



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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இலங்கை காப்புறுதி ஒழுங்குமுறைப்படுத்தல் ஆணைக்குழு
INSURANCE REGULATORY COMMISSION OF SRI LANKA

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BY REGISTERED POST / E-MAIL

08th June 2020

Ref: IRCSL/DG/LEG/2020/06/548

Principal Officers of all Insurance Companies

Dear Madam / Sir

Amendments to Direction #17 on Corporate Governance

The Commission of IRCSL, at its 197th meeting, has decided to amend sections B (2)(a) and (b), B (3)(b)(i), (ii) and (iii) and to insert new sections 6 and 7 to Direction #17 on Corporate Governance.

The said amendments (attached) shall come into force with immediate effect.

Kindly acknowledge receipt of this letter.

Yours faithfully

Damayanthi Fernando
DIRECTOR GENERAL
GRN

Cc: Mr. Gehan Rajapakse, President - IASL

INSURANCE REGULATORY COMMISSION OF SRI LANKA

Corporate Governance Framework for Insurers

A. *Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance, 2017 (the Code), issued by the Securities and Exchange Commission of Sri Lanka jointly with the Institute of Chartered Accountants of Sri Lanka, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company, and further to promote corporate fairness, transparency and accountability.*

B. *Insurers are required to comply with the following:*

1. *the Board of an insurer must be comprised of a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka;*
2. *(a) the total period of service of a director of an insurer, other than an executive director, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such director up to 01st July 2019.*

Notwithstanding above, the 9-year rule shall not be applicable to the following director/director category:

- (i) Major Shareholder Director - A Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual shareholder director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 70 years she/he could nominate his/her representation to the Board.*
- (ii) Technical Director - Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior managerial level.*

(b) in this context, the following transitional provision shall apply:

A director who has completed nine years as at July 1, 2019, or who completes such term at any time prior to June 30, 2021, may continue for a further maximum period of 2 years commencing July 1, 2019.

3. (a) *the age of a person who serves as director shall not exceed 70 years;*
 - (b) *in this context, the following transitional exemptions shall apply to persons who serve as directors as at July 01, 2019:*
 - (i) *A director who is over 75 years of age on or after July 1, 2019, such director may continue to serve as a director only until June 30, 2021, and shall be deemed to have vacated office on June 30, 2021.*
 - (ii) *A director who is between 71 to 75 years of age on or after July 1, 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.*
 - (iii) *A director who is 70 years on or after July 1, 2019, such director may continue to serve as a director only until June 30, 2023, and shall be deemed to have vacated office on June 30, 2023.*
4. *the Board of an insurer must adhere to Section 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance.*
5. *A person shall be disqualified to be a director of an insurer if such person is a director of more than twenty (20) companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.*
6. *Insurers are required to demonstrate compliance with this Direction by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto). If Insurers are unable to confirm compliance, disclose the reasons for their non-compliance and the action that will be taken rectifying the said non-compliance within the period. The Annual Reports of insurers should be accessible to the IRCSL and the general public via the website of the respective Insurers within five months after the Balance Sheet date of the Insurers.*

7. Enforcement Procedure on Non-Compliance with the Corporate Governance requirements

The Insurer shall rectify its non-compliance in respect of items B 1 to 6 referred to above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months. Enforcement action will be taken thereafter against insurer in terms of Circular # 41, for non-compliance.

C. The above highlighted changes will come into effect from 1st June 2020 and other sections came into effect from 1st July 2019.