



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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இலங்கை காப்புறுதி ஒழுங்குமுறைப்படுத்தல் ஆணைக்குழு
INSURANCE REGULATORY COMMISSION OF SRI LANKA

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REGULATION OF INSURANCE INDUSTRY ACT – DIRECTION

03rd February 2022

No. 02 of 2022

REVISION TO DIRECTION #17 DATED 08TH JUNE 2020

CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

The Insurance Regulatory Commission of Sri Lanka (IRC SL), at its 214th Commission meeting, has decided to revise Direction # 17 of 17th December 2018 as amended on 08th June 2020 as follows:

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 directed 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. 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.

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 **75 years** she/he could nominate his/her representation to the Board.
 - (ii) Technical Director - A Director be allowed to remain in office till the age of 75 years, 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.
3. (i) the age of a person who serves as director shall not exceed **75 years**;
 - (ii) in this context, the following transitional exemption shall apply to persons who serve as directors as at July 01, 2019:

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.

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 the insurer in terms of Circular # 41, for non-compliance.
8. **(a) The insurer should provide a certification from the Company Secretary to the IRCSL, that the continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of Section 211 of Companies Act No. 07 of 2007. Close relatives of the Director concerned and common Directors holding an ownership stake of the company concerned shall be omitted from voting on the resolution.**

In respect of each further year on account of which an extension is sought, up to the maximum age of 75 years, a fresh resolution, as above, shall be duly passed and a certification to that effect from the Company Secretary shall be submitted to the IRCSL.

(b) The insurer shall also provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a director, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with provisions of the Companies Act.

C. The revised Corporate Governance Framework shall come into effect immediately.

The Direction is issued in terms of Section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 (RII Act).


Director General

Signed for and on behalf of the Commission