

## **PRESS RELEASE**

### **Directions to Insurance Companies carrying on Long Term Insurance Business on the “Identification and Treatment of the One-off Surplus”**

The Insurance Regulatory Commission of Sri Lanka (IRCSL) issues Directions to Insurance Companies carrying on Long Term Insurance Business on the “Identification and Treatment of the One-off Surplus” on 20<sup>th</sup> March 2018. This Surplus was created when the capital regime of the insurance industry changed from the Solvency Regime to the Risk Based Capital Regime, on 1<sup>st</sup> January 2016 and the surplus so created was required to be held within the Life Funds of companies on a Direction previously issued by the IRCSL.

The current Directions on the “Identification and Treatment of the One-off Surplus” were developed by the IRCSL with the assistance of Willis Towers Watson, India (Pvt) Ltd., a Willis Towers Watson Company, an Actuarial Consultancy Firm, to bring consistency within the industry on the identification and treatment of the One-off surplus. The IRCSL had several stakeholder consultations, including consultations with the CA Sri Lanka during the month of February and March 2018 to finalize these Directions in a timely manner. The Directions include the method of identification of the one-off surplus, the method of transfer of this surplus to the shareholders’ fund, maintenance and distribution of this surplus and disclosures required to be published by companies in their financial statements.

The Directions are available in the website; [www.ibsl.gov.lk](http://www.ibsl.gov.lk)

The IRCSL also intends revisiting the Risk Based Capital Rules in the near future in order to strengthen the capital adequacy framework of the insurance industry in line with global developments and to address the implications of IFRS 17 under the Financial Sector Modernization Project of the World Bank.

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