

Determination 1 – 01/03/2011 and as amended on 20/10/2011 (amendments made to single investment exposure limits in Shares (b), Corporate Debts (c) and Deposits (d) stated in Table A in Determination # 1)

INVESTMENT FROM THE TECHNICAL RESERVE & FROM THE LONG TERM INSURANCE FUND

(A) Every Insurer carrying on general insurance business or long term insurance business shall invest the balance assets of Technical Reserve [referred to in section 25(1) of the Act] or of the Long Term Insurance Fund [referred to in section 38 of the Act and also known as Insurance Provision Life] respectively, in the following types of investments (described in detail in Table A) subject to the maximum percentage as a % of the Technical Reserve or of the Long Term Insurance Fund that could be held in any single investment indicated against such investment described in Table A:

(a) Government Debt Securities;

(b) Shares;

(c) Corporate Debts;

(d) Deposits;

(d) Property;

(e) Unit Trusts/Mutual Funds;

(f) Gold; or

(h) Other Assets.

Note: "balance assets of Technical Reserve" & "balance assets of the Long Term Insurance Fund" referred to above means assets available after having invested a minimum of 20% of the Technical Reserve and a minimum of 30% of the Long Term Insurance Fund respectively, in Government Securities as required in section 25 of the Act.

Table A

	Type of Investment	Maximum % as a % of the Technical Reserve that could be held in any single investment	Maximum % as a % of the Long Term Insurance Fund that could be held in any single investment
(a)	Government debt Securities		
(i)	Debt securities issued or fully guaranteed by Government of Sri Lanka.	100%	100%
(ii)	Debt securities issued or fully guaranteed by any Foreign Government or a Central Bank of any foreign country and carrying an investment grade rating to the instrument;	10%	10%
(b)	Shares (amended on 20/10/2011)		
	Ordinary Shares of a company listed on a stock exchange;	5% of the Technical Reserve or 5% of the issued number of shares of the investee company, whichever is lower.	5% of the Long Term Insurance Fund or 5% of the issued number of shares of the investee company, whichever is lower.
(c)	Corporate Debts (amended on 20/10/2011)		
(i)	Corporate debts, including bonds, debentures, commercial papers, and any other similar financial instruments, issued by a licensed commercial bank or a licensed specialised bank and carrying an investment grade rating to the instrument; or backed by a guarantee issued by a licensed commercial bank or a licensed specialised bank, which has an investment grade rating; or backed by a guarantee issued by any Multilateral Agency;	(i) 5% of the Technical Reserve or 10% of the shareholders funds of the company, whichever is lower; and (ii) In case of (iv) – 5% of the Technical Reserve or 5% of a single issue, whichever is lower.	(i) 5% of the Long Term Insurance Fund or 10% of the shareholders funds of the company, whichever is lower; and (ii) In case of (iv) – 5% of the Long Term Insurance Fund or 5% of a single issue, whichever is lower.
(ii)	Corporate debts, including bonds, debentures, commercial papers, and any other similar financial instruments which are listed on a stock exchange;		
(iii)	Corporate debts, including bonds, debentures, commercial papers, and any other similar financial instruments, issued by a company and carrying an investment grade rating to the instrument;		

(iv)	Asset backed securities where the capital and interest or the maturity value, as the case may be, is guaranteed by a licensed commercial bank or a licensed specialized bank which has an investment grade rating;		
	<p>Note:</p> <p>1. If debt is guaranteed by the same bank, the cumulative exposure to the same bank shall not exceed 10% of the Technical Reserve or the Long Term Insurance Fund, as the case may be, or 15% of the shareholders funds of the Bank, whichever is lower; and</p> <p>2. Debt cannot be issued and guaranteed by one and the same bank (In case the issuer is a bank).</p>		
(d)	Deposits (amended on 20/10/2011)		
(i)	Deposits with any licensed commercial bank or any licensed specialised bank carrying an investment grade rating;	10% of the Technical Reserve or 15% of the shareholders funds of the Bank or Finance Company as the case may be, whichever is lower.	10% of the Long Term Insurance Fund or 15% of the shareholders funds of the Bank or Finance Company as the case may be, whichever is lower.
(ii)	Deposits with any licensed finance company carrying an investment grade rating;		
	<p>Note:</p> <p>(i) All deposits shall be deposits bearing interest; and</p> <p>(ii) Deposits with any licensed finance company referred to in (ii) above, shall be considered only if such licensed finance company is listed on a stock exchange as on the date in which licensed finance companies are required to be listed by the Central Bank of Sri Lanka.</p>		
(e)	Property		
(i)	Freehold lands and buildings occupied by the insurer;	5%.	5%.
(ii)	Freehold lands and buildings held for investment purposes;	5%.	5%.
(iii)	Leasehold land and building	10% including the land value.	10% including the land value.
	<p>Note: -(i) Investment referred to in sub-paragraphs (iii) will be considered for a period of two years from 01/04/2011 and only if an insurer had invested in leasehold land and building as at 31/12/2010.</p>		
(f)	Unit Trust/Mutual Funds		
	Unit Trusts/Mutual Funds;	5%.	5%.
(g)	Gold		
	Gold kept in safe custody in any licensed commercial bank or any licensed specialized bank;	100%	100%
(h)	Other Assets		

	Outstanding Policy Loans, where the loan has been granted within the surrender value of the policy;	Not Applicable	100%
(i)	Investments in Related Companies		
	Investments made in all related companies; (Investments are required to be made in accordance with the limitations specified above)	7.5%. However, the maximum single exposure, other than in any licensed commercial bank or any licensed specialized bank carrying an investment grade rating should be 5%.	7.5%. However, the maximum single exposure, other than in any licensed commercial bank or any licensed specialized bank carrying an investment grade rating should be 5%.

(B) The Board may permit investments in other types of assets, on a case-by-case basis, subject to any conditions that the Board may lay down. Any investment approved by the Board under this clause will be made known to all insurers.

(C) All Assets of the Technical Reserve and of the Long Term Insurance Fund shall be free from any encumbrances.

(D) Values of the Assets of the Technical Reserve and of the Long Term Insurance Fund shall be determined in accordance with the methodology specified in Solvency Margin Rules for General Insurance Business and the Solvency Margin Rules for Long Term Insurance Business respectively.

(E) Investments under (a)(ii) in Table A above, will be restricted to the limits specified in Regulations made under Section 25(3) of the Act. All other investments from the Technical Reserve or from the Long Term Insurance Fund will be limited to Sri Lanka.

(F) An insurer shall treat an investment income which is overdue for more than six months as a doubtful debt and the asset on which such income is derived shall be excluded.

(G) An asset specified in (a)(ii) of Table A, shall be considered as an approved asset only if it is rated by a Credit Rating Agency and meets the minimum international requirements as specified in Part (I) of the Schedule or other investment grade rating classification given by the respective credit rating agency from time to time.

(H) Assets specified in (c)(i),(iii),(iv),(d)(i),(ii) of Table A, above, shall be considered as approved assets only if such asset or the entity, as the case may be, is rated by a Credit Rating Agency and meets the minimum requirements as specified in Part II of the Schedule or other investment grade rating classification given by the respective credit rating agency from time to time.

(I) (amended on 20/10/2011)

In these Determinations unless the context otherwise requires "Act", "actuary", "asset backed securities", "Board", "company", "investment grade rating", "licensed commercial bank", "licensed finance company", "licensed specialized bank", "multilateral agency", "related company", "stock exchange" and "unit trust" shall have the same meanings assigned to it under the Solvency Margin Rules for General Insurance Business and the Solvency Margin Rules for Long Term Insurance Business respectively.

"shareholders funds" mean:

- a) issued and fully paid ordinary share capital;**
- b) share premium arising out of (a) above; and**
- c) all reserves with retained profits attributable for shareholders excluding non distributable or restricted reserves, in any manner."**

**SCHEDULE
(Part I)**

CREDIT RATING AGENCY	MINIMUM INTERNATIONAL RATING OF ENTITY OR SECURITY	MINIMUM INTERNATIONAL SHORT TERM (LESS THAN ONE YEAR) RATING OF SECURITY
(1) Moody's Investor Services	Baa3	P3
(2) Standard and Poor's Corporation	BBB-	A3
(3) Fitch Ratings	BBB-	F3
(4) A. M. Best Company, Inc.	bbb-	AMB-3

(Part II)

CREDIT RATING AGENCY	MINIMUM RATING OF ENTITY OR SECURITY	MINIMUM SHORT TERM (LESS THAN ONE YEAR) RATING OF SECURITY
(1) Fitch Ratings (Lanka) Ltd.	BBB-(lka)	F3 (lka)
(2) RAM Ratings (Lanka) Ltd.	BBB-	P-3