ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය
අති විශෙෂ
The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 1945/19 - 2015 දෙසැම්බර් මස 15 වැනි අඟහරුවාදා - 2015.12.15
No. 1945/19 - TUESDAY DECEMBER 15, 2015

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

L.D.B 6/2001.

REGULATION OF INSURANCE INDUSTRY ACT, No. 43 OF 2000

RULES made by the Insurance Board of Sri Lanka under Section 105 read with Section 26(1) of the Regulation of Insurance Industry Act, No. 43 of 2000.

Chairperson,
Insurance Board of Sri Lanka,
(Signed for an on behalf of the
Insurance Board of Sri Lanka).

Colombo,
14th December 2015.

Rules

PART I

Application

1. These Rules may be cited as the Solvency Margin (Risk Based Capital) Rules 2015.

2. These rules shall apply to every insurer registered under the Act, with effect from January 1, 2016.

PART II

Required Financial Resources

3. Every insurer shall, with effect from January 1, 2016, maintain a Capital Adequacy Ratio (hereinafter referred to as the "CAR") of a minimum of 120%.

4. Every insurer shall, with effect from January 1, 2016, maintain a Total Available Capital (hereinafter referred to as "TAC") of a minimum of rupees Five Hundred million.

5. (1) Every insurer shall, taking into consideration th3 nature, size, and complexity of its insurance business and the risk to which it is exposed, without prejudice to rule 3 and 4 maintain a prudent CAR and adequate TAC.

(2) Every insurer shall have, in order to comply with the provision of paragraph (1), adequate risk management systems with strategies, processes, and reporting procedures appropriate to identify, measure, monitor, and report, on a continuous basis, the risks to which the insurer is or could be exposed, and their interdependencies.

6. (1) Every insurer shall, taking into consideration the nature, size, and complexity of its insurance business, and the risks to which it is exposed, value its assets and liabilties including policy liabilities under these rules at least quarterly during the year.

(2) Every insurer shall inform the Board the basis of, and justification for, material discretionary decisions taken by the insurer under these rules, including decision on assumptions, adjustments, internal models, time periods, methods and techniques, either in notes to its quarterly reports, or otherwise, within a reasonable period after the decision has been taken.

7. (1) Every insurer shall inform the Board of its compliance with these rules, in the form, manner and during such period as the Board may specify in that behalf.

(2) The Board may require such insurer to provide supporting documents on the compliance certification from an independent actuary or other skilled person, whose qualifications may be specified by the Board, at the cost of the insurer.

8. (1) Where an insurer has reasonable reasons to believe that such insurer is or is likely to be, in breach of rule 3, 4 or 5, such insurer shall report the breach or likely breach to its board of directors and to the Board as soon as possible.

(2) Where in the opinion of the Board, an insurer has failed, or is likely to fail, to comply with rule 3, 4 and 5 as aforesaid the Board may require such insurer to provide a plan to restore its financial position, in the form and manner that the Board may specify in that behalf.

(3) The Board may require the insurer to provide a supporting opinion on the plan from an independent actuary or other skilled person, whose qualifications may be specified by the Board, at the cost of such insurer.

PART III

Determination of TAC and CAR

9. Subject to the provisions of rule 13, TAC is the total of Tier 1 and Tier 2 capital of an insurer, minus the deductions required by rule 12.

10. Tier 1 capital comprises :

(a) issued and fully paid up ordinary shares and share premiums ;
(b) capital reserves ;
(c) paid up non-cumulative irredeemable preference shares ;
(d) adjusted retained earnings or accumulated losses taking into account ;
    (i) adjustments for available for sale reserves that may be required or permitted under Sri Lanka Accounting Standards (adjusted for fair value losses)
    (ii) adjustments for differences in asset or liability values between the values calculated under these Rules and those calculated under Sri Lanka Accounting Standards (whether positive or negative) ;
    (iii) any other fair value losses (not already captured in (i) and (ii) above) ;

(e) unallocated valuation surplus in the long term insurance fund, that is, surplus that has not yet been allocated between policyholders and shareholders ; and

(f) in the case of long term insurance business, 50% of potential future bonuses projected for participating policies, determined as the maximum of ;

(i) zero ; and

(ii) the difference between the guaranteed benefits liabilities and the total benefits liabilities calculated in accordance with rule 34 (participating policieis) net of reinsurance.

11. Tier 2 capital comprises :

(a) cumulative irredeemable preference shares ;
(b) redeemable preference shares ;
(c) mandatory capital loan stock and other similar capital instruments ;
(d) revaluation reserves for self-occupied properties and other property investments ;
(e) revenue reserves, excluding retained earnings ;
(f) irredeemable subordinated debt ; and
(g) subordinated debt that :
(i) has a minimum five year term,
(ii) is unsecured ; and
(iii) is subject to a lock-in clause precluding payment of either interest or principal (even at maturity) if the payment would cause the insurer's CAR to fall, or remain, below capital adequacy ratio specified in rule 3 (hereinafter referred to as "RCAR")

12. In determining TAC, insurers shall deduct from the total of Tier 1 capital and Tier 2 capital :-

(a) goodwill and other intangible assets, including capitalised expenditure ;
(b) inadmissible land, building, other immovable property, plant, and equipment ;
(c) inadmissible loans and advances, except agent balances and staff loans ;
(d) deferred income tax assets ;
(e) prepayments ;
(f) inventory ;
(g) tax receivables ;
(h) assets pledged to support credit facilities ;
(i) claims receivable under policies held by an insurer for it own benefit (except reinsurance policies) ;
(j) claims receivable under contract of co-insurance ;
(k) investments in shares that do not fall within a category of asset listed in Column 1 of Table 1 ;
(l) investments in related parties that are prudentially regulated financial institutions ;
(m) investments in related parties that are not listed on a licensed stock exchange ;
(n) positive net amounts receivable from a reinsurer, overdue for more than six months after setting off against any amounts due to the reinsurer ; and
(o) mortgage loans in case of General Insurance Business.

13. In determing TAC, Tier 2 capital shall not exceed 50% of Tier 1 capital

14. Every insurer shall determine CAR using the following formula:

$$CAR = (TAC/RCR)x100$$

where RCR is determined in accordance with the rules in Part VII.

PART IV

Admissible assets, asset limits, and asset valuation.

15. (1) For the purpose of determining CAR, the assets in the categories listed in the first column of table 1 are permitted (hereinafter referred to as "admissible assets") up to the maximum percentage limit of he total vaule of an insurer's admissible assets (including admissible assets in shareholders' funds), and subject to any overall-or sub-limits, specified in the second column.

(2) Subject to the provisions of paragraph (3) and notwithstanding the provisions of paragraph (1) ; if

(a) debt securities ;
(b) corporate debt issued by a bank ;
(c) corporate debt issued by a company ;
(d) asset backed securities ; or
(e) interest bearing deposits with a bank or finance company.

were issued,

(A) outside Sri Lanka or by an entity established outside Sri Lanka, the assets are admissible only if the asset or entity, as the case may be, carries a credit rating (hereinafter referred to as the "Investment grade rating") assigned in the eighteen month period preceding the valuation date, that is not lower than :

(i) the rating specified for the related credit rating agency in Part A of the Schedule hereto ; or

(ii) an equivalent rating from a credit rating agency approved by the Board ; or

(B) in Sri Lanka or by a company, established in Sri Lanka the assets are admissible only if the asset or company, as the case may be, carries an investment grade rating, assigned in the eighteen month period preceding the valuation date, that is no lower than :-

(i) the rating specified for the related credit rating agency in Part B of the Schedule hereto ; or

(ii) an equivalent rating from creidt rating agency registered under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.

(3) The provisions of paragraph (2) does not apply to investments in related parties, or to unlisted equity and corporate debt held in shareholders' funds.

Table 1:

Admissible assets and limits

Admissible asset category	*Maximum percentage*
(a) (i) Government securities issued by Central Bank of Sri Lanka (ii) Debt Securities/fully guaranteed by Government of Sri Lanka	100%
(b) Debt securities : (i) issued or fully guaranteed by a foreign government or a central bank of a foreign country, and (ii) carrying an investment grade rating to the instrument	20%

Table 1:

Admissible assets and limits *(contd.)*

(c) Ordinary shares of a company (that is not a related party) listed on a licensed stock exchange	For general insurance business, 30% For long term insurance business 40%
(d) Corporate debt (including bonds, debentures, commercial papers and similar financial instruments) issued by a licensed commercial bank or a licensed specialised bank (that is not a related party) and (i) carrying an investment grade rating to the instrument, or (ii) Backed by guarantee issued by a licensed commercial bank or a licensed specialized bank carrying an investment grade rating (that is not a related party), or (iii) Backed by a guarantee issued by a multilateral agency	For general insurance business, 60%, subject to an overall limit of 60% for corporate debt in (d), (e), (f), and (g) of Table 1 For long term insurance business, 50% subject to an overall limit of 50% for corporate debt in (d), (e), (f) and (g) of Table 1
(e) Corporate debt (that is not related party debt) (including bonds, debentures, commercial papers, and similar financial instruments) listed on licensed stock exchange	10%, subject to an overall limits of 60% or 50%, as the case may be, for corporate debt in (d), (e), (f), and (g) of Table 1
(f) Corporate debt (that is not related party debt) (including bonds, debentures, commercial papers, and similar financial instruments) : (i) issued by a company ; and (ii) carrying an investment grade rating to the instrument	10%, subject to an overall limit of 60% or 50%, as the case may be, for corporate debt in (d), (e), (f), and (g) of Table 1
(g) Asset backed securites (except securities issued or guaranteed by a related party) ; (i) where the capital and interest or the maturity value, as the case may be, is fully guaranteed by a licensed commercial bank or a licensed specialised bank carrying an investment grade rating ; or (ii) that are issued by a company listed on a licensed stock exchange, and carrying an investment grade rating to the instrument.	10%, subjects to an overall limit of 60% or 50%, as the case may be, for corporate debt in (d), (e), (f), and (g) of Table 1
(h) Interest bearing deposits with a licensed commercial bank or a licensed specialised bank carrying an investment grade rating	40%, subject to an overall limit of 40% for interest bearing deposits in (h) and (i) of Table 1
(i) Interest bearing deposits with a licensed finance company; (i) listed on a licensed stock exchange ; and (ii) carrying and investment grade rating	10%, subject to an overall limit of 40% for interest bearing deposits in (h) and (i) of Table 1
(j) Other cash and cash equivalents, not included in other asset categories in this Table, subject to any restrictions that may be imposed by the Board	4%

Table 1:

Admissible assets and limits *(contd.)*

(k) Freehold land and buildings occupied by the insurer	For general insurance business, 10% For long term insurance business, 15%
(l) Freehold land and buildings held for investment purposes	For general insurance business, 10% For long term insurance business, 15%
(m) Investments in related parties, which parties are listed on a licensed stock exchange, except prudentially regulated financial institutions	7.5% But no single exposure may exceed 5%
(n) Unlisted shares and corporate debt investments (except investments in related parties) - held in shareholders' funds	5%
(o) Unrated corporate debt investments - held in shareholders' funds	5%
(p) Unit trusts and mutual funds	25%
(q) Gold kept in safe custody in a licensed commercial bank or licensed specialised bank	20%
(r) Positive net amounts receivable from reinsurers for no longer than 6 months, after setting-off amounts due from the insurer to the reinsurer	100%
(s) For long term insurance buisness, outstanding policy loans that do not exceed the surrender value of the policy	100%
(t) For long term insurance business, accrued premium (or premium installment) oustanding for no longer than the shorter of thirty days or the period within which the premium shall be paid under the policy	100%
(u) For general insurance business, accrued permium outstanding for no longer than sixty days from the inception of the policy	100%
(v) For general insurance business, mortgage loans on immovable property approved by the Board as at 31.12.2010	20%, but no single exposure may exceed 80% of the vaule of the security, based on strict valuation rules (and any excess shall be deducted from TAC)

16. If all the assets in a particular asset category in column 1 of Table 1, taken together exceed the related admissibility limits in Column 2, insurers shall ;

(a) unless the provisions of paragraph (b) applies, progressively exclude the assets with the lowest credit rating until the limit is reached ; or

(b) in an asset category where the assets are not rated, progressively exclude the assets with the highest risk profile, and the excluded assets, or part assets, are not admissible assets.

17. Notwithstanding the provions of rule 15(2), assets located outside Sri Lanka are not admissible assets unless the insurer has obtained the permission of the Board under Section 25(3) of the Act.

18. Encumbered assets are not admissible and the corresponding liabilities with regard to encumbered assets shall not be taken into account in calculating CAR.

19. (1) Subject to the provisions of paragraph (2), for the purpose of calculating CAR, insurers shall value admissible assests in the categories listed in Column I of the Table 2 using a market consistent approach in accordance with the related valuation principles in Column 2.

(2) Every insurer shall value assets that are not in a category listed in Column I of Table 2 using a market consistant approach or, if a market consistent approach cannot resonably be applied, using Sri Lanka Accounting Standards.

Table 2 :

Valuation of Assets

Asset Category (as in Table 1)	*Valuation principles*
(a) Government secrurities issued by Central Bank of Sri Lanka and Debt Securities fully guaranteed by Government of Sri Lanka	1. Most recent average buying price quoted by primary market dealers provided in the weekly economic indicators published by the Central Bank of Sri Lanka ; or 2. If the most recent market price in not available, the estimated realizable value.
(b) Debt securities	Most recent published buying price certified and issued by the issuer or guarantor
(c) Ordinary shares of company	Prevailing market price as per the last traded stock on the Colombo Stock Exchange
(d) Corporate debt	If quoted - prevailing market price as per the last traded stock on the Colombo Stock Exchange If unquoted - net realisable value, taking into account the prevailing interest rate scenario and expected cash flows from the debt
(e) Asset backed securities	As for other corporate debt above
(f) Interest bearing deposits	Value of the deposit including accrued interest
(g) Other cash and cash equivalents	Actual amount
(h) Freehold land and buildings	Realisable value, based on an estimate by a qualified property valuer approved by the Board
(i) Investments in related parties	If quoted - prevailing market price as per the last traded stock on the Colombo Stock Exchange If unquoted - net realisable value, taking into account the prevailing interest rate scenario and expected cash flows from the investment.
(j) Unlisted equity and corporate debt - held in shareholders' funds	Estimated realisable value

Table 2 :

Valuation of Assets *(contd.)*

(k) Unrated corporate debt - held in shareholders' funds	Estimated realisable value
(l) Unit trusts and mutual funds	Most recent manager's buying price quoted by the unit trust or mutual fund
(m) Gold kept in safe custody in a bank	Lower of market price and estimated realisable value
(n) Net amounts receivable from reinsurers	Net amount receivable after deducting the provision for bad and doubtful debts
(o) Outstanding policy loans	Net realisable value
(p) Premium outstanding	Actual amount
(q) Mortgage loans on immovable property	Estimated realisable value

PART V

Valuation of Liabilities

20. (1) For the purpose of calculating CAR, insurers shall value insurance liabilities on a market consistent basis in accordance with the provisions of this Part.

(2) Every Insurer shall value non-insurance liabilities in accordance with Sri Lanka Accounting Standards.

21. (1) Every insurer shall value long term insurance liabilities using the following formula ;

Long term insurance liability = best estimate (BE) long term liability + risk margin for adverse deviation (RM)

(2) Every insurer shall value general insurance liabilities using the following formula :

General insurance liability = claims liability + premiums liability

Where claims liability (CL) = BE claims liability + RM claims liability

Where premiums liability (PL) = Max {UPR, [BE (URR) + RM(URR)]}, and

Where UPR means unearned premium reserve and URR means unexpired risk reserve.

22. (1) Subject to the provisions of this Part, the BE liability is the present value of all future BE cash flows calculated using the risk free interest rate yield curve required by rule 32.

(2) Subject to provisions of paragraph (3), insurers shall calculate the BE liability using a discounted cash flow approach covering all the cash in and out flows required to settle the obligations under in-force policies.

(3) Every long term insurer shall use a discounted cash flow approach equivalent to gross premium valuation methodology to calculate the liabilities of : -

(i) non-participating policies ;
(ii) the guaranteed benefits of participating policies ; and
(iii) the non-unit linked liabilities of unit linked long term policies

23. Subject to the provisions of rule 24, relevant future cash flows include :

(a) future premiums, charges and fees ;
(b) administrative expenses, investment management expenses, commission expenses and claims management expenses ;
(c) claims payments ; and
(d) for long term policies, benefits payments including death, survival, critical illness and disability benefits, and benefits payable on lapse, surrender, premium discontinuance, or other contingency.

24. In determining the BE of the present value of future pre-tax cash flows, insurers shall exclude :

(a) income tax payments and receipts ;
(b) cash flows arising from future policies ; and
(c) investment returns from current or future investments except returns related to long term policies linked to the performance including unit linked long term policies, universal life policies, and participating policies, where future investment returns may affect the benefits payable to policyholders.

25. All relevant cash flows for in-force policies that are reasonably likely to occur after the valuation date shall be included on a prospective basis.

26. Every insurer shall value liabilities on a policy by policy (seriatim) basis but, to the extent that this is not reasonably possible, insurers may use reasonable approximations or groupings of data.

27. (1) Every insurer shall calculate liabilities both gross and net of reinsurance.

(2) For the purpose of determining liabilities, both gross and net of reinsurance, relevant future cash flows shall also be determined on a gross and net basis.

(3) Every insurer may use reasonable approximations of the impact of non-proportional reinsurance arragements on the BE liabilities and RMs.

28. Every insurer shall use, in order to calculate the BE liabilities, appropriate actuarial and statistical techniques (such as analytical techniques, deterministic techniques, and simulation methods) to determine the mean of possible outcome, taking into account all relevant information about the insurer’s business.

29. (1) Every insurer shall calculate the cash flows used to determine the BE liabilties on the basis of reasonable, supportable, and explicit BE assumptions to estimate the mean of possible outcomes.

(2) BE assumptions shall :

(a) be made using judgment and be based on experience ;
(b) take into account relevant statistical and other information ; and
(c) be neither overstated nor understated.

(3) Every insurer shall use, subject to the provisions of paragraph (4), their own experience s the starting point in determining BE assumptions for future experience.

(4) If their experience is not sufficiently credible, such insurers shall use appropriate industry data, data from reinsurers, population statistics, or the assumptions used in a recent business planning exercise, to set suitable BE assumptions.

(5) Unless the nature of the liability is sufficiently simple, such insurers shall make appropriate adjustments to their BE assumptions to take into account the extent to which variations in the assumptions may be correlated with, or may influence, each other in adverse circumstances so that the BE liability reflects the mean of the distribution of potential liability outcomes.

(6) Without prejudice to the provisions of rules 30(4) and 33(4), insurers shall review all BE assumptions on a regular basis and revise them, if appropriate, before the next valuation date.

30. (1) Every insurer shall use, in order to project future cash flows to determine BE liabilities, reasonable BE assumptions for non-market risks and other inputs, including :

(a) mortality and morbidity ;
(b) policy discontinuances, lapses and surrenders ; and
(c) expenses and expense inflation.

(2) Positive or negative correlations between two or more non-market inputs shall be reflected in the calculation of the BE liabilities in a consistent manner.

(3) For disability benefits, BE assumptions shall be made for mortality and recovery rates, as well as for disability incidence rates ;

(4) Every insurer shall review the BE assumptions related to lapses and surrenders at least once annually and revise them to reflect their most recent experience, if appropriate, before the next valuation date.

31. (1) Subjcet to the provisions of paragraph (3), in calculating the BE liabilities, every insurer shall take into account the effect of any non-linear or asymmetrical distribution of outcomes by using an appropriate method to simulate the probability distribution.

(2) Subject to the provisions of paragraph (3), if a non-liner or an asymmetrical distribution has a significant effect on the value of the cash-flows, for example in the case of policies that contain embedded options and guarantees, every insurer shall take into account the asymmetrical distribution of liability outcomes using a simulation method to calculate the BE liability as the mean of an appropriately simulated probability distribution.

(3) If such policies represent less than 5% of the total insurance liabilities, with the approval of the Board, insurers may use a deterministic method.

32. (1) Subject to the provisions of paragraph (2), every insurer shall use a risk free interest rate yield curve to discount liability cash flows.

(2) Every insurer may, with the approval of the Board, use a risk free interest rate yield curve developed using an appropriate mathematical model and consistant with current Sri Lankan Government bond rates.

(3) If the Board has not approved an interest rate curve under paragraph (2), such insurer shall use the current risk free interest rate yield curve published by the Board.

33. (1) In determining BE assumptions for mortality and morbidity risks, unless the Board has required the use of specified mortality or morbidity tables, long term insurers may use standard industry mortality and morbidity tables, adjusted by a suitable multiplier wherever appropriate and to remove any implicit margins.

(2) Subject to the provisions of paragraph (3), the multiplier shall be based on the insurer’s recent experience, comparing actual to expected mortality and morbidity.

(3) If an insurer does not have sufficient experience, the insurer shall use industry data, data from reinsurers, population statictics, or the assumptions used in a recent business planning exercise, to set suitable BE assumptions.

(4) Every insurer shall review the BE assumptions related to mortality and morbidity at least once every three years and revise them to reflect the most recent experience before the next valuation date.

34. (1) The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level.

(2) In calculating the guaranteed benefits liability, insurers shall include only the guaranteed benefits (including proposed bonuses) and shall discount cash flows using the risk free interest rate yield curve required by rule 32.

(3) In calculating the total benefits liability, insurers shall include all guaranteed and non-guaranteed benefits, and shall discount cash flows using the fund based yield of the participating insurance fund.

(4) The fund based yield shall be derived from the historical yield and the future investment outlook of the participating insurance fund and determined net of tax on the investment income of the fund.

35. (1) Every insurer shall determine the non-unit linked liabilities of unit linked long term policies by projecting the non-unit linked and linked future cash flows to determine if the insurance fund will be sufficient to meet future obligations and, if not, shall increase the liability value to eliminate the deficit.

(2) The non-unit linked cash flows shall be discounted using the risk free interest rate yield curve required by rule 32.

(3) When the growth of a unit linked long term fund leads to a cash inflow, insurers shall determine the cash flows by adjusting the fund growth rate assumptions (allowing for an appropriate RM) in calculating the future cash flow.

(4) The fund growth rate assumption shall be consistant with the fund experience provided by the fund manager.

36. (1) Every insurer may establish negative liabilities for long term policies (and are not required to set the liabilities to zero).

(2) If the surrender value of a policy is lower than the sum of the BE liability and the RM, the value of the BE liability may not be increased to the surrender vaule of the policy.

37. (1) Every insurer shall identify all options and guarantees under long term policies and the value of the policy liability shall include an amount to cover the liabilities which may result from the exercise of the options and guarantees.

(2) Every insurer shall use, subject to the provisions of paragraph (3), (4), and (5), a stochastic method to ensure the sufficiency of such policy liabilities at a 75% confidence interval.

(3) The BE liability of policies with embedded options or guarantees may be valued using closed-form option pricing formulas or using an approach such as risk-neutral valuation.

(4) Subjects to the provisions of paragraph (5), for long term policies with embedded options or guarantees, where a significant proportion of the total uncertainity arises from only one or a small number of risks, the remaining risks making an proportionately smaller contribution, insurers may use a valuation technique that combines a simulation approach for the primary risks along with a deterministic approach for the secondary risks.

(5) Where the BE liability for policies with options or guarantees is expected to be less than 5% of the total long term insurance liabilities or where the options and guarantees are simple and short term, with the approval of the Board, insurers may use a deterministic method.

38. Every insurer shall include in valuing long term insurance liabilities, appropriate determinations and values ; for

(a) the immediate payment of claims ;
(b) in the case of limited payment policies and paid-up policies, future expenses and bonuses;
(c) existing liabilities or expected future liabilities under policies that have lapsed ;
(d) disability benefits in payment ;
(e) policies kept in force where the premiums have been waived ;
(f) future benefits in the event of a life insured's disability or future waivers of premiums ;
(g) policies covering a substandard risk or a high risk occupation ; and
(h) any other liability or contingent liability under a long term policy not already listed.

39. Every general insurer shall, using the methodology in Table 3 to calculate the UPR and the BE of URR, calculate the premiums liability for each sub-class of general insurance business using the following formula ;

Premiums Liability (PL) = Max {URR, [BE (URR) + RM (URR)]}

Table 3

Calculation methodology for UPR and URR

Factor	Category	Valuation methodology
UPR	All general insurance policies except reinsurance policies	Premium adjusted for accounted commissions paid to intermediaries, not exceeding the commission required by the Board For policies with a term of one year, an appropriate time apportionment method no less accurate than the 1/24th method ; for policies with a term longer or shorter than one year, a method that assumes a uniform spread of premiums during each month of the term of the policy.
	All reinsurance policies	An appropriate time apportionment method no less accurate than the 1/8th method.
BE (URR)	All policies	BE of expected future claims payments arising from future events, for risks assumed as at the valuation date, including an allowance for expected expenses incurred to settle claims, including overheads in administering the policies and settling the claims, and allowing for expected premium refunds.

40. (1) Every insurer shall calculate the claims liability for each sub-class of general insurance business using the following formula ;

Claims Liability (CL) = BE (Claims Liability) + Risk Margin (Claims Liability)

(2) In calculating the CL, insurers shall taken into account all future payments related to claims incurred as at the valuation date, including claims incurred but not reported, claims outstading, and expected direct and indirect claims related expenses such as investigation fees, loss adjustment fees, legal fees, medical fees, labour costs, and internal administrative costs.

(3) The BE of the CL shall reflect the statistical mean of the underlying distribution of the relevant insurance risks.

41. (1) Where policy administration expenses have not been included in the date used for determining insurance liabilities, general insurers shall make a separate provison for such expenses.

(2) When determining the BE of the CL and PL, general insurers shall made an appropriate allowance for future claims escalations caused by wage or price increases, court-awarded interest, or other environmental or economic causes.

(3) If the effect of the discounting is material and appropriate, insurers may calculate the CL and PL and on a discounted basis using the risks free interest rate yield curve required by rule 32.

PART VI

Determination of RM

42. (1) Every insurer shall determine a RM so that the sum of the BE liability and the RM represents a 75% confidence interval with respect to the underlying probability distribution of the possible outcomes.

(2) In determining the RM, insurers shall take into account the impact of the provisions of the insurer's reinsurance contracts (such as retention limits or quota share percentages) on the determination of the present value of reinsurance recoverables under the stress scenarios or on the application of the RM factors to the BE liabilities.

43. (1) If an insurer has sufficiently credible experience, with the approval of the Board, the insurer may use an internal model to determine appropriate RMs so that the sum of the BE liability and the RM achieves the required 75% confidence interval.

(2) The RMs determined using an internal model may apply at the product level rather than to each sub-class and, if an insurer has sufficiently credible experience to determine such an assumption, the model may include an assumption for risk diversification.

(3) As at each valuation date, insurers shall be able to demonstrate that the sum of the BE liability and RM in each case achieves the 75% confidence interval.

44. (1) If the Board has not approved an internal model under rule 43, long term insurers shall use the default RMs specified in Table 4.

(2) Long term insurers using the default RMs shall use, for each of the relevant valuation parameters listed in Table 4, the direction of the stress factor (+/-) which produces the higher liability value for each policy type by :

(a) first determining the value of the policy liabilities under both positive and negative stress factors applied to each relevant parameter ; then

(b) for each parameter, selecting the direction of stress that produces the higher liability value compared to the BE liability.

(3) After the required direction of the stress factor for each relevant parameter has been determined for a product type, the insurer shall determine the value of the product liabilities for that policy type using a single scenario in which all risk factors are stressed simultaneously in the direction that produces the higher liability value (the "combined stressed scenario")

(4) The RM is the difference between the value of policy liabilities under the combined stressed scenario and the corresponding BE liability.

Table 4

Default RMs for long term insurance liabilities

Valuation parameters	*Policy types*	*Risk margin stress factors*
Mortality (non-annuity)	(i) guaranteed* premium	+10% of BE assumption
	(ii) non-guaranteed premium	+7.5% of BE assumption
Mortatlity (annuity)		-15%
Total and permanent disability and critical illness	(i) guaranteed* premium	+20% of BE disablity assumption and 20% reduction in recovery assumption
	(ii) non-guaranteed premium	+10% of BE disability assumption and 10% reduction in recovery assumption
Renewal expense		+10% of BE assumption
Persistency		+20% of BE assumption

**Note :* Guaranteed means guaranteed for three years or more.

45. (1) If the Board has not approved an internal model under rule 43, general insurers shall use the default RMs specified in Table 5.

(2) The RMs for the URR and CL shall be calculated by multiplying the BE liability by the relevant RM factor in Table 5.

(3) When the RMs are calculated using Table 5, no additional credit for diversification may be taken.

Table 5 :

Default RMs for general insurance liabilities

Business category	*URR RM as % of BE*	*CL RM as % of BE*
A. High Volatility		
Liability insurance (such as public, product, employers, Professional Indemnity)	19%	16%
Aviation and marine hull		
Other liability (except motor)		

Table 5 :

Default RMs for general insurance liabilities

Business category	*URR RM as % of BE*	*CL RM as % of BE*
B. Medium volatility		
Cargo	14%	12%
Engineering		
Motor Liability		
Workers' compensation		
C. Low volatility		
Fire	10%	8%
Motor damage or loss		
Personal accident		
Health		
Other (non-liability)		

PART VII

Determination of Risk Capital Required (RCR)

46. (1) Subject to the provions of paragraph (2), every insurer shali make the calculations required in this Part for each risk charge, applied to the total of insurance funds and shareholders' funds, then add the resulting amounts to arrive at the total RCR, using the following formulas :

(a) for general insurance business :

RCR = $\sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]}$; and

(b) for long term insurance business :

RCR =max [(SVCC, $\sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]}$}

(2) Except for operational risk under rule 61, risk charge do not apply to assets required to be deducted from TAC under rule 12.

47. (1) As required in paragraph (2) and (3), every insurer shall determine a credit risk capital charge by adding together each credit risk exposure multiplied by the credit risk factor, for that exposure, the credit rsk exposure being the market consistent value of the financial instrument.

(2) Every insurer shall apply subject to the provisions of rule 48, apply the credit risk capital factors specified in Column 2 of Table 6 to the market consistent value of the related fixed income assets in the categories of admissible asset listed in Column 1 of Table 6, except investment in related parties (to which rule 54 applies)

(3) Every Insurer shall :

(a) use the most recent credit rating for each counterparty or financial instrument, as the case may be, assigned by a credit rating agency falling within rule 15(2)(A) or (B) ; or

(b) treat the asset as unrated

Table 6

Credit Risk Capital Factors for Fixed Income Assets

Category of asset	*Risk capital factor*	
Government securities issued by Central Bank of Sri Lanka and Debt Securities /Deposits fully guaranteed by Government of Sri Lanka	0%	
AAA rated debt securities issued or fully guaranteed by a foreign Government or a Central Bank of a foreign country	0%	
Debt securities issued or fully guaranteed by a foreign government or a central bank of a foreign country (except AAA rated debt securities above)		
	Above AA-	1.6%
	A+to A-	4.0%
	BBB + to BB-	8.0%
	Below BB-	12.0%
Corporate debt including bonds, debentures, commercial papers, and similar financial instruments and asset backed securities (except debt instruments with a term of less than 1 year)		
	AAA to AA-	1.6%
	A+ to A-	4.0%
	BBB+ to BB-	8.0%
	Below BB-	12.0%
	Unrated/Unlisted	16.0%
Corporate debt with a term of less than 1 year		
	A1/P1	1.6%
	A2/P2	4.0%
	A3/P3	8.0%
	Unrated	12.0%

Table 6 :

Credit Risk Capital Factors for Fixed Income Assets *(contd.)*

Category of asset	*Risk capital factor*	
Deposits with a licensed commercial bank or licensed specialised bank, or a licensed finance company		
	AAA to AA –	1.6%
	A+ to A-	4.0%
	BBB+ to BB-	8.0%
	Below BB-	12.0%
Other admissible assets		
	Cash and cash equivalents	0%
	Policy loans	0%
	Premium outstanding	0%
	Mortgage secured by residential property	2.8%
	Mortgages secured by commercial property	8%

48. (1) Every insurer may, subject to the provisions of paragraph (2), apply a lower credit risk capital factor to a debt (except mortgage debt and debt to which a risk factor of 0% already applies) if the debt is guaranteed by a recognized guarantor (a risk mitigation instrument)

(2) If an insurer holds a risk mitigation instument, the insurer may :

(a) apply the higher of the risk factor applicable to the guarantor or 1.6% to the portion of the debt that is guaranteed ; and

(b) apply the risk factor applicable to the issuer to the portion of the debt that is not guaranteed.

49. Every insurer shall:

(a) apply a concentration risk capital factor of 100% to the value of the assets that are not admissible assets and that are not required to be deducted from TAC under rule 12; and

(b) aggregate the resulting amounts to form the concentration risk capital charge.

50. (1) Every insurer shall calculate a reinsurance risk capital charge for each reinsurance counterparty using the following formula :

Reinsurance risk capital charge = Reinsurance risk exposure x Counterparty credit risk factor; where the reinsurance risk exposure the sum of :

(a) admissible amounts due from the reinsurance counterparty, including claims recoverable and ceding commissions;

(b) reinsurance recoveries in respect of claims incurred including ceded claims liabilities;

(c) for long term insurance business, the difference between the value of the gross liabilities and the net liabilities of the insurer in respect of its participating policies, non-participating policies, and unit linked long term policies due to reinsurance ceded to the reinsurer; and

(d) for general insurance business, the difference between the gross premiums liability and the net premiums liability of the insurer due to reinsurance ceded to the reinsurer.

(2) The counterparty credit risk capital factors are specified in Table 7, except that, in the case of reinsurance ceded to the National Insurance Trust Fund Board of Sri Lanka, the credit risk capital factor is 0%.

(3) Every insurer shall aggregate the risk capital charges calculated for each reinsurance counterparty to form the reinsurance risk capital charge.

Table 7

Reinsurance credit risk factors

Credit rating of reinsurer (rated by a credit rating agency listed in Part A of the Schedule)	*Risk factor*
AAA to AA -	1.6%
A+ to A -	4.0%
BBB + to BB -	8.0%
Below BB-	12.0%
Unrated	16.0%

51. Every insurer shall determine a market risk capital charge as follows:

Market risk capital charge = Interest rate risk charge + Credit spread risk charge + Equity risk charge + Property risk charge + Gold risk charge + Unit trust and mutual fund risk charge, calculated in accordance with rules 52 to 57.

52. (1) Subject to the provisions of paragraphs (4) and (5), insurers shall calculate the interest rate risk charge as follows :

(a) compute the present value of the net guaranteed liabilities and the interest rate sensitive asset exposures under the base scenario, referred to as V0 and A0, respectively, where (in the manner required by Parts 5 and 6) V0 is the value of the guaranteed insurance liabilities, which includes a RM and is discounted using the risk free interest rate yield curve;

(b) re-compute the present value of the net guaranteed liablilities and the interest rate sensitive asset exposures under the increasing interest rate scenario, referred as to V1 and A1, respectively;

(c) recompute the present value of the net guranteed liabilities and the interest rate sensitive asset exposures under the decreasing interest rate scenario, referred to as V2 and A2, respectively;

(d) compute the value of the surplus under each scenario as the difference between the present value of the assets and liabilities; and

(e) determine the reduction in surplus under the increasing and decreasing interest rate scenarios.

(2) Subject to the provisions of paragraph (3), the interest rate risk charge is the greater of the reduction in surplus under the increasing and decreasing interest rate scenarios.

(3) If there is an increase in surplus under both shock scenarios, then the risk charge is zero.

(4) Cash flows for assets and liabilities that are not sensitive to interest rates, such as floating rate bonds, equities, and non-guaranteed liabilities are not included in the calculation of the interest rate risk charge.

(5) Subject to the provisions of paragraph (6), (7), and (8) a standard up-shock and down- Shock methodology shall be applied to the risk free interest rate yield curve to arrive at the increasing and decreasing interest rate scenarios.

(6) The schocked term structures shall be derived by multiplying the risk free interest rate yield curve by (1+Sup) and (1-Sdown), where the upward stress factors Sup(t) and the downward stress factors Sdown (t) are those specified for each maturity “t” in Table 8.

(7) Notwithstanding the stress factors specified in Table 8, the absolute change of interest rates in the downward scenario shall be at least 1%.

(8) Where the unstressed rate is lower than 1%, the shocked rate in the downward scenario shall be 0%.

Table 8

Risk free interest rate curve shock factors

Maturity t (years)	*Shock up(t) factor*	*Shock down(t) factor*
0.25	70%	75%
0.5	70%	75%
1	70%	75%
2.	70%	65%
3	64%	56%
4	59%	50%
5	55%	46%
6	52%	42%
7	49%	39%
8	47%	36%

Maturity t (years)	*Shock up(t) factor*	*Shock down(t) factor*
9	44%	33%
10	42%	31%
11	39%	30%
12	37%	29%
13	35%	28%
14	34%	28%
15	33%	27%
16	31%	28%
17	30%	28%
18	29%	28%
19	27%	29%
20	26%	29%
21	26%	29%
22	26%	30%
23	26%	30%
24	26%	30%
25 – 29	26%	30%
30 and above	25%	30%

53. (1) Every insurer shall determine a credit spread risk charge for interest rate sensitive assets that are also subject to credit risk as follows.

(2) Subject to the provisions of paragraph (7) every insurer shall first determine an average credit spread in excess of the risk free interest rates for the interest rate sensitive and credit risk bearing assets, taken together , by weighting the current yields on the assets in proportion to their value as at the valuation date.

(3) Every insurer shall then determine a “risky” yield curve by adding the average credit spread determined under paragraph (2) to the risk free interest rate yield curve required by rule 32.

(4) Every insurer shall then calculate the differences between the present value of the net liability cash flows for guaranteed liabilities and the present value of the cash flows for interest rate sensitive assets, under an increasing interest rate scenario and under a decreasing interest rate scenario, where the cash flows for the credit risk bearing assets are discounted using the “risky” yield curve, and the cash flows for the liabilities and the non -credit risk bearing assets are discounted using the risk free interest rate yield curve.

(5) The increasing and decreasing rate scenarios shall be determined by shocking both the "risky" yield curve and the risk free interest rate yield curve using the shock factors in Table 8.

(6) The credit spread risk amount is the greater of the reduction in surplus under the increasing and decreasing rate scenarios.

(7) Alternatively, every insurer may calculate the present value of the asset cash flows for the credit risk bearing assets by determining the credit spread for each asset separately and, for each asset, using the above method, determining a risky yield curve, shocking it to determine the increasing and decreasing rate scenarios, discounting the cash flows, and adding the resulting amounts.

(8) The credit spread risk charge is the higher of zero and the difference between the interest rate risk charge calculated under rule 52 and the total of the credit spread risk amounts.

54. (1) Every insurer shall calculate an equity risk charge by applying the equity risk factors to the value of the admissible assets as specified in Table 9 and aggregating the resulting amounts.

(2) Investments in related parties shall be treated as equity investments for the purpose of calculating the equity risk charge

Table 9

Equity risk factors.

Shares listed on a licensed stock exchange	35%
Investments in related parties listed on a licensed stock exchange	35%
Unlisted private equity	45%

55. (1) Every insurer shall calculate a property risk charge applicable to admissible assets whose value is sensitive to the volatility of market prices of property.

(2) For the purpose of paragraph (1), the following assets shall be treated as property:

(a) land, buildings, and other immovable property rights; and

(b) direct or indirect participations in real estate companies that generate periodic income from property holdings,

unless the asset is subject to a risk charge under another rule, except rule 61 (operational risk capital charge)

(3) Every insurer shall apply a property risk factor of 25% to the value of property and aggregate the resulting amounts to form the property risk charge.

56. Every insurer shall apply a gold risk factor of 15% to the total value of their admissible gold assets to determine the gold risk charge.

57. (1) Every insurer shall apply the risk factors to the underlying assets of the fund, or part fund, as specified in Table 10, for admissible mutual funds and unit trusts.

(2) The value of the underlying assets shall be determined as at the valuation date based on the market values provided by the fund manager.

(3) Every insurer shall aggregate the resulting amounts for each unit trust and mutual fund to form the unit trust and mutual fund risk charge.

Table 10

Risk factors for unit trusts and mutual funds

Asset category	*Risk factor*
Government securities and Debt Securities/Deposits guaranteed by Government	0.0%
Money market instruments, including cash	1.6%
Ordinary shares	35.0%
Debt Securities & corporate debt	4.0%
Property (as defined in rule 55)	25.0%
Other	15.0%

58. (1) General insurers shall calculate a liability risk capital charge by aggregating the risk charges for claims liability and premiums liability as follows.

(2) Every general insurer shall determine premiums liability risk charges for each sub-class of general insurance business , separately, by multiplying the net unexpired risk reserve (URR), determined at a 75% confidence interval, by the corresponding premiums liability risk factor specified in column 2 of Table 11.

(3) Every general insurer shall determine claims liability risk charges for each sub-class of general insurance business, separately, by multiplying the net claims liability by the corresponding claims liability risk factor specified in column 3 of Table 11.

Table 11:

Risk factors for premiums liability and claims liability risk charges

Business category	*Premiums liability risk factor*	*Claims liability risk factor*
A. High Volatility		
Liability insurance (such as public, product, employers, Professional Indemnity)	36%	30%
Aviation and marine hull		
Other liability (except motor)		

Table 11:

Risk factors for premiums liability and claims liability risk charges *(contd.)*

Business category	*Premiums liability risk factor*	*Claims liability risk factor*
B. Medium volatility		
Cargo	30%	25%
Engineering		
Motor Liability		
Workers' compensation		
C. Low volatility		
Fire	24%	20%
Motor damages or loss		
Personal accident		
Health		
Other (non-liability)		

59. (1) Subject to the provisions of paragraphs (2), (3), (4) and (5) long term insurers shall calculate liability risk capital charges for each sub-class of long term insurance business using the following formula:

Liability risk capital charge = (V* - Value of liabilities under base scenario), where V* is the adjusted value of the long term insurance liabilites calculated using the stress factors specified in Table 12.

(2) In detemining V*, insurers shall use the methodology in rule 44(2) and (3)

(3) The value of V* shall be calculated on a policy-by-policy basis, by stressing all risk factors simultaneously in the direction selected for that policy for that policy type (as specified inTable 12).

(4) Every insurer shall use the same stress factors, in the same direction for all policies of that product type.

(5) For participating policies V* and the value of liabilities under the base scenario (that is , BE liability + RM) applies only to the guaranteed liabilities.

Table 12.

Stress factors for calculating V*

Valuation parameters	*Policy types*	*Stress factors to determine V**
Mortality (non-annuity)	(i) guaranteed* premium	+20% of BE assumption
	(ii) non-guaranteed premium	+15% of BE assumption
Mortality (annuity)		-25%

Table 12

Stress factors for calculating V* *(contd.)*

Valuation parameters	*Policy types*	*Stress factors to determine V**
Total and permanent disability and critical illness	(i) guaranteed* premium	+35% of BE disablity assumption and 30% reduction in recovery assumption
	(ii) non-guaranteed premium	+30% of BE disability assumption and 25% reduction in recovery assumption
Renewal expense		+20% of BE assummtion
Persistency		+50% of BE assumption

***Note :** Guaranteed means guaranteed for 3 years or more

60. (1) Subject to the provisions of paragraph (3), long term insurers shall apply a surrender value capital charge ("SVCC") to set an upper limit for RCR.

(2) The SVCC is the higher of zero and the aggregate surrender values of the policies in force minus the aggregate policy liabilities, where the policy liabilities are calculated as BE liability + RM.

(3) Subject to the provisions of paragraphs (4) and (5) the SVCC shall be determined for participating policies, non-participating policies and unit linked long term policies separately, then aggregated.

(4) In the case of unit linked long term policies, the SVCC applies only if the guaranteed surrender values exceed the unit fund values and non-unit linked liabilities, in aggregate, as at the valuation date.

(5) In determining the SVCC for policies that are yet to acquire a surrender value or where the policy liability is negative the surrender value shall be taken as zero.

61. Every insurer shall calculate an operational risk capital charge of 1% of the value of all assets of the insurer, whether admissible or not, and whether held inside or outside an insurance fund or shareholders' fund, including assets by reference to the value of which linked long term liabilities are to be determined.

PART VIII

General

62. Unless the context otherwise requires:

"Act" means the Regulation of Insurance Industry Act, No. 43 of 2000

"asset backed securities" means securities that are primarily serviced by cash flows from a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a definite period, with any rights or other assets designed to ensure the servicing or timely distribution of proceeds to the security holders;

"BE" means best estimate;

"Board" means the Insurance Board of Sri Lanka established under section 2 of the Act;

"Capital adequacy ratio" means the capital adequacy ratio of an insurer, that is, the ratio of TAC to RCR expressed as a percentage;

"CL" means the claims liability;

"company" means a company incorporated under the Companies Act, No. 7 of 2007;

"in admissible assets" means the assets which are not admissible;

"licensed finance company" means a company licensed under Finance Business Act, No. 42 of 2011, to carry on finance business within the meaning of that Act;

"licensed specialised bank" means an institution licensed as a specialised bank under the Banking Act, No. 30 of 1988;

"Long term insurance fund" means the insurance fund maintained under section 38 of the Act;

"MCR" means the minimum capital required by rule 4;

"market consistent valuation" means a valuation of assets or liabilities at marked value ('mark to market') or, where a market value cannot reasonably be ascertained, a valuation using 'mark to model' approach;

"multilateral agency" means the International Finance Corporation or other similar institution approved by the Board

"mutual fund" means a professionally managed and regulated open-ended collective investment vehicle (that is not a hedge fund or unit trust) that pools money from many investors to purchase securities;

"PL" means the premiums liability;

"RCR" means the total amount of risk capital charges, valued and determined in accordance with these Rules;

"RCAR" means the CAR required by rule 3;

"recognised guarantor" means the Government of Sri Lanka, the Central Bank of Sri Lanka, the central Bank of a foreign country carrying an investment grade rating, a multilateral agency, or an institution carrying an investment grade rating approved by the Board;

"related party" shall have the same meaning as in the Sri Lanka Accounting Standards;

"RM" means risk margin for adverse deviation;

"shareholders' funds" means:

(a) issued and fully paid ordinary share capital;

(b) share premium arising out of (a), and

(c) reserves with retained profits attributable to shareholders (except non-distributable or restricted reserves);

"Solvency Margin (Long Term Insurance) Rules 2002" means the Solvency Margin (Long Term Insurance) Rules, 2002, published in Gazette Extraordinary No. 1255/12 of September 24, 2002;

"Solvency Margin (General Insurance) Rules, 2004" mean the Solvency Margin (General Insurance) Rules, 2004, published in Gazette Extraordinary No. 1341/8 of May 17, 2004;

"Sri Lanka Accounting Standards" means the accounting standards adopted under the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, which comprise Accounting Standards prefixed both SLFRS and LKAS (SLFRS refers to Sri Lanka Accounting Standards corresponding to IFRS (International Financial Reporting Standards) and LKAS refers to Sri Lanka Accounting Standards corresponding to IAS (International Accounting Standards):

"Total available capital" (TAC) means the total available capital held by an insurer, valued and determined in accordance with rules 9 to 13, available to cover RCR and MCR;

"Tier 1 capital" means permanent capital that is fully available to cover the losses of an insurer at all times on both a going concern and a winding up basis, as specified in rule 10;

"Tier 2 capital" means capital that lacks some of the absorbency characteristics of the Tier 1 capital, but nevertheless provides some loss absorbency during on going operations or on winding up as specified in rule 11;

"unit trust" means a unit trust within the meaning of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 , managed by a company licensed under that Act, or a unit trust outside Sri Lanka approved by the Board;

"UPR" means the unearned premium reserve; and

"URR" means the unexpired risk reserve.

63. The Solvency Margin (Long Term Insurance) Rules, 2002 Solvency Margin (General Insurance) Rules, 2004 are rescinded with effect from December 31, 2015.

SCHEDULE

[rule 15]

Part A

Credit rating agency	*Minimum international rating of entity or security*	*Minimum international rating of short term (less than one year) security*
(1) Moody's Investor Services	Baa 3	P3
(2) Standard and Poor's Corp.	BBB-	A3
(3) Fitch Ratings	BBB-	F3
(4) A. M. Best Company	bbb-	AMB - 3

Part B

Credit rating agency	*Minimum rating of entity or security*	*Minimum rating of short term (less than one year) security*
(1) Fitch Ratings (Lanka) Ltd.	BBB-(lka)	F3 (lka)

1-1098

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA.