

Circular #1

- 6th August 2001 -

The Secretariat of the Insurance Board of Sri Lanka (IBSL) is of the opinion that it would be beneficial to issue, from time to time, circulars offering guidance or instructions relating to the obligations under the Regulation of Insurance Industry Act No.43 of 2000 (Act) and the applicable rules, or in relation to practices and operating procedures. The Secretariat hopes that these guidelines/instructions will help clarify issues and matters of concern.

01.The IBSL has drawn the attention of several insurance companies to the need to comply with section 99(3) of the Act. Non-compliance may entail legal proceedings and therefore insurance companies, brokers and agents are kindly requested to comply with the applicable requirements. If any problems are encountered in complying with this or other legal requirements, you may inform the Director General.

02.The IBSL staff attached to the Division of Market Supervision and Inspection has commenced visits to insurance companies and brokers with a view to making an assessment of the systems in place, the procedures followed and documentation available in relation to different regulatory aspects as set out in the Act. These visits will be undertaken after prior notification. Such visits are a standard practice among insurance regulators worldwide. Hence these visits must be perceived as one of the responsibilities of the regulatory body. Inspections may at times take a few hours or days and one or more officers of the Secretariat will have to be provided with reasonable facilities to enable them to examine documents and records. Unless there is a special reason, it would not be necessary for the company staff to be with them throughout the exercise. The IBSL staff will make their own notes and if required will request certified copies of any documents they need. No original files or documents will be removed by the staff. Consequent to such visits a report will be submitted highlighting the significant findings and noting any matters that may require remedial or further attention. If any insurer or broker encounters any problems with such visits or has concerns, you are requested to immediately notify the Director General or in his absence the Officer in Charge of the IBSL.

03.The IBSL has enlisted the assistance of a local firm of Actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., to assist the Board with regard to the formulation of rules and regulations. The firm has nominated Mr. Poopalanathan and Mr. Kakachchi for this assignment. The IBSL is aware of the fact that these two individuals provide Actuarial services to one or more insurance companies. However, their work with the Board does not require them to have access to any company specific material, documents or information, confidential or otherwise. The IBSL is currently in the process of negotiating with a foreign firm of Actuaries to provide technical support on an on-going basis. The IBSL will identify a firm of consultants who do not have any ongoing commitments with local insurance companies or their foreign principals or associated companies.

04.The IBSL has already received a number of complaints from policy-holders and others. Some matters do not fall within the competence of the IBSL and these files have been closed after notifying the

complainant. The standard practice adopted by insurance regulators worldwide is to make a preliminary review to ascertain whether the complaint falls within the purview of the Insurance Regulatory Body and whether the complaint has to be forwarded to the insurance company, broker, agent or any other entity as the case may be for observations and clarifications. The Act mandates the IBSL to undertake this task and it is in this context that the IBSL has written to some insurers and brokers for their comments/observations. On receipt of their comments/ observations the IBSL will determine whether the file should be closed or whether any further steps should be taken. The parties concerned will be notified at all relevant stages.