 million) and CAR (160%) after having considered all the above conditions.
2. The Board of Directors of the insurer should submit a confirmation to the IRC SL that it had considered all the above factors listed in items 1(a) to (e) above and should place their signatures stating the proposed value of dividend. The said confirmation should be submitted by the Principal Officer, prior to at least 2 weeks before the declaration of dividend to shareholders.

Please note that;

- 1) The above terms and conditions shall not be applicable to insurers where specific directions are issued by the IRCSL prohibiting the declaration of dividends;
- 2) The above terms and conditions shall apply to all dividend declarations effected from year ended 31.12.2020 onwards;
- 3) The IRCSL may, in the future and on an industry-wide or more targeted basis, reapply similar restrictions made previously if it considers that risks warrant such action; and
- 4) Kindly disregard the letters dated 20.02.2019, 29.11.2019, 11.04.2020 (in respect of dividend) and 08.06.2020 in view of the above said Direction.



Damayanthi Fernando

Director General

CE/GRN

Signed for and on behalf of the Commission