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இலங்கை காப்புறுதி ஒழுங்குமுறைப்படுத்தல் ஆணைக்குழு
INSURANCE REGULATORY COMMISSION OF SRI LANKA



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REGULATION OF INSURANCE INDUSTRY ACT, NO. 43 OF 2000 - DIRECTION

08th May 2024

No. 04 of 2024

DIVIDEND DECLARATION AND DISTRIBUTION


The Insurance Regulatory Commission of Sri Lanka, at its 250th meeting, has decided to require the Insurers to adhere to the following **Terms and Conditions** prior to declaring and distributing dividends (including interim dividends) to shareholders:

1. The Board of Directors of the insurer must base their decision on, considering at a minimum the following:
 - (a) The results of the Audited Financial Statements for the year ended, or for the applicable period in the case of interim dividends (Audited Financial Statements shall be prepared for the applicable period).
 - (b) Decisions on contingent liabilities have been taken by the company, following thorough scrutiny based on a broader framework and assessment of the risks associated with them against the sustainability of the financial and solvency position of the company.
 - (c) Impact on the financial and solvency position considering the following: -
 - (i) the proposed payout to the shareholders, subject to compliance with relevant accounting standards;
 - (ii) the Capital required to implement IFRS 17 and IFRS 9 within stipulated timelines; and
 - (iii) the prudent consideration of its own stress testing analysis and thorough consideration of all potential risks faced by the insurer.
 - (d) The Solvency test carried out by the External Auditor in terms of section 57 of the Companies Act No. 07 of 2007.
 - (e) Compliance with Sections 44 and 48 of the Regulation of Insurance Industry Act, No. 43 of 2000, applicable when considering dividend declarations of Life insurance companies.
 - (f) The availability of an appropriate buffer over and above the enforcement levels of TAC (Rs. 500 million) and CAR (160%) after having considered all the above conditions, including to meet any additional capital needed for RBC Rule changes.
2. The above terms and conditions are not applicable to insurers where specific directions are issued by IRCSL prohibiting the declaration of dividends.
3. The Board of Directors must prudently manage the financial affairs of the insurance company to protect the interests of both shareholders and policyholders, while also ensuring compliance with regulatory requirements when considering the proposed dividend.
4. The board paper and the board's decision/minute of the insurer shall reflect the considerations/discussions of the above factors 1 (a) - (f) for review of IRCSL, if required on a case-by-case basis.

This Direction apply to all dividend declarations of insurers with immediate effect.

In view of this Direction, Direction #1 issued on 10th March 2021 and subsequent amendments made on dated 30th August 2021 and 20th September 2023 in respect of same are hereby repealed.

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