



INSURANCE  
REGULATORY  
COMMISSION OF  
SRI LANKA

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இலங்கை காப்புறுதி ஒழுங்குமுறைப்படுத்தல் ஆணைக்குழு  
INSURANCE REGULATORY COMMISSION OF SRI LANKA

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06<sup>th</sup> March 2019

Chief Executive Officers of all Insurance Companies

Dear Madam/ Sir

**Corporate Governance Framework for Insurers: Amended Direction # 17-06.03.2019 issued under Section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000**

The Members of the Insurance Regulatory Commission of Sri Lanka (IRC SL) at its 187<sup>th</sup> meeting have decided not to accept the views/suggestions of insurers & the IASL on above. Direction # 17 was issued with the intention that the insurance industry meets with high standards of Corporate Governance in par with the institutions of the banking/financial sector.

However, with regard to the concerns raised on immediate application, the IRC SL has decided to extend the effective date of compliance up to 01<sup>st</sup> July 2019. Framework reflecting the above is attached.

Yours faithfully

Damayanthi Fernando  
**DIRECTOR GENERAL**  
RA/PG

Cc: President, Insurance Association of Sri Lanka

## **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 01<sup>st</sup> July 2019.**  
  
**(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, 2020, 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 general exemption shall apply:**
    - (i) A director who is over 75 years of age as at July 1, 2019, such director may continue to serve as a director for a further period that shall not extend beyond June 30, 2020, and shall be deemed to have vacated office on June 30, 2020.**

- (ii) *A director who is between 70 to 75 years of age as at July 1, 2019, such director may continue to serve as a director for a further period that shall not extend beyond June 30, 2021, and shall be deemed to have vacated office on June 30, 2021.*
  - (iii) *A director who would reach the age of 70 years by July 1, 2019, such director may continue to serve as a director for a further period that shall not extend beyond 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 not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies/entities/ institution, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.*
- C. *The above will come into effect from 01<sup>st</sup> July 2019.*