



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

Insurance Brokering Companies Completion of Regulatory Returns

Prepared and Presented By : Supervision Division

Date

: 25th January 2023

AGENDA



- a) Supervisory perspective of insurance brokering companies.**
- b) Completion and submission of Quarterly Returns.**
- c) Common issues observed when reviewing the quarterly returns.**

SUPERVISORY PERSPECTIVE OF INSURANCE BROKERING COMPANIES



- As per Section 79 of the Regulation of Insurance Industry Act No. 43 of 2000 (RII Act), a company should register as an insurance broker.
- Currently, there are 76 insurance brokering companies operating in the market (as of January 25, 2023).
- For easy reference, the supervision of insurance brokering companies can be divided into two subsections;
 - Off-site supervision
 - On-site supervision
- Our main focus of this session will be related to off-site supervisory activities.

SUPERVISORY PERSPECTIVE (Contd.)

- Offsite supervisory activities include;
 - Review of Quarterly Returns & Audited Financial Statements.
 - Recommend financial position of brokering companies to renew licenses.
 - Preparation of statistics for various purposes



Quarterly Returns should be submitted;

In terms of the section 86 (3) of the RII Act,

- Every broker shall furnish to the Board, returns, containing such information and within such period of time as may be determined by the Board
- In accordance with the Gazette Notification No. 1642/16 – February 25th , 2010, every broker shall furnish the quarterly returns within forty-five days after the end of each quarter. e.g., Quarter ended 31st March – deadline 15th May.
- During the year 2021, IRCSL introduced a revised format for quarterly returns which should be submitted only on soft version. The same was communicated to all the insurance brokering companies through letter dated March 26, 2021 (IRCSL/DG/LEG/2021/03/105)

IRCSL home page → Insurance Legislation → Rules



COMPLETION & SUBMISSION OF QUARTERLY RETURNS

**Quarterly
Returns
consist
of
Forms
as**

CERTIFICATIONS

- **Certification on Return**
- **Compliance Certification**

FORM 1

- **Premium Income, Commission Income and Placement Details**

FORM 2

- **Statement of Income**

FORM 3

- **Statement of Financial Position**

FORM 4

- **Statement of Changes in Equity**

NOTES

- **Notes to the Financial Statements**

CERTIFICATIONS

Certification on Return-Insurance Brokering Companies



- ❖ The purpose of this certification is to confirm that the company has provided true and accurate information to the IRCSL.
- ❖ To ensure that the company has provided all the required Forms of the Return to the IRCSL.
- ❖ This covers the general information of the company, such as the name, date, and email address of Principal Officer which the Return has forwarded to the IRCSL.
- ❖ Signatures of Finance Manager, Principal Officer and two Directors are compulsory.
- ❖ Should submit the PDF version.

Certification on Quarterly Returns – Insurance Brokering Companies

Name of the Insurance Broker :

For the quarter ended :

We certify that the information of..... (name of the Insurance Brokering Company) contained in the following forms below (1-5) and forwarded from..... (the e-mail address of the Principal Officer) to supervision@ircsl.gov.lk on (date) is true and accurate to the best of our knowledge.

1. Form 1 : Premium income, commission income and placement details
2. Form 2 : Statement of Income
3. Form 3 : Statement of Financial position
4. Form 4 : Statement of Changes in Equity
5. Respective Notes

Finance Manager : Name..... Signature..... Date.....

Principal Officer : Name..... Signature..... Date.....

Director : Name..... Signature..... Date.....

Director : Name..... Signature..... Date.....

CERTIFICATIONS

Compliance Certification

- ✓ This certification captures the company's compliance status with Section 89 of the RII Act.
- ✓ This certifies whether the company has remitted the premium collected on behalf of an insurer, within two weeks of such collection.
- ✓ A company should clearly mention whether it collects or does not collect premiums on behalf of an insurer.
- ✓ If the company collects premium, it should accurately be mentioned about the brokering account details and whether the company has remitted or not remitted the premium collected on behalf of an insurer, within two weeks of such collection.
- ✓ Under any circumstance, if the company has not been able to remit premium within the given period, reason for the same should be attached in the Return.
- ✓ The signatures of Finance Manager, Principal Officer, and two Directors are compulsory.
- ✓ Should submit the PDF version.

Compliance Certification

Compliance Certification

To: The Director General,
Insurance Regulatory Commission of Sri Lanka, Level 11, East Tower,
World Trade Centre,
Echelon Square,
Colombo 01.

Dear Sir/ Madam,

We, the undersigned, on behalf of (state the name of the insurance brokering company) hereby certify the following for the quarter ended

1. That (state the name of insurance brokering company) collects/does not collect premium on behalf of insurers, hence maintain/ does not maintain an "Insurance Brokering Account" (strikethrough if not applicable).

If maintaining a brokering account,

2. That (state the name of insurance brokering company) has deposited all moneys received in connection with a contract of insurance into "Insurance Brokering Account" and maintained the said account with a licensed commercial bank. Details of the brokering account/s are as follows;

Name of the Bank	Account Number
------------------	----------------

- | | |
|-----|-------|
| i | |
| ii | |
| iii | |

3. That (state the name of insurance brokering company) has remitted/ not remitted the premium collected on behalf of an insurer, within two weeks of such collection (strikethrough if not applicable). Attached herewith an explanation for not remitting premium within such period (Ignore if not applicable).

FORM 1

Premium Income, Commission Income and Placement Details



- The companies are required to provide information on premium income and commission income separately for life, general, overseas health/travel, and reinsurance brokering business.
- Form 1.1 captures life and general **local** insurance brokering businesses.
- Form 1.2 captures **overseas health/travel**, and **reinsurance business**. Information on health insurance policies that are placed only with foreign insurance companies should be recorded in this table.
- If any brokering company wishes to place overseas health business, it should obtain prior approval from IRCSL.
- Form 1.3 specifically seek information regarding the reinsurance brokering business. Please provide relevant details on the same.
- The companies should pay attention to the equations provided in the Form.

BROKERS' QUARTERLY RETURNS

NAME OF THE INSURANCE BROKER:

FOR THE QUARTER ENDED :

FORM 1 : PREMIUM INCOME, COMMISSION INCOME AND PLACEMENT DETAILS

Form 1.1 : Local Business

(All figures in LKR)

1. Name of Insurer	Life Insurance Business			General Insurance Business					Total
	Individual	Group	Others	Fire	Marine	Motor	Health	Miscellaneous including Employer's Liability	
Details of Premium Income									
a.									-
b.									-
c.									-
d.									-
Total Premium Income	-	-	-	-	-	-	-	-	-
Commission Income									-
Commission as a % of Premium Income	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
Commission to Insurance Agents									-
Net Commission to Broker	-	-	-	-	-	-	-	-	-

Form 1.2 : Foreign Business

2. Name of the Foreign Insurer/Foreign Entity	Overseas Health	Overseas Travel	Total Overseas Business	Reinsurance Business	Total
Details of Premium Income					
a.			-		-
b.			-		-
c.			-		-
d.			-		-
Total Premium Income	-	-	-	-	-
Commission Income			-		-
Commission as a % of Premium Income	#DIV/0!	#DIV/0!		#DIV/0!	
Commission to Insurance Agents			-		-
Net Commission to Broker	-	-	-	-	-
Total Gross Commission Income (Local + Foreign)					-

Explanatory Notes:

Total Gross Commission Income (Local + Foreign) should agree with Total Commission Income recorded in the Statement of Income (Form 2).

Form 1.3 : Reinsurance Business

Name the Insurer	Name of the Reinsurer	Name of the foreign Reinsurance Broker	Type of Covers
a.			
b.			
c.			
d.			
TOTAL			

Why Regulator review your Quarterly Financials?

- ❑ As per Letter dated 30th March 2015, the Insurance Brokering Companies need to comply **minimum net capital requirement of Rs. 2.5 million** to operate as an Insurance Brokering company. Thus **Form 2 to Form 4** give details relating to your status of compliance with the net capital requirement.
- ❑ Also for various statistic reporting and risk tooling purposes.

*IRCSL uses your quarterly information, in addition to your **AUDITED FINANCIAL FIGURES.***



FORM 2

Statement of Income



1. There are **links** in the Form.

e.g.

- Commission income details have been linked to Form 1.
- Other income, as well as expense details, have linked to the Notes tab.

2. There are **equations** in the Form

e.g.

Equations have been provided for calculation of total income/ total expenses/ PBT/ PAT etc.

Do not remove these LINKS from the form when filling data to this form.

Also, do not remove the EQUATIONS given in the form



FORM 2

Statement of Income Contd.



3. The companies are required to adhere to the explanatory notes provided under the form. See number (b) of explanatory notes;

- The cumulative column (column 3) is required to be completed according to the **calendar year**.
- This might be different from the financial year considered for the company's accounting purposes.

4. The companies are required to consider the commission to insurance agents under “selling and distribution expenses”.


- Do not report your income in form 2 after netting the balance

FORM 2 : STATEMENT OF INCOME

FOR THE QUARTER ENDED :

(All figures in LKR)

(1)	Note	(2) Current Quarter	(3) Cumulative for the Period
Revenue			
Commission Income : Local		-	
Foreign		-	
Reinsurance		-	
Total Commission Income		-	-
Other Income	1	-	
Total Income		-	-
Less : Administrative Expenses	2	-	
Selling & Distribution Expenses including Agent Commission	3	-	
Finance Expenses	4	-	
Other Expenses	5	-	
Total Expenses		-	-
Profit/(Loss) before Taxation		-	-
Less: Taxation			
Profit/(Loss) after Taxation		-	-



Explanatory Notes:

- (a)* Column 2 - Current Quarter is the quarter for which the Quarterly Return is submitted.
- (b)* Column 3 - When computing the cumulative figures, financial year should be considered as 01st January to 31st December. i.e. if the Quarterly Return is submitted for the second quarter of the year, then cumulative value for the period from 1st January to 30th June will be the cumulative value for the period.
- (c)* Note - Please provide separate breakups for significant figures in the 'NOTES' tab.



Important Factors to be considered in Form 2:

IRCSL considers the “Financial Year” of the Insurance Brokering companies as “**01st January to 31st December**”.

This factor needs to be considered especially when your filling “Cumulative for the period” which is column 3 of this form.

E.g.: When you file Q2 Returns, i.e., for the period of 01st April to 30th June, the cumulative balance that needs to be reported in column 3 is the total of the balances of 01st January to 30th June (Q1+Q2)

*Don't confuse the
period of your
Statutory Returns
with Audited
Financial Statements.*



FORM 3

Statement of Financial Position



1. There are links and equations in this Form.
E.g. long-term investments, commission receivables, prepayments and other receivables, premiums payable, etc. are linked to the sheet named “Notes.”
All the line items under “equity” are linked to the Form 4 (Statement of Changes in Equity).
2. The companies are required to accurately complete the two columns in the Form. (current quarter and preceding quarter). The preceding quarter column should be correspondent with previously submitted quarterly information.
3. The companies are required to provide adequate details for “insurance broking account(s)” along with account numbers. Other savings/current account details should be disclosed separately.
4. The companies should adhere to the explanatory notes provided under the table.



Important Factors to Consider in Form 3

- Sometimes we come across situations where brokering companies fill the proceeding quarter of the balance sheet using totally different data.
- There are a few instances where your data reported in the proceeding quarter might be different from the previous submission due to **adjustments** to the figures. If so, please disclose the same as a note under the form.

What we see in common;

*It was not the **adjustments** that caused the differences, but the negligence, errors, and omissions that were the main reasons.*

Do not remove these LINKS from the form when filling in data to this form. Also, Do not remove the EQUATIONS given in the form. Also, read the EXPLANATORY NOTES below the form.




FORM 4

Statement of Changes in Equity



1. The company required to complete the “**opening balance**” in Form 4 based on the closing balance reported in the previous quarter. If there are changes to the previously reported balances, please disclose the “adjustments” you made.

2. The company should **reinstate the retained earnings** based on the audited figures, once you have prepared the Audited Financial Statements.



Important Factors to consider in Form 4:

Opening Balance;

- Be mindful of the opening balance you report.
- Kindly check if the same number matches with your closing balance reported in the previous quarter.
- If there are any changes (which may be due to adjustments) disclose the same.



Important Factors to consider in Form 4:

Reinstate the retained earnings;

- Do not forget to reinstate your retained earnings of the quarterly returns once you prepare your Audited Financial statements.



FORM 4 : STATEMENT OF CHANGES IN EQUITY**FOR THE QUARTER ENDED :**

(All figures in LKR)

	Share Capital	General Reserve	Retained Earnings	Other Reserves	Total
Balance as at .. (End of the previous Quarter)					-
Add : Net profit/(loss) for the current Quarter			-		-
Transfer to General Reserve					
Less: Dividend paid					-
Balance as at .. (End of the current Quarter)	-	-	-	-	-

Explanatory Notes:

(a) Totals of each columns for 'end of current quarter' and 'end of the previous quarter' should be agreed with the same recorded in Statement of Financial Position (Form 3).

(b) Once the Audited Financial Statements are prepared, retained earnings should be reinstated according to the same.

NOTES



What is the Purpose of Notes?

To obtain break ups and details of transactions you reported in Forms 2 & 3



- The companies are required to accurately complete all the provided notes and provide a comprehensive breakup for other receivables and payables.
- If there is a premium payable over 14 days, the companies should disclose the same in the Compliance Certification and Note 12- Premium Payable.
- All the related party transactions with respect to the income statement and statement of financial position should be mentioned under “**Note 14 - Related Party Transactions**”. The companies should make sure to state the nature of the transaction in the provided column.
- The companies are allowed to provide additional notes other than the given notes , if figures are material or substantially different compared to the previous quarters.



Important Factors to consider in Notes to the Financial Statements:

Breakups provided did not match with the information reported in the Forms.

- Please go through the figures reported before submitting the returns to the IRCSL.
- Also, you may provide additional notes here.



Important Factors to consider in Notes to the Financial Statements :

Not disclosing Related Party Information Under Note no. 14.

- Note no 14, provides information about your related party transactions.
- Please provide the relevant details there.
E.g. transactions carried out with the Directors of the company.
- Services provided and obtained from group of companies.





COMMON ISSUES/ERRORS OBSERVED




1. Submission of Returns to the IRCSL.

The companies are required to submit all correspondence via the Principal Officer's e-mail address.

IRCSL is not accepting returns sent from other email addresses other than the PO's e-mail address unless you provide valid reasons for doing so. This was duly communicated to the Sri Lanka Insurance Brokers Association (SLIBA) by our letter dated 23rd June 2021. (IRCSL/DG/SUP/2021/06/174).

2. Non-submission of Returns within the deadline and delay in submission of responses to the queries.

Note that for brokering companies, there are 45 days to submit a return to the IRCSL. However, it's regretted to note that there are certain companies that failed to submit Returns within the due dates. Note that the circular 41, provides the relevant enforcement actions on the same.



4. Existence of long outstanding receivables (e.g., commission receivables, related party receivables) without recovery process.

There are a few companies that report long outstanding receivable balances in Form 3 where the recoverability of these balances is highly questionable. It was observed that the same was maintained for the purpose of supporting their net capital position.

However, it is not acceptable.

You have to consult your external auditor regarding these balances and make the necessary adjustments in the books of accounts.

5. In the event of a capital infusion, submission of Form 06 certified by the ROC and bank statements as supporting documents. (in addition, to the requirements of Direction 19).

To strengthen your financial position, you might infuse additional capital during a particular period.

In the event of an additional capital infusion, the companies are required to submit Form 6 certified by the registrar of companies, and bank statements for our verification purposes along with the quarterly returns.

Contd.

6. With regard to Direction 19 requirements;

In the event that IRC SL has directed a particular company to comply with the minimum net capital requirement, the company has to submit Audited Financial Statements in addition to Form 6 and bank statements.

(Refer to Direction 19 via www.ircs.l.gov.lk for exact requirements)

IRC SL does not consider your advance money received for share capital and share application money for the computation of net capital requirement.



FACTORS TO BE CONSIDERED BY THE PRINCIPAL OFFICER



- Delay in the submission of Returns.
- Incomplete and improper submissions
 - e.g., Inconsistencies and inaccuracies in data
 - Repetitive observations
 - Certifications are not in order
 - The return was not submitted by Principal Officer
- Compliance with the net capital requirement

Above factors will be taken into consideration by the IRC SL when deciding onsite inspections.

Q&A Session

1. Notes does not have comparative figures. Is it OK?

Answer;

Notes are obtained to gain an understanding of the nature, details, and breakups of transactions pertaining to the reporting quarter.

2. Is there any difference in format from the previous submission?

Answer;

There have been no changes to the format since your last filing. The purpose of this session is to create awareness and minimize the mistakes, errors, and incomplete submission of Returns to the IRCSL

3. Is the deadline for submitting quarterly returns after 30 days or 45 days?

Answer;

At the moment, it is 45 days after the end of each quarter.



Q And A Session

4. Regarding the authentication forms, is this a requirement only for brokers or for insurers as well?

Answer;

According to the IRCSL laws and regulations, both insurance brokers and insurance companies are required to submit their necessary certifications. Users can find out more about the certification requirements of IRCSL by visiting the website at <https://ircsl.gov.lk/>.

5. Can the returns be submitted via email of the finance manager of the company instead of principal officer?

Answer;

The email address provided by the principal officer to the IRCSL must be used to submit the company's returns. The confidentiality of the information is highly important when submitting it to the regulator. Particularly now that IRCSL accepts soft copy returns, there should be one responsible person to whom IRCSL should correspond.



Q&A Session

6. When filing the final quarter on December 31st, the year-end audit may not be completed. As a result, there may be discrepancies with the audited financials vs quarterly returns.

Answer;

This is understandable. As mentioned, the company can reinstate retained earnings after the preparation of Audited Financial Statements. Therefore, you can reinstate the retained earnings when filing the next quarterly returns.

7. What if company has appointed only one director? So, how do you provide certification when it is required to be signed by two directors?

Answer;

The company has to provide the signatures of all the required personnel, It is a requirement to provide the signatures of two directors. However, if the company has only appointed one director, IRCSL will accept the return with the signature of one director.



A photograph of a modern building with a white, curved, metallic facade. The building's surface is composed of many small, rectangular panels that create a textured, grid-like pattern. A prominent feature is a large, blue-tinted glass window that is partially obscured by the building's curved structure. The sky in the background is a pale, overcast grey. The overall aesthetic is clean, architectural, and futuristic.

THANK YOU !