

CHAPTER 332

CONTROL OF INSURANCE

Acts
Nos-25 of 1962,
9 of 1967,
22 of 1979.

AN ACT TO MAKE PROVISION FOR THE REGULATION AND SUPERVISION OF THE BUSINESS OF INSURANCE.

[1st November, 1962.]

Short title. **1.** This Act may be cited as the Control of Insurance Act.

PART I

APPLICATION OF ACT

Exemption of the Insurance Corporation of Ceylon and a subsidiary corporation of the Insurance Corporation of Ceylon and an independent corporation. [§ 44, 22 of 1979.]

2. Nothing in this Act shall apply to or be deemed or construed to prohibit or restrict the carrying on of insurance business by the Insurance Corporation of Ceylon, or by a subsidiary corporation of the Insurance Corporation of Ceylon or by an independent corporation.

Exemption for certain other associations.

3. (1) Subject to the provisions of subsection (2), nothing in this Act shall apply to or be deemed or construed to prohibit or restrict the carrying on of insurance business by—

- (i) any association which is constituted by any Act or Ordinance (enacted in Sri Lanka whether after or before the appointed date) and which is authorized by such Act or Ordinance to carry on business tailing within the meaning of insurance business as defined in this Act,
- (ii) any association in the case of which all the following requirements are satisfied, that is to say—

- (a) that contracts of insurance (whether express or arising by operation of the rules or by-laws of the association) are

effected or entered into by the association only with persons who are members of the association, and that the benefit under such contract accrues or may accrue only to members or their heirs or dependants or to persons nominated by such members in that behalf in accordance with the rules or by-laws ;

- (b) that no part of the net profits or income of the association is paid or payable to persons other than members or their heirs, dependants, or nominees as aforesaid; and
- (c) that membership of the association is restricted to persons in the employment of any one employer, or of two or more employers each of whom is engaged in a business or undertaking of the same description as the other or the others, and
- (iii) any association of persons which may be declared by the Minister by notification published in the Gazette to be exempt from the provisions of this Act.

(2) The Minister may, by notification published in the Gazette, declare that any provision or provisions of this Act shall apply to any association referred to in the preceding provisions of this section.

(3) The provisions of this Act other than the regulations in the Seventh Schedule shall not apply to any member of Lloyds Underwriters carrying on Sri Lanka business.

6. (1) Every application for the registration of an insurer under this Act shall be made to the Controller in such form as may be provided for the purpose by the Controller and be accompanied by—

Application for registration of insurers.

PART II

REGISTRATION OF INSURERS

Insurance business to be carried on only by persons registered under this Act.

4. Save as otherwise expressly provided in this Act—

- (a) no person who on or before the appointed date is carrying on insurance business of any class in Sri Lanka shall continue to carry on insurance business of such class, and
- (b) no person shall commence to carry on insurance business of any class other than life assurance business,

unless such person is for the time being registered under this Act as a person authorized to carry on insurance business of that class.

Requirement that a company applying for registration must be an incorporated company which has paid-up share capital and which is not a private company.

5. No company shall be registered under this Act as being authorized to carry on insurance business in Sri Lanka unless such company—

- (a) is a company which is incorporated in Sri Lanka under the Companies Ordinance*, and which is not a private company as defined in section 27 of that Ordinance, or
- (b) is a body which is incorporated by or under any law in any other country and which is not of the nature of such private company as aforesaid, and which has a paid-up capital of not less than one hundred thousand rupees, or the equivalent of such sum (ascertained at the time of registration) in any other currency, or
- (c) is a company which is limited by guarantee.

(a) a statement in writing by the insurer that the provisions of section 12 have been complied with, together with a certificate under the hand of the Deputy Secretary to the Treasury specifying the amount deposited under that section by the insurer, and

(b) if such application is by a company—

(i) a certified copy of the memorandum and articles of association of the company, or of the charter, statute, deed of settlement, or other instrument constituting or defining the constitution of the company, and if the instrument is not written in the Sinhala language, a certified translation thereof;

(ii) a statement setting out the name, address and occupation, if any, of each of the directors of the company, if it is a Sri Lanka company; or if it is a foreign company, a list of directors, the address of the registered office or principal place of business in Sri Lanka of the company or of its principal agent in Sri Lanka and the full name and address of the manager of the business of the company in Sri Lanka;

(iii) a statement setting out the class or classes of insurance business carried on or proposed to be carried on in Sri Lanka by the company; and

(iv) a statement setting out the amount of the paid-up capital of the company.

* Repealed and replaced by the Companies Act, No. 17 of 1982.

(2) Every application by a foreign insurance company for registration under this Act shall in addition be accompanied by a statement verified by an affidavit setting out the special requirements, if any, of the nature specified in section 9 imposed by the country in which such foreign company is incorporated, on insurance companies incorporated in Sri Lanka and carrying on business in that country.

(3) Every application under this section shall be verified by a declaration signed by the person making the application that the statements accompanying the application are true and accurate. Every such declaration shall be free of stamp duty.

(4) Every application under this section shall be accompanied by a fee of two hundred and fifty rupees in respect of each class of insurance business carried on or proposed to be carried on by the insurer:

Provided that in the case of life assurance business the fee shall be fifty rupees.

Registration and issue of certificates.

7. (1) Where the Controller is satisfied that an insurer making an application for registration under this Act has complied with the provisions of sections 5 and 6, the Controller shall register the insurer as a person authorized to carry on insurance business in Sri Lanka and shall determine the class or classes of insurance business which the insurer is authorized to carry on :

Provided that the Controller shall refuse to register any foreign insurance company if he is satisfied—

- (a) that Sri Lanka companies are by the law relating or applied to insurance in the country, in which that company is incorporated, debarred from carrying on insurance business in that country; or
- (b) that any requirement imposed on that company under the provisions of section 9 of this Act has not been complied with by that company:

And provided further that if the Minister is of the opinion that a company should not be allowed to carry on insurance business in

Sri Lanka in the national interest, the Controller shall refuse to register that company if the Minister so directs.

(2) Upon the registration of an insurer as hereinbefore provided, the Controller shall issue to the insurer a certificate of registration which shall be kept at all times at the principal office or place of business in Sri Lanka of the insurer and be made available for inspection by the Controller or any other person authorized by him for the purpose.

8. Whenever, after registration of a company, any alteration occurs or is made so as to affect any of the documents or particulars which under the provisions of subsection (1) or of subsection (2) of section 6 accompanied or were required to accompany the application of any company for registration, the company shall forthwith furnish to the Controller a full authenticated statement of such alteration.

Alteration in particulars furnished with application for registration to be reported to the Controller.

9. Where by the law or practice of any country other than Sri Lanka in which any foreign insurance company is incorporated, insurance companies incorporated in Sri Lanka are required as a condition of carrying on insurance business in that country to comply with any special requirement, whether as to the keeping of deposits or assets in that country or otherwise, which is not imposed under this Act upon companies of that country the Minister may, if satisfied of the existence of such special requirement, by notification published in the Gazette, direct that the same requirement or requirements as similar thereto as may be, shall be imposed upon foreign insurance companies incorporated in that country either—

Power of Minister to impose reciprocal disabilities on foreign companies.

- (a) as a condition of carrying on business of insurance in Sri Lanka, or
- (b) as a condition of entering into any new contract of long-term business in Sri Lanka.

Cancellation or alteration of registration.

10. (1) The Controller—
- (a) shall cancel the registration of an insurer, either wholly or in respect of any particular class of insurance business, as the case may be—
 - (i) if the insurer is in liquidation or is adjudged an insolvent;
 - (ii) if the insurer makes default in complying with the provisions of section 12 or section 44 or if the whole of the deposit made under this Act has been returned to the company as hereinafter provided;
 - (iii) if the insurance business of the insurer has been transferred to any other person, or amalgamated with the business of, or wholly reinsured with, any other person; and
 - (b) may cancel the registration of an insurer—
 - (i) if the insurer makes default in complying with, or acts in contravention of, any requirement of this Act or of any regulation or order made thereunder; or
 - (ii) if the insurer fails to comply with any requirement of section 38; or
 - (iii) if the Controller has reason to believe that any amount due by the insurer under a decree entered in an action in Sri Lanka arising out of any policy of insurance issued by the insurer has remained unpaid for three months after the date of the final adjudication in such action; or
 - (iv) if the insurer carries on any business other than insurance business; or
 - (v) in any other case in which he is authorized by this Act to cancel the registration.
- (2) Where in any case referred to in sub-paragraph (ii) or sub-paragraph (iii) of paragraph (a) of subsection (1), the default or the transfer or amalgamation or reinsurance of the business or the return of the deposit relates only to one or more, but not all, of the classes of insurance business carried on by the insurer, the Controller may, upon the cancellation of the registration of the insurer under that paragraph, register the insurer afresh in respect of any other class of insurance business and issue a fresh certificate in respect of that class of insurance business in accordance with the provisions of section 7.
- (3) In any case where a registered insurer ceases to carry on insurance business of any class or proposes to carry on insurance business of any other class not previously carried on by the insurer, the Controller may alter the registration of the insurer in such manner as may be necessary, and may alter the certificate of registration issued to that insurer or cancel such certificate and issue a fresh certificate of registration under section 7, as the circumstances of the case may require:
- Provided, however, that the insurer shall not by any such alteration be authorized to carry on any new class of insurance business unless—
- (a) the statements and other information mentioned in section 6 relating to the new class of insurance business are furnished to the Controller and a fee of two hundred and fifty rupees for registration in respect of that class of insurance business has been paid to the Controller; and
 - (b) unless the appropriate amount of the deposit required by section 12 has been made by the insurer and a certificate to that effect has been issued by the Deputy Secretary to the Treasury.

(4) In any case where the Controller is satisfied,—

- (a) that any insurer has contravened the provisions of section 19 or any order made thereunder; and
- (b) that for the reason aforesaid it is expedient in the interests of the policy holders that the insurer should be prevented from carrying on insurance business in Sri Lanka,

the Controller may make order cancelling the registration of the insurer.

(5) Notice of any order made under subsection (4) shall be served on the insurer, and the order shall take effect upon the expiration of a period of two months after the date of the service of the notice unless an appeal as hereinafter provided is preferred against the order.

(6) The insurer in respect of whom or which an order is made under subsection (4) may, before the expiry of a period of two months after the date of the service of notice of the order on the insurer, appeal to the District Court against the order; and such Court may, if it is satisfied that the insurer has not contravened the provisions of section 19, revoke the order of the Controller.

(7) The order of the District Court on any appeal under this section shall be subject to an appeal to the Court of Appeal and such appeal shall be preferred in like manner as though it were an appeal against a final order of the District Court made in a civil action.

Unregistered insurers.

11. (I) The following provisions shall apply in the case of any insurer who or which had prior to the appointed date carried on in Sri Lanka insurance business of any class:—

- (a) The insurer may continue to carry on general business of that class for a period of not more than three months after the appointed date notwithstanding that the insurer is not registered as required by section 4 or that the provisions of section 5

are not satisfied in the case of that insurer, or that the insurer has not made the deposit required by section 12.

- (b) If the insurer is not, within a period of three months after the appointed date, duly registered under this Act as being authorized to carry on insurance business of that class the insurer shall not, save as hereinafter provided, continue to carry on such insurance business in Sri Lanka after the expiry of that period,

- (c) Notwithstanding that an insurer is not duly registered within the period of three months after the appointed date, every policy or contract of insurance effected or renewed by the insurer at any time before the appointed date or within three months thereafter shall be deemed to be valid and effectual for all purposes, and nothing in this Act shall be deemed to prohibit or otherwise render unlawful the continuance of insurance business in Sri Lanka by that insurer in so far, but in so far only, as the transaction of such business is necessary for the purpose of the maintenance of any policy or contract of insurance without renewal.

(2) Such provisions of this Act as are not inapplicable shall apply to any insurer who or which had prior to the appointed date carried on in Sri Lanka insurance business of any class so long as any liability of the insurer upon any policy or contract of insurance of any class remains unpaid or undischarged.

(3) Where the registration of any insurer is cancelled as provided in this Act, then, notwithstanding such cancellation—

- (a) every contract of insurance effected by the insurer at any time before the cancellation takes effect shall be deemed to be valid and effectual for all purposes, and nothing in this Act shall be deemed to prohibit or otherwise render unlawful the

continuance of insurance business in Sri Lanka by that insurer in so far, but in so far only, as the continuance of such business is necessary for the purpose of the collection and receipt of the premia payable upon such policy or contract and the payment of sums payable by the insurer thereunder ;

- (b) such of the provisions of this Act as are not inapplicable shall continue to apply to that insurer so long as any liability of the insurer upon any policy or contract of insurance of any class remains unpaid or undischarged.

at the time of substitution, and the Deputy Secretary to the Treasury shall, on the written application of any insurer who or which has made a deposit, invest in Government securities or Government guaranteed securities the whole or any part of the cash received by the Deputy Secretary to the Treasury on the redemption of any securities deposited by the insurer under this Act.

(5) The Deputy Secretary to the Treasury shall, if so requested by the insurer, sell any securities deposited with him and either hold the cash realized by such sale as deposit or invest in such Government securities or Government guaranteed securities as may be specified by the insurer the whole or any part of the cash received by him and hold the securities in which investment is so made as deposit.

(6) The amount of any deposit made under the provisions of Part II of the Motor Traffic (Third Party Risks) Regulations, 1951, by an insurer seeking registration under this Act shall be deemed to have been returned to such insurer under regulation 5 (3) of Part II of the aforesaid regulations and thereafter to have been paid by such insurer as a deposit in terms of subsection (1) of this section:

Provided, however, that so much of that amount as may not be required to be kept deposited in terms of subsection (1) of this section shall be returned to the insurer by the Deputy Secretary to the Treasury.

13. The deposit made by the insurer Reservation of
under section 12 shall be deemed to be part deposits
of the assets of the insurer, but shall not—

- (a) be capable of being transferred or assigned or of being encumbered with any mortgage or other charge by the insurer or be liable to seizure in execution of any decree; or
- (b) be available for the discharge of any liability of the insurer except for the discharge, in the event of the winding up of the insurer, of liabilities arising out of policies of insurance business issued by the insurer and remaining undischarged.

Making of deposits,

12. (1) Every insurer applying for registration under this Act shall, keep deposited with the Deputy Secretary to the Treasury, for and on behalf of the Government of Sri Lanka, a sum of fifty thousand rupees in respect of each class of insurance business proposed to be carried on by that insurer in Sri Lanka:

Provided that the maximum amount of the deposit shall, subject to the provisions of section 44, be two hundred thousand rupees.

(2) A deposit made under this Act may consist of cash or of Government securities or of Government guaranteed securities, and the value of any securities so deposited shall be taken to be their market value at the date of deposit.

(3) A deposit made in cash shall be held by the Deputy Secretary to the Treasury to the credit of the insurer and shall be returnable to the insurer in cash in the circumstances and in the manner in which under the provisions of this Act a deposit is to be returned, and any interest accruing due on securities deposited under this section by any insurer shall, when it is collected, be paid by the Deputy Secretary to the Treasury to the insurer.

(4) An insurer may at any time substitute for the securities deposited with the Deputy Secretary to the Treasury under this section other Government securities or Government guaranteed securities of equal value assessed at the market rate prevailing

Return of deposits.

14. Where the Controller is satisfied that an insurer has ceased to carry on in Sri Lanka any class of insurance business in respect of which a deposit has been made under section 12 and that its liabilities in Sri Lanka in respect of business of that class have been satisfied or are otherwise provided for, the Controller shall, on the application of the insurer, order the return to the insurer of so much of the deposit as may not be required under section 12 for the purposes of any other class of insurance business which the insurer may carry on thereafter;

Provided, however, that no such order shall be made in relation to any class of insurance business until after the expiration of two years from the date of the last policy of insurance of that class issued by the insurer.

PART III

GENERAL PROVISIONS APPLICABLE TO INSURERS

Separation of accounts and assets.

15. Where an insurer carries on business of more than one of the classes of insurance business as defined in this Act, such insurer shall keep a separate account of all receipts and payments in respect of each such class of insurance business.

Register of policies and register of claims.

16. Every Sri Lanka insurer shall in respect of all insurance business transacted by such insurer, and every foreign insurer shall in respect of all insurance business transacted by such insurer in Sri Lanka, keep and maintain—

- (a) a register or record of policies, in which shall be entered in respect of every policy issued by the insurer, the name and address of the policy holder, the date when the policy was effected, and particulars of any transfer, assignment or nomination of which the insurer has notice; and
- (b) a register or record of claims in which shall be entered every claim presented to the insurer together with the date of the claim and the name and address of the claimant, the date of settlement of the claim,

and where a claim is repudiated the date of repudiation and the grounds therefor.

Prohibition of loans-

17. (1) No insurer shall grant to any person who holds the position of manager, managing agent, actuary, auditor, or officer of such insurer, and, if such insurer is a company, to any person who holds the position of director of such company, or to any company in which such a person holds any such position, any loan, other than a mortgage of a policy of life assurance issued by that insurer, except with the prior approval of the Controller who shall grant such approval only if he is satisfied that sufficient security is being given for the repayment of the loan.

(2) In respect of any loan granted by an insurer to any person referred to in subsection (1) and outstanding on the appointed date, the Controller shall have the power, notwithstanding anything to the contrary in any agreement or contract, to examine the adequacy of the security given by such person for the repayment of the loan and, if the Controller considers it necessary so to do, to require that the loan be repaid or that additional security be given, on or before a specified date. If such person fails to repay the loan, or to give additional security, on or before the specified date, he shall cease to hold office on the expiry of a period of one year from that date.

18. None of the assets in Sri Lanka of any insurer shall be kept otherwise than in the name of the insurer.

Assets of insurer to be kept in the business name of the insurer.

19. (1) No insurer shall reinsure with any person in Sri Lanka other than an insurer or with any such institution as may be declared by the Minister by notification published in the Gazette any risk under any policy or contract of insurance issued or effected in respect of insurance business transacted in Sri Lanka.

Reinsurance.

(2) Every insurer shall, not later than three months after the appointed date, furnish to the Controller a list of the insurers (together with their addresses), with whom that insurer has reinsured risks upon policies or contracts of insurance issued or

effected in respect of insurance business transacted in Sri Lanka and shall whensoever reinsurance is effected with an insurer whose name is not in such list furnish the name and address of such last-mentioned insurers to the Controller.

(3) The Controller may from time to time, by order published in the Gazette or by special order addressed to any insurer, prohibit all insurers or any specified insurer, as the case may be, from reinsuring with any specified insurer outside Sri Lanka risks upon policies or contracts of insurance issued or effected in respect of insurance business transacted in Sri Lanka:

Provided, however, that before making any order under this subsection the Controller shall inform the insurer or insurers of his intention to make such order and shall consider any representations made by the insurer or insurers with reference to his intention.

Application of law to policies issued in Sri Lanka-

20. The holder of a policy of insurance issued by any insurer in respect of insurance business transacted in Sri Lanka after the appointed date shall have the right, notwithstanding anything to the contrary contained in the policy or in any agreement relating thereto, to receive payment in Sri Lanka of any sum secured thereby and to sue for any relief in respect of the policy in any competent court in Sri Lanka; and if the suit is brought in Sri Lanka any question of law arising in connexion with any such policy shall be determined according to the law in force in Sri Lanka:

Provided that this section shall not apply to holders of policies of marine insurance.

In this section "competent court" means the District Court of Colombo or of the district in which the plaintiff resides.

Power of Controller to fix rates of premia.

21. The Controller may from time to time fix and notify the maximum or minimum rates of premia, or both such rates, to be charged by insurers in respect of policies of insurance to be issued by them.

PART IV

LIFE ASSURANCE BUSINESS

22. (1) Every insurer who or which has transacted life assurance business in Sri Lanka prior to the first day of January, 1962, and who or which has issued any policies of life assurance under which liabilities have not been discharged by such insurer on the appointed date shall maintain in Sri Lanka assets of such value as will be sufficient to discharge the liabilities under such policies determined in the prescribed manner.

Duty of insurers who have issued any policies of life assurance under which liabilities have not been discharged on the appointed date to maintain assets in Sri Lanka.

(2) At least half of the assets which an insurer is required to have in Sri Lanka for the purposes of subsection (1) shall consist of investments in Government securities and the remainder of such assets shall be of such kind as are notified to, and approved in writing by, the Controller.

(3) An insurer shall comply with the provisions of subsection (1) before the expiry of a period of five years after the appointed date:

Provided that the insurer shall at the end of the first year after the appointed date have in Sri Lanka not less than one-fifth of the assets required for the purposes of subsection (1) and shall thereafter before the end of each subsequent year increase such assets by at least one-fifth so that there shall be all the assets required for the purposes of subsection (1) at the end of five years after the appointed date.

(4) Every insurer to whom subsection (1) applies shall not later than January thirty-first in each year furnish to the Controller a return, in the prescribed form and certified in the prescribed manner, of the assets and liabilities of such insurer in Sri Lanka on the last day of December in the previous year; and such insurer shall furnish a similar return to the Controller in respect of each period of three months ending on March thirty-first, June thirtieth and September thirtieth in each year, the return in respect of each such period being furnished not later than one month after the date of termination of such period :

Provided that the Controller may, upon an application being made by an insurer, grant an extension of time not exceeding one month to furnish such return.

(5) The Controller may cause such investigation as he may consider necessary for the purpose of verifying the particulars contained in any return furnished by an insurer under subsection (4), and such insurer shall upon being requested to do so by notice in writing by the Controller, furnish on or before the date specified in the notice such information or explanation as the Controller may require for such investigation.

return or permit such officer to enter such place and make such examination.

24. (1) A transfer of an assignment of a policy of a life assurance, whether with or without consideration, may be made only by an endorsement upon the policy itself or by a separate instrument signed in either case by the transferor or by the assignor or his duly authorized agent and attested by at least one witness, and specifically setting forth the fact of transfer or assignment.

Assignment and transfer of life assurance policies.

Duty of insurer carrying on business of life assurance to maintain a separate fund and keep assets relating to such business separate from assets relating to any other business.

23. (1) Every insurer who or which carries on the business of life assurance in Sri Lanka, whether solely or in addition to any other business, shall—

- (a) maintain a separate fund to be called the life assurance fund and shall credit all money received in respect of the life assurance business carried on by such insurer to that fund ; and
- (b) keep the assets in respect of the life assurance business separate from the assets in respect of any other class of insurance business.

(2) The life assurance fund maintained by an insurer under subsection (1) shall not be liable for any contracts of the insurer for which it would not have been liable had the business of the insurer been only that of life assurance, and shall not be applied directly or indirectly for any purposes other than those of the life assurance business carried on by that insurer.

(3) For the purpose of verifying whether an insurer complies with the provisions of subsection (1), the Controller may—

- (a) call upon such insurer to furnish from time to time a return in such form as may be prescribed ;
- (b) authorize an officer in writing to enter at all reasonable hours the place at which such insurer is carrying on the business of life assurance and examine any books, registers or documents of such insurer relating to such business and such insurer shall furnish such

(2) No transfer or assignment of a policy of life assurance shall be of any effect as against the insurer unless it is made in accordance with subsection (1), or until a notice in writing of the transfer or assignment, together with the instrument or endorsement of a copy thereof which is certified by or on behalf of the parties to the transfer or assignment to be correct, is served on the insurer at his or its principal place of business in Sri Lanka,

(3) The date on which the notice referred to in subsection (2) is served on the insurer shall regulate the priority of all claims under a transfer or an assignment of a policy of life assurance as between persons interested in the policy; and where there is more than one instrument of transfer or assignment, the priority of the claims under such instruments shall be governed by the order in which the notices referred to in subsection (2) are served.

(4). Upon the receipt of the notice referred to in subsection (2), the insurer shall record the fact of such transfer or assignment together with the date thereof and the name of the transferee or the assignee and shall, on the request of the person by whom the notice was given, or of the transferee or assignee, on payment of a fee not exceeding one rupee, grant a written acknowledgment of the receipt of such notice, and any such acknowledgment shall be conclusive evidence against the insurer that he has duly received the notice to which such acknowledgment relates.

(5) Subject to the terms and conditions of the transfer or assignment, the insurer shall, from the date of the receipt of the

notice referred to in subsection (2), recognize the transferee or assignee named in the notice as the only person entitled to benefit under the policy, and such person shall be subject to all liabilities and equities to which the transferor or assignor was subject at the date of the transfer or assignment and may institute any proceedings in relation to the policy without obtaining the consent of the transferor or assignor or making him a party to such proceedings.

(6) Any rights and remedies of an assignee or transferee of a policy of life assurance under an assignment or transfer effected prior to the appointed date shall not be affected by the provisions of this section.

(7) Notwithstanding any law or custom having the force of law to the contrary, an assignment in favour of a person made with the condition that it shall be inoperative or that the interest shall pass to some other person on the happening of a specified event during the lifetime of the person whose life is insured, and an assignment in favour of survivor or survivors of a number of persons, shall be valid.

Acquisition of
surrender value
by policy.

25. (1) Where, in terms of a policy of life assurance, the policy is to mature upon death or upon survival to a fixed date or on earlier death, and the policy is subject to payment of premiums at an uniform rate for a fixed term or until earlier death, and all premiums have been paid for three consecutive years, the policy shall be deemed to acquire a surrender value, and, notwithstanding any contract to the contrary, shall not lapse by reason of non-payment of further premium but shall, notwithstanding such non-payment, be kept alive to the extent of its paid-up value.

For the purposes of this subsection, the paid-up value of a policy under which premiums are payable at a minimum rate for a fixed term or until earlier death shall be an amount bearing to the total sum assured by the policy the same proportion as the total of the premiums already paid on the policy bears to the total of the premiums payable under the policy.

(2) Where a debt owing to an insurer is secured by a policy of life assurance issued by the insurer and, under subsection (1), the policy is kept alive to the extent of its paid-up value, the insurer—

(a) may treat the debt as a debt secured by the policy so kept alive, and thereupon the policy so kept alive shall be a security for the debt, or

(b) may reduce the amount of such paid-up value by an amount the present value of which is equal to the amount of the debt, and thereupon the debt shall cease to be owing to the insurer.

(3) This section shall not apply in any case where—

(a) the sum assured is payable only on the happening of a contingency which may not arise ; or

(b) the paid-up value of the policy will be less than one hundred rupees ; or

(c) the parties after default has occurred in the payment of the premium agree in writing to some other arrangement; or

(d) the surrender value of the policy is automatically applied under the terms of the contract for maintaining the policy in force notwithstanding the non-payment of premiums.

26. No policy of life assurance shall after the expiry of two years from the date of the policy be called in question by any insurer on the ground that a statement made in the proposal or other document on the faith of which the policy was issued or reinstated, or in any report of a medical officer, or referee, or friend of the policy holder, was inaccurate or false unless the insurer shows that such a statement was made on a material matter or suppressed facts which it was material to disclose, and that it was fraudulently made by the policy holder and that the policy holder knew at the time of making it that the statement was

Policy not to be called in question on the ground of mis-statement after two years.

false or that it suppressed facts it was material to disclose;

Provided that nothing in this section shall prevent the insurer from calling for proof of age at any time if it is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life insured was incorrectly stated in the proposal.

Supply of notice of options, &c.

27. (1) Where any premium in respect of a policy of life assurance is not paid on the date on which it is payable, notice of the options available to the policy holder shall be given to him by the insurer before the expiry of a period of three months from the said date, unless such options are set out in the policy:

Provided that where two or more premiums in respect of the same policy are due and unpaid, nothing in this subsection shall apply to the case of the failure.

(2) Every notice under subsection (1) shall be deemed to have been duly given to the policy holder if it is sent to him to such address as may be specified in the policy or, where the address is not so specified, to the address to which a renewal premium notice or receipt was last sent by the insurer to the policy holder.

(3) Upon application made to an insurer in that behalf, and on payment of a fee of two rupees, the insurer shall supply to the policy holder or to his legal representative or to an assignee of the policy, a certified copy of the proposal for the policy and of the personal statement made to the medical officer by the proposer, unless copies thereof are attached to the policy.

Power of policy holder to nominate person or persons to whom the money secured by the policy shall be paid.

28. (1) The holder of a policy of life assurance may, when effecting the policy or at any time before the policy matures for payment, nominate the person or persons to whom the money secured by the policy shall be paid in the event of his death:

Provided that, where any nominee is a minor, it shall be lawful for the policy holder to appoint in the prescribed manner any person to receive the money secured by the policy in the event of his death during the minority of the nominee.

(2) A nomination under subsection (1) shall, unless it is incorporated in the text of the policy itself, be made by an endorsement on the policy and such endorsement shall by notice in writing be communicated to the insurer who shall register such endorsement in the record or register relating to that policy. Any such nomination may at any time before the policy matures for payment be cancelled or changed by another endorsement or a will of the policy holder, as the case may be, and unless notice in writing of any such cancellation or change has been given by the policy holder to the insurer, the insurer shall not be liable for any payment under the policy made bona fide by him to a nominee mentioned in the text of the policy or registered in records of the insurer.

(3) The insurer shall furnish to the policy holder a written acknowledgment of having registered a nomination or a cancellation or change thereof, and may charge a fee not exceeding one rupee for registering such cancellation or change.

(4) A transfer or assignment of a policy made in accordance with section 24 shall have the effect of cancelling a nomination:

Provided that the assignment of a policy to an insurer who bears the risk on the policy at the time of the assignment, in consideration of a loan granted by that insurer on the security of the policy within its surrender value, or its reassignment on repayment of the loan, shall not cancel a nomination, but shall affect the rights of the nominee only to the extent of the insurer's interest in the policy.

(5) Where the policy matures for payment during the lifetime of the person whose life is assured or where the nominee or, if there are more nominees than one, all the nominees die before the policy matures for payment, the amount secured by the policy shall be payable to the policy holder or his heirs or legal representatives, as the case may be.

(6) Where the nominee or, if there are more nominees than one, one or more of such nominees survive the person whose life

is assured, the amount secured by the policy shall be payable to such survivor or survivors.

whose policies mature for payment by reason of death or otherwise during the inter-valuation of period.

Restrictions on dividends and bonuses.

29. No insurer who or which carries on the business of life assurance in Sri Lanka shall, for the purposes of declaring or paying any dividend to shareholders or any bonus to policy holders of the company, if such insurer is a company, or of making any payment in service of any debentures, loans or advances on account, utilize directly or indirectly, any portion of the life assurance fund or of the funds of such other class or sub-class of insurance business, as the case may be, except a surplus shown in the valuation balance sheet as in Form H as set forth in the Fourth Schedule submitted to the Controller as part of the abstract referred to in section 37 as a result of an actuarial valuation of the assets and liabilities of the insurer; and such surplus shall not be increased by contributions out of any reserve fund or otherwise unless such contributions have been brought in as revenue through the revenue account applicable to life assurance business on or before the date of the valuation aforesaid, except when the reserve fund is made up solely of transfers from similar surpluses disclosed by valuation in respect of which returns have been submitted to the Controller under section 37 of this Act;

Provided that payments made out of any such surplus in service of any debentures, loans or advances on account shall not exceed ninety *per centum* of such surplus including any payment by way of interest on the debentures, loans or advances on account, and interest paid on the debentures, loans or advances on account shall not exceed ten *per centum* of any such surplus except when the interest paid on the debentures, loans or advances on account is offset against the interest credited to the fund concerned in deciding the interest basis adopted in the valuation disclosing the aforesaid surplus.

Declaration of interim bonus.

39. Notwithstanding anything contained in this Act to the contrary, an insurer shall be at liberty to declare on the recommendation of an actuary made at the last preceding valuation, an interim bonus or bonuses to life assurance policy holders

31. (1) Notwithstanding anything contained in any contract between any insurer and an insurance agent, who either has effected business for the insurer to the value of fifty thousand rupees or more, or has had three years of service under the insurer and whose name appears in the books of the insurer on the first day of August, 1960, as to the forfeiture of commission on renewal premiums or the cessation of payment of such commission to the insurance agent, no such insurer shall, in respect of life assurance business transacted in Sri Lanka, refuse payment, or be entitled to refuse payment, to such insurance agent of commission on renewal premiums due to him under the agreement by reason only of the termination of his agreement on any ground other than fraud.

Prohibition of cessation of payment of commission in certain cases.

(2) In any case where the commission on renewal premiums is in terms of any contract between such insurer and such insurance agent payable to the widow or other dependants of the agent after his death, then the restrictions set out in subsection (1) shall, in the event of the death of the agent, after the termination of his agreement, apply in relation to the payment of commission to such widow or dependants.

(3) Nothing in the preceding provisions of this section shall be deemed to render unlawful any agreement between an insurer and an insurance agent or the widow or dependants of the agent, as the case may be, for the commutation of the liability to make the payments referred to in those provisions.

(4) The provisions of this section shall apply to and in relation to contracts between insurers and insurance agents notwithstanding that such contracts may have been entered into prior to the appointed date.

32. (1) Subject to the provisions of the Insurance Corporation Act, an insurer who has prior to the appointed date transacted life assurance business in Sri Lanka shall not transfer the assets and liabilities relating

Restrictions on insurance and amalgamations-

to his life assurance business to any person other than to such an institution as may be declared by the Minister by notification published in the Gazette or amalgamate such assets and liabilities with the assets and liabilities of the life assurance business of any insurer other than such an institution.

(2) A transfer or an amalgamation permissible under subsection (1) shall not be valid unless the Commissioner-General of Inland Revenue has issued a certificate of tax clearance under his hand indicating that he is satisfied that the revenue of the Government of Sri Lanka will not be prejudiced by such transfer or amalgamation and that an appropriate sum has been paid by the insurer in commutation of his prospective liability to Sri Lanka income tax.

Restriction on the employment under certain conditions of persons in the capacity of managers or officers in charge of the business of insurers-

33. (I) Notwithstanding anything in the Companies Ordinance* or in the articles of association of an insurer, where such insurer is a company, or in any contract or agreement, no insurer shall after the expiry of six months after the appointed date be directed or managed by, or employ as manager or officer in any capacity, any person whose remuneration or any part thereof takes the form of commission or bonus or a share in the valuation surplus in respect of the life assurance business of the insurer:

Provided that nothing in this subsection shall be deemed to prohibit—

- (i) the payment of commission to a principal agent or an insurance agent in respect of life assurance business procured by or through him;
- (ii) the employment of any person in a clerical or other subordinate capacity who, as an insurance agent, receives commission in respect of insurance business procured by him;
- (iii) the employment as an officer of any person who receives renewal commission in respect of life assurance business procured by him in his capacity as an insurance

agent or as an employer of agents before the date of such employment or before the appointed date, whichever date is the later.

(2) Notwithstanding anything in the Companies Ordinance* or in the articles of association of an insurer, where such insurer is a company, or in any contract or agreement, no manager, managing director or any other person concerned in the management of an insurer's business shall be entitled to nominate a successor to his office, and no person so nominated, whether before or after the appointed date, shall be entitled to hold or to continue to hold such office,

(3) If, in the case of any insurance company, provision is made by the articles of association of the company or by an agreement entered into between any person and the company for empowering a director or manager or other officer of the company to assign his office to any other person, any assignment of office made in pursuance of the said provision, shall, notwithstanding anything contained in the said provision or in the Companies Ordinance*, be void,

(4) No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any provision of this section.

34. If by reason of a contravention of any of the provisions of section 33 any loss is sustained by an insurer or by any policy holder of that insurer, every director, manager, or officer of that insurer who is knowingly a party to such contravention shall, without prejudice to any other penalty to which he may be liable under this Act, be severally liable to make good the amount of such loss.

Liability of directors, &c., for loss due to contravention of section 33.

PART V

ACCOUNTS, INSPECTION AND INVESTIGATION

35. (1) Every Sri Lanka insurer in respect of all insurance business transacted by such insurer, and every foreign insurer in

Accounts and balance sheet-

* Repealed and replaced by the Companies Act, No. 17 of 1982.

respect of the insurance business transacted by such insurer in Sri Lanka, shall at the expiration of each calendar year prepare with reference to that year—

- (a) a balance sheet substantially in accordance with the regulations contained in Part I of the First Schedule and substantially in the form set forth in Part II of that Schedule,
- (b) a profit and loss account, and a profit and loss appropriation account substantially in accordance with the regulations contained in Part I of the Second Schedule, and substantially in the forms set forth in Part II of that Schedule except where the insurer carries on business of one class only and no other business,
- (c) in respect of each class of insurance business carried on by the insurer, a revenue account in accordance with the regulations contained in Part I of the Third Schedule, and a statement substantially in each of the forms set forth in Part II of that Schedule as may be applicable to that class of insurance business :

Provided that in the case of life assurance business transacted by any such insurer, such insurer shall prepare only such statements of accounts as may be prescribed.

(2) The accounts and statements referred to in subsection (1) shall be signed—

- (a) in the case of a company to which the Companies Ordinance* applies, by the officers or persons required by that Ordinance to sign accounts and statements;
- (b) in the case of any other company, by two directors;
- (c) in the case of any other insurer, by such insurer or the officer authorized by such insurer,

and shall be accompanied by a statement containing the names and descriptions of each of the persons in charge of the management of the business during the period to which such accounts and statements relate and by a report by such persons on the affairs of the business during that period.

36. (1) The annual balance sheet, profit and loss account, profit and loss appropriation account and revenue account prepared by each insurer under section 35 shall, unless they are subject to audit under the Companies Ordinance*, be audited by an auditor. Audit.

(2) For the purposes of the audit of any accounts under this section, an auditor shall have the same powers, exercise the same functions and discharge the same duties as an auditor of companies under the provisions of section 132 of the Companies Ordinance*.

37. (1) Every insurer shall, in respect of all life assurance business transacted by the insurer, cause an investigation to be made by an actuary once at least in every three years into the financial condition of such life assurance business, including a valuation of its liabilities in respect of that business, and shall cause an abstract to be made in accordance with the regulations contained in Part I of the Fourth Schedule and in conformity with the requirements of Part II of that Schedule : Actuarial report and abstract.

Provided that where an insurer is unable to establish to the satisfaction of the Controller that an investigation has been made by an actuary into the financial condition of the insurer's life assurance business in Sri Lanka as at a date not earlier than the thirty-first day of December, 1958, an investigation shall be made as at a date not later than the thirty-first day of December, 1961.

(2) The provisions of subsection (1) regarding the making of an abstract shall apply whenever at any other time an investigation into the financial condition of the insurer is made with a view to the distribution of surplus or an investigation is made the results of which are made public.

• Repealed and replaced by the Companies Act, No. 17 of 1982.

(3) There shall be appended to every abstract required by subsection (1) or subsection (2) a certificate signed by the insurer or authorized officer of the insurer, or where the insurer is a company, the director or principal officer of the company, that full and accurate particulars of every policy under which there is a liability either actual or contingent have been furnished to the actuary for the purposes of the investigation.

(4) There shall be appended to every abstract required by subsection (1) or subsection (2) a statement prepared in accordance with the regulations contained in Part I of the Fifth Schedule and in conformity with the requirements of Part II of that Schedule of the life assurance business subsisting at the date to which the accounts of the insurer are made up for the purposes of such abstract.

(5) Where an investigation into the financial condition of an insurer is made at a date other than the last date of the year of account, the accounts for the period elapsing after the end of the preceding year of account, and the balance sheet as at the date at which investigation is made, shall be prepared and audited in the manner provided for in this Act.

(6) Where by the law of the country in which a foreign insurer is constituted, incorporated or domiciled, the insurer is required to prepare and furnish to a public authority of that country documents substantially of the same nature as the documents to be furnished under this section, the insurer shall, within the time specified in section 38, furnish to the Controller four certified copies in the Sinhala or English language of every abstract, statement, account and return supplied to such public authority and the foregoing provisions of this section pertaining to investigation, valuation, abstracts, certificates and statements shall, in addition, apply separately to life assurance business transacted in Sri Lanka.

required by section 35 and the abstract and statements required by section 37 and shall furnish four copies thereof as returns to the Controller within six months after the end of the period to which they relate;

Provided that in the case of any foreign insurer or of a Sri Lanka insurer carrying on business outside Sri Lanka, the period allowed for furnishing such printed returns shall be nine months;

Provided, further, that the Controller may extend the period allowed for furnishing returns by a period not exceeding three months.

(2) One of the four copies furnished under subsection (1) shall be signed by the insurer, or where the insurer is a company, by the Directors.

39. (1) Where an insurance company incorporated in Sri Lanka furnishes in any year the accounts and balance sheets in accordance with the provisions of section 35, the company may at the same time send to the Registrar of Companies a copy of such accounts and balance sheet; and where such a copy is so sent it shall not be necessary for the company to file a balance sheet with the Registrar of Companies as required by section 121 (2) of the Companies Ordinance*, and the copy of the accounts and balance sheet so sent shall be chargeable with the same fees and shall be dealt with by the Registrar of Companies in all respects as if they were filed in accordance with that section.

Exemption from certain provisions of the Companies Ordinance.

(2) Where an insurance company which transacts motor vehicle insurance business in any year furnishes revenue and profit and loss accounts and a balance sheet in accordance with the provisions of section 35 of this Act such insurer shall be deemed to have complied with the provisions of regulation 4 of Part II of the Motor Traffic (Third Party Risks) Regulations, 1951.

40. Every insurer shall furnish to the Controller a certified copy of the report relating to the business of the insurer submitted to the shareholders of the

Furnishing of reports

Submission of returns,

38. (1) Every insurer shall cause to be printed the audited accounts and statements

* Repealed and replaced by the Companies Act, No. 17 of 1982.

company, in the case of an insurer which is a company, or the policy holders of the insurer, immediately after it is so submitted.

Furnishing copies of reinsurance treaties.

41. Every registered insurer shall from time to time furnish the Controller with certified copies of its reinsurance treaties (including treaties which are revised) relating to any class of insurance business transacted by such insurer in Sri Lanka:

Provided that certified copies of such reinsurance treaties as are in force on the appointed date shall be furnished not later than three months after the appointed date.

Powers of Controller regarding returns.

42. (1) If it appears to the Controller that any return furnished to him under the provisions of this Act is inaccurate or defective in any respect, he may—

- (a) require from the insurer such further information, certified if he so directs by such auditor or actuary as he may consider necessary to correct or supplement such return; or
- (b) call upon the insurer to submit for his examination at the registered office or the principal place of business of the insurer in Sri Lanka, any book of account, register, or other documents or to supply any statement which he may specify in a notice served on the insurer for the purpose; or
- (c) examine any officer of the insurer on oath or affirmation in relation to the return; or
- (d) decline to accept such return unless such further information as may be required by him is furnished before the expiry of one month from the date on which the requisition asking for such further information was delivered to the insurer or of such further time as the Controller may specify in the requisition ; and if the Controller declines to accept any such return, the insurer shall be deemed to have failed to comply with the provisions of section 38 relating to the furnishing of returns.

(2) The District Court may, on the application of an insurer and after hearing the Controller, direct the acceptance of any return which the Controller has declined to accept, if the insurer satisfies the Court that the action of the Controller was in the circumstances unreasonable:

Provided that no application under this subsection shall be entertained by the District Court unless it is made before the expiration of two months after the date on which the Controller made the order or declined to accept the return.

(3) The decision of the District Court in any application under this section shall be final and shall not be subject to any appeal.

43. (1) If it appears to the Controller that an investigation or valuation made under section 37 does not properly indicate the condition of the affairs of the insurer by reason of what appears to him to be a faulty basis adopted in the valuation, the Controller may after giving the insurer reasonable notice and an opportunity to be heard cause an investigation and valuation as at such date as he may specify to be made at the expense of the insurer by an actuary appointed by the insurer for that purpose and approved by the Controller, and the insurer shall place at the disposal of such actuary all the material required by such actuary for the purposes of the investigation and valuation within such period, not being less than three months, as the Controller may specify.

Power of Controller to order re-valuation.

(2) The provisions of subsections (1) and (4) of section 37 relating to the making of abstracts and the provisions of section 38 relating to the printing of statements shall apply in relation to any investigation and valuation to be made under this section :

Provided that the abstract and statements prepared as the result of such investigation and valuation shall be furnished on or before such date as the Controller may specify.

44. Where upon examination of the returns and reinsurance treaties furnished by any registered insurer it appears to the Controller that the deposit made by the

Power of Controller to increase deposit.

insurer under section 12 or that the amount of the assets in Sri Lanka in respect of insurance business of the insurer in Sri Lanka is inordinately low in relation to the volume of insurance business transacted by the insurer in Sri Lanka, the Controller may, after giving the insurer an opportunity of being heard, order the insurer to make an additional deposit and the provisions of subsections (2), (3), (4) and (5) of section 12 and the provisions of section 13 and section 14 shall apply to such additional deposit:

Provided, however, that where the insurer establishes to the satisfaction of the Controller that the assets of such insurer in Sri Lanka are adequate to meet the outstanding claims and unexpired risks in respect of the insurance business transacted in Sri Lanka by such insurer, the amount of such additional deposit, together with any deposit made under section 12, shall not exceed one-tenth of the premia paid in Sri Lanka in the financial year preceding the year in which such order is made in respect of the policies of insurance issued by such insurer.

Power of Controller to cancel registration.

45. Where, having regard to the financial aspect and the volume of business transacted by any insurer the Controller is of the opinion that such insurer cannot carry on any class of insurance business in a satisfactory and efficient manner, the Controller may, after giving such insurer an opportunity of being heard, cancel the registration of the insurer in so far as it relates to the particular class of insurance business.

Power to order inspection.

46. (1) Where the Controller—

- (a) has reason to believe—
 - (i) that the interests of the policy holders of an insurer are in danger; or
 - (ii) that any insurer is unable to meet his or its obligations or has made default in complying with any of the provisions of this Act • or

- (iii) that an offence under this Act has been or is likely to be committed by any such insurer or any officer; or

- (b) receives a requisition supported by an affidavit and signed by not less than fifty policy holders holding policies of life assurance which have been in force for not less than three years and which on maturity will be of a total value of not less than fifty thousand rupees, that an investigation into the affairs of the insurer be held ; or
- (c) receives a similar requisition in the case of an insurance company signed by not less than one-tenth of the shareholders of that company who shall not have less than one-tenth of the whole share capital,

the Controller may, subject to the provisions of subsection (2), after giving the insurer reasonable notice and an opportunity to be heard, order an investigation of the affairs of the insurer to be made by an auditor or an actuary or by both an auditor and an actuary appointed simultaneously or first an auditor only or an actuary only and afterwards by an actuary or auditor, or may himself make such investigation:

Provided that an auditor or actuary appointed for the purpose by the Controller shall not be an auditor or actuary in the employ of the insurer.

(2) The Controller may, as a condition precedent to the ordering of an investigation upon a requisition being sent therefor either by policy holders or by shareholders of an insurance company as provided in subsection (1), require the persons making the requisition to furnish security in such amount as he may deem sufficient to meet the cost to the insurer of the investigations.

(3) For the purpose of determining whether or not an order should be made under subsection (1), the Controller may exercise the powers conferred by paragraph (b) of section 42(1).

(4) The results of any investigation made under this section shall be recorded in writing by the auditor or actuary appointed, as the case may be, and copies of the record shall be supplied to the Controller and to the insurer, and to the shareholders of an insurance company or to the policy holders who have sent a requisition for such investigation.

(5) The Controller may by written notice require the insurer to comply within such time as may be specified therein (not being less than fifteen days from the receipt of the notice by the insurer) with such directions (including a direction that the insurer shall have sufficient funds to meet the liabilities under the policies of life assurance issued by him) as may in the opinion of the Controller be necessary for remedying the defects disclosed by any investigation made under this section.

(6) If, as a result of any investigation made under this section, the Controller is of opinion that it is necessary in the interests of the policy holders that the business of the insurer should be wound up, or if the insurer fails to comply with any directions issued under subsection (5), the Controller may, after giving the insurer reasonable notice and an opportunity to be heard, apply to the District Court or a Winding-up Tribunal for an order for the winding up of the business of the insurer.

(7) Where the investigation discloses that the requisition, if any, made therefor was made without reasonable cause, the Controller may order that the whole or any part of the amount deposited as security as a condition of the ordering of the investigation shall be forfeited and paid to the insurer in order to defray the costs incurred by the insurer in connexion with the investigation.

(8) The Minister may at any time by order in writing direct the Controller or any other person specified in the order to investigate the affairs of any insurer and to

report to him on any investigation made by him:

Provided that the Controller or the other person may, wherever necessary, employ an auditor or actuary or both for the purpose of assisting him in any investigation under this subsection.

46A. For the purposes of this Act, the Controller or other person authorized in that behalf by him in writing may hold an inquiry into the working and financial condition of any insurer which is a company incorporated under any law for the time being in force, and accordingly every director, manager or other officer or employee of such company, whether past or present shall, whenever required to do so by notice in writing by the Controller or such other person—

Power of Controller or person authorized by him to inquire into the working and financial condition of an insurance company. [§2,9 of 1967.]

- (a) furnish such information in regard to the affairs of such company and produce such books, accounts or documents in his custody as the Controller or such other person may require;
- (b) attend at such place and on such date and at such time as may be specified in such notice to be examined by the Controller or such other person in regard to any matter relating to the working and financial condition of such company.

47. When any investigation in respect of an insurance company is made under section 46, the provision of section 133 of the Companies Ordinance* shall apply for the purposes of such investigation as they apply to an investigation made in pursuance of that section of that Ordinance and all expenses of and incidental to such investigation shall be defrayed by the company and shall have priority over other debts due from the company.

Powers of Investigator.

48. Every insurer shall furnish to the Controller such further returns or abstracts or amended or substituted returns or abstracts as may be prescribed.

Further returns and abstracts

* Repealed and replaced by the Companies Act, No. 17 of 1982.

PART VI

PART VII

PUBLICITY

MANAGEMENT BY ADMINISTRATOR AND WINDING UP

Custody and inspection of documents.

49. (1) Every return furnished to the Controller under this Act or a certified copy thereof shall be kept at the office of the Controller and shall be open for inspection by any person with the approval of the Controller at such hours as he may specify.

(2) A person may obtain a copy of any such return or any part thereof, on payment of a fee calculated at the rate of twenty-five cents for every hundred words or part thereof required to be copied, any five figures being deemed for this purpose to be equivalent to one word.

Evidence of documents.

50. Every document purporting to be certified by the Controller to be a copy of a return furnished to him shall be deemed to be a copy of that return and shall be received in evidence as if it were the original return, unless some variation between it and the original return is proved.

Summary of returns to be published.

51. The Minister may cause to be published in each year, in such manner as he may direct, a summary of the accounts, balance sheets, statements, abstracts and other returns furnished or purporting to be furnished under this Act to the Controller and may append to such summary any note made by the Controller thereon and any correspondence in relation thereto ;

Provided, however, that no reference shall be made in any such note to any matter affecting any particular insurer unless the insurer has been afforded an opportunity to make representations against the inclusion of such reference in the note.

Returns to be published in statutory form.

52. No insurer shall publish in Sri Lanka any return in a form other than that in which it has been furnished to the Controller:

Provided that nothing contained in this section shall prevent an insurer from publishing a true and accurate abstract from such returns for the purpose of publicity.

When administrator may be appointed.

53. (1) If at any time the Controller has from information available to him from any source whatsoever reason to believe that an insurer, who is carrying on the business of life assurance, or the business of life assurance in conjunction with any other class of insurance business, has acted in a manner prejudicial to the interests of holders of insurance policies or is acting in a manner likely to be prejudicial to the interests of holders of insurance policies, he may, after giving such opportunity to the insurer to be heard as he thinks fit, make a report thereon to the Minister.

(2) The Minister, if he is of opinion after considering the report that it is necessary and proper to do so, may appoint an administrator to manage the business of the insurer under the direction and control of the Controller.

(3) An administrator appointed under subsection (2) shall receive such remuneration as the Minister may direct, and such remuneration shall be payable out of the funds of the business which is managed by the administrator.

(4) The management of the business of an insurer shall, on and after the date of appointment of an administrator under subsection (2), vest in such administrator:

Provided however that, except with the approval of the Controller, an administrator shall not issue any new policies of insurance.

(5) The Minister may at any time revoke the appointment of any person as administrator and appoint some other person as administrator, and thereupon the first-mentioned person shall be divested of the management of the affairs of the insurer.

(6) The Controller may issue such directions to the administrator as to his powers and duties as he deems desirable in the circumstances of the case, and the administrator may apply to the Controller at any time for instructions as to the

management of the business of the insurer or in relation to any matter arising in the course of such management.

Powers and duties of administrator.

54. (1) The administrator shall conduct the management of the business of the insurer with the greatest economy compatible with efficiency and shall, as soon as may be possible, file with the Controller a report stating which of the following courses is in the circumstances most advantageous to the general interests of the holders of life assurance policies, namely :—

(a) the transfer of the business to such an institution as the Controller may, with the approval of the Minister, determine, or

the winding up of the insurer, or

(c) such other course as he may deem advisable.

(2) On the filing of the report with the Controller, the Controller may take such action as he thinks fit for protecting and promoting the interests of the holders of insurance policies in general.

(3) Any act done by the Controller in pursuance of the powers vested in him under subsection (2) shall have effect,—

(a) if the insurer is a company, notwithstanding anything in the memorandum or articles of association of that company, and

(b) if the insurer is a person other than a company, notwithstanding anything in the instrument of incorporation of such insurer.

Cancellation of contracts and agreements.

55. An administrator may, at any time during the continuance of his management of the affairs of an insurer, cancel or vary (either unconditionally or subject to such conditions as he thinks fit to impose) any contract or agreement, other than a policy between the insurer and any other person, which the administrator is satisfied has been or is prejudicial to the interests of holders of

insurance policies. Before cancelling or varying any contract or agreement, the administrator shall give to all persons, who will be affected by such cancellation or variation, an opportunity of being heard.

56. If at any time, on a report made by the Controller in that behalf, it appears to the Minister that the purpose of the appointment of an administrator has been fulfilled or that for any reason it is undesirable that such appointment should continue, the Minister may revoke the appointment and thereupon the administrator shall be divested of the management of the insurance business which shall, unless otherwise directed by the Minister, again vest in the person in whom it was vested immediately prior to the date of appointment of the administrator.

57. Any decision of the Minister made in pursuance of section 53 or section 56 shall be final and shall not be called in question in any court.

58. If any director of an insurance company or any officer in charge of the business of an insurer fails to deliver to the administrator any book of account, register or any other documents in his custody, relating to the business of the insurer or insurance company the management of which has vested in the administrator, or retains any property of such insurer or company, he shall be guilty of an offence and shall be liable to imprisonment of either description for a period not exceeding six months, or a fine not exceeding one thousand rupees or both such imprisonment and fine.

59. No suit or prosecution shall lie against the Minister, or Controller or an administrator or any officer or other person for any act which is in good faith done or purported to be done in pursuance of any of the sections 53, 54, 55 or 56.

60. Notwithstanding anything in any other law, the business of an insurer shall not be wound up voluntarily except with the prior approval of the Controller.

Termination of appointment of administrator.

Finality of decision appointing administrator.

Penally for withholding documents or property from administrators.

No suit or prosecution to lie against the Minister, Controller, administrator or any officer or other person.

Voluntary winding up

Margin of solvency.

61. (I) An insurance company carrying on insurance business shall be deemed for the purposes of section 162 of the Companies Ordinance* (which section authorizes the court to wind up a company) to be unable to pay its debts, and any other insurer shall be deemed to be unable to pay the debts appertaining to the insurance business carried on by such insurer, if the value of the assets relating to the insurance business carried on by such company or other insurer, as the case may be, does not exceed the amount of the liabilities relating to such business by the amount of the deposit for the time being required to be maintained by such company or other insurer under section 12 of this Act or one-tenth of the general premium income for the preceding financial year, whichever is the greater; and the provisions of section 46 of this Act shall apply accordingly.

- (2) For the purposes of this section—
 - (a) in computing the amount of the assets of an insurer, no account shall be taken of any uncalled capital or fictitious or intangible assets,
 - (b) the value of the assets shall be computed at their market value or realizable value,
 - (c) in computing the amount of the liabilities of an insurer, all contingent and prospective liabilities shall be taken into account, but not liabilities in respect of share capital, and
 - (d) the general premium income of an insurer in any year shall be taken to be the net amount, after deduction of any premiums paid by the insurer for reinsurance of the premiums received by the insurer in that year in respect of all insurance business other than long-term insurance business.

Appointment of Winding-up Tribunals. [§ 3, 9 of 1967.]

62. (I) There may be appointed, for the purposes of this Act, one or more Winding-up Tribunals. Each such Tribunal shall consist of three members, of whom one

shall be a person who is or has been a Judge of a District Court, and such person shall be the Chairman of the Tribunal-

(2) A Winding-up Tribunal may choose one or more persons possessing special knowledge of any matter relating to any case under inquiry to assist the Tribunal in determining any question which has to be decided by it under this Act.

(3) Every Winding-up Tribunal shall have such powers of a civil court under the Civil Procedure Code as may be prescribed.

(4) Every Winding-up Tribunal may review any of its decisions in the event of there being a mistake on the face of the record or correct any arithmetical or clerical mistake therein.

63. (1) The District Court or a Winding-up Tribunal may order the winding up of any insurance company in accordance with the Companies Ordinance* and the provisions of that Ordinance shall, subject to the provisions of this Part of this Act, apply accordingly.

Circumstances under which the District Court or a Winding-up Tribunal may order the winding up of an insurer.

(2) The District Court or a Winding-up Tribunal may order the winding up of an insurer—

- (a) if a petition in that behalf is presented by not less than fifty holders of policies of life assurance issued by that insurer and which have been in force for not less than three years and which will on maturity be of the total value of not less than fifty thousand rupees ; or
- (b) if the Controller, who is hereby authorized to do so applies in that behalf to the District Court or to a Winding-up Tribunal on any of the following grounds, namely:—
 - (i) that the insurer has failed to comply with the provisions of section 12 and of section 44;
 - (ii) that the insurer having failed to comply with any requirement of this Act has

* Repealed and replaced by the Companies Act, No. 17 of 1982.

continued such failure, or having contravened any provisions of this Act, has continued such contravention, for a period of three months after notice of such failure or contravention has been conveyed to the insurer by the Controller;

(iii) that it appears from the returns furnished under the provisions of this Act or from the results of any investigation made thereunder that the insurer is insolvent; or

(iv) that the continuance of the insurer is prejudicial to the interests of the policy holders.

(3) Where any petition under paragraph (a) of subsection (2) is found to have been made frivolously or vexatiously, the District Court or Winding-up Tribunal may make order for the payment by the petitioners of the costs and expenses actually and reasonably incurred by the insurer in consequence of the petition and in the proceedings thereon.

Valuation of assets and liabilities.

64. (1) In the winding up of an insurer, the value of the assets and liabilities of the insurer shall be ascertained in such manner and upon such basis as the liquidator thinks fit, subject, as far as practicable, to the regulation contained in the Sixth Schedule to this Act and to any directions which may be given by the District Court or Winding-up Tribunal, as the case may be.

(2) For the purposes of any reduction by the District Court or Winding-up Tribunal of the amounts of the contracts of an insurer, the value of the assets and liabilities of the insurer and all claims in respect of policies issued by the insurer shall be ascertained in such manner and upon such basis as the Court or Winding-up Tribunal thinks proper having regard to the regulation in the Sixth Schedule to this Act.

Application of surplus of assets fund in liquidation.

65. (t) In the winding up of an insurer, the value of the assets and the liabilities of the insurer in respect of life assurance business shall be ascertained separately from the value of any other assets and liabilities of the insurer, and the first-mentioned assets shall not be applied for the discharge of any

liabilities other than those in respect of life assurance business except in so far as the first-mentioned assets exceed the liabilities in respect of life assurance business.

(2) Where in the winding up of any insurer carrying on the business of life assurance it is found that when the assets and liabilities of the insurer are ascertained there is a surplus of assets over liabilities (hereinafter referred to as a "prima facie surplus") and that any part of the surplus had, at any time during the ten years preceding the commencement of the winding up, been allocated to life policy holders, the following provisions shall have effect:—

- (i) there shall be added to the liabilities of the insurer in respect of the life assurance business an amount which bears to the prima facie surplus the same proportion as the aggregate amount of surplus so allocated to policy holders during the aforesaid ten years bears to the total surplus arising from the life assurance business in those ten years; and
- (ii) the assets of the insurer shall be deemed to exceed its liabilities only in so far as they are in excess after such addition is made :

Provided that—

- (a) if in any case there has been no such allocation or if it appears to the District Court or a Winding-up Tribunal that by reason of special circumstances it would be inequitable that the amount to be added to the liabilities of the insurer in respect of the life assurance business should be an amount equal to such proportion as aforesaid, the amount to be so added shall be such amount as the District Court or Winding-up Tribunal may direct, and
- (b) for the purpose of the application of this subsection to any case where before the commencement of the

winding up a proportion of such surplus as aforesaid of a category only of the life assurance business in question has been allocated to life policy holders, the value of the assets and liabilities of the insurer in respect of that category shall be separately ascertained in like manner as the value of the assets and liabilities of such insurer in respect of the life assurance business was ascertained, and any surplus so found of assets over liabilities shall, for the purpose of ascertaining the amount to be added to the liabilities of the insurer in respect of the life assurance business, be deemed to be prima facie surplus.

are proposed to be wound up, and may, if such insurer is a company, contain provisions for altering the memorandum of the insurance company with respect to its objects and such further provisions as may be expedient for giving effect to the scheme.

(3) The provisions of this Act relating to the valuation of liabilities of insurers in liquidation and to the applications of surplus assets of the life assurance fund in liquidation shall apply to the winding up of any part of the affairs of an insurer in accordance with the scheme under this section in like manner as they apply in the winding up of an insurer, and any scheme under this section in relation to a company may apply with the necessary modifications to any of the provisions of the Companies Ordinance* relating to the winding up of companies.

(4) An order of the District Court or a Winding-up Tribunal confirming a scheme under this section whereby, if the insurer is a company, the memorandum of that company is altered with respect to its object shall as respects the alteration have effect as if it were an order confirmed under section 6 of the Companies Ordinance*, and the provisions of that section shall apply accordingly,

(5) When making an order confirming a scheme under this section, the District Court or a Winding-up Tribunal may make such orders as it considers necessary for the disposal of so much of the deposit made by the insurer under section 12 or section 44 as does not relate to the classes of insurance business, if any, which the insurer continues to carry on.

68. In the winding up of an insurer for the purpose of a cash distribution of assets, the liquidator shall ascertain the value of the liability to each person appearing by the books of the insurer to be entitled to or interested in the policies granted by the insurer and shall give notice of such value to each such person in such manner as the District Court or Winding-up Tribunal may direct; and any person to whom notice is so given shall be bound by the value so ascertained, unless he gives notice of his

66. In the winding up of an insurer otherwise than in a case to which section 67 applies the liquidator shall apply to the District Court or a Winding-up Tribunal for an order for a return of the deposit made by the insurer under section 12 or section 44 and the Court or Winding-up Tribunal shall on such application order a return of the deposit subject to such terms and conditions as it shall direct.

67. (1) If at any time it appears to be expedient that the affairs of an insurer in respect of any class of insurance business comprised in the undertaking of the insurer should be wound up but that any other class of insurance business comprised in the undertaking should continue to be carried on by the insurer or be transferred to such an institution as may be declared by the Minister by notification published in the Gazette a scheme for such purpose may be prepared and submitted for confirmation of the District Court or a Winding-up Tribunal in accordance with the provisions of this Act.

(2) Any scheme prepared under this section shall provide for the allocation and distribution of the assets and liabilities of the insurer between any classes of insurance business effected (including the allocation of any surplus assets which may arise on the proposed winding up), for any future rights of every class of policy holders in respect of their policies and for the manner of winding up of any of the affairs of the insurer which

Return of deposit on the application of a liquidator.

Scheme of partial winding up.

* Repealed and replaced by the Companies Act, No. 17 of 1982.

intention to dispute such value in such manner and within such time as may be specified by the District Court or Winding-up Tribunal.

Power of District Court or Winding-up Tribunal to reduce contracts of insurer.

69. (1) Where an insurer is in liquidation, the District Court or Winding-up Tribunal may make an order reducing the amounts payable in respect of the insurance contracts of the insurer upon such terms and subject to such conditions as the District Court or Winding-up Tribunal thinks just.

(2) Where an insurer carrying on the business of life assurance has been proved to be insolvent, the District Court or Winding-up Tribunal may, if it thinks fit, in place of making a winding-up order reduce the amounts payable in respect of the insurance contracts of the insurer upon such terms and subject to such conditions as the District Court or Winding-up Tribunal thinks Just.

(3) Application for an order under this section may be made either by the liquidator or by or on behalf of the insurer or by a policy holder or by the Controller ; and the Controller and any person whom the District Court or Winding-up Tribunal thinks likely to be affected shall be entitled to be heard on any such application.

Right of certain holders of life assurance policies to have recourse in certain circumstances to other assets of persons who have issued such policies and who have wound up, or are taking steps to wind up the business of life assurance.

70. Where on or after the twenty-first day of July, 1960, a person carrying on the business of life assurance has wound up, or takes steps to wind up, such business and where the assets relating to such business have not been, or are not, sufficient to meet the liabilities subsisting under policies of life assurance issued by such person, then every holder of such a policy shall be entitled by action instituted in a court of competent jurisdiction to proceed against—

- (a) if such person is an individual, any other assets held by such individual on or after that date, or
- (b) if such person is a company, any other assets held by each director of such company on or after that date, or

- (c) if such person is a firm, any other assets held by each partner of that firm on or after that date,

and recover any sum outstanding under such policy of insurance.

PART VJII

OFFENCES

71. Any person who—

- (a) carries on any insurance business, or commences any insurance business, without being duly registered under this Act, or
- (b) carries on any class of insurance business which he is not authorized under this Act to carry on,

Offence of carrying on or commencing any insurance business without registration or of carrying on any class of insurance business not authorized.

shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one thousand rupees or to imprisonment of either description for a term not exceeding one year or to both such fine and imprisonment.

72. Any person who solicits or procures in Sri Lanka insurance business of any class, or makes any offer referred to in paragraph (b) of section 84 (2) with the object of effecting any contract of insurance of any class, for or on behalf of a person not being an insurer duly authorized under this Act to carry on insurance business of that class, shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

Offence of soliciting insurance business on behalf of unauthorized persons.

72A. If any person upon whom a notice is served under section 46A—

- (a) refuses or fails, without such cause as is in the opinion of the Controller or other person authorized by the Controller reasonable, to furnish such information or to produce such book, account or document as is required by such notice, or

Failure to comply with the provisions of section 46A, [§ 4, 9 of 1967.]

(b) fails, without such cause as is in the opinion of the Controller or other person authorized by the Controller reasonable, to appear on the date and at the time and place mentioned in such notice, or having appeared refuses or fails, without such cause as is in the opinion of the Controller or other person authorized by the Controller reasonable, to answer any question put to him relating to the matters under inquiry,

he shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

Other Offences under this Act.

73. (1) Without prejudice to the provisions of section 58 or section 71 or section 72 by which a special penalty is prescribed for an offence, any person who contravenes or fails to comply with any provision of this Act shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding five hundred rupees and in the case of a continuing offence to a further fine not exceeding two hundred rupees for each day on which the offence is so continued after the conviction.

(2) Where an offence under this Act is committed by an insurer, every principal, agent, manager or other officer of the insurer, and, if the insurer is a company, every director of the company, shall also be guilty of the same offence and liable to the same punishment, unless he proves that the offence was committed without his knowledge or consent and that he had taken all reasonable steps to prevent the commission of the offence.

Institution of proceedings.

74. (1) A prosecution for any offence under this Act may be instituted by the Controller or by any other officer acting under the written authority of the Controller.

(2) No prosecution for any offence under this Act shall be instituted by any person other than the Controller or an officer acting under his authority, except with the prior written sanction of the Attorney-General.

75. If in any prosecution or other proceedings taken under this Act, it appears to the court that a person is or may be liable in respect of negligence, default or breach of duty, but that he has acted honestly and reasonably and that having regard to all the circumstances of the case, he ought fairly to be excused for such negligence, default or breach of duty, the court may relieve him fully or partly from his liability subject to such conditions as the court may seem fit.

PART IX

GENERAL

76. There may be appointed for the purposes of this Act—

Appointment of Controller of Insurance and other officers.

- (a) a person, by name or by office, to be or to act as the Controller of Insurance,
- (b) a person, by name or by office, to be or to act as the Deputy Controller of Insurance, and
- (c) such other officer, consultants and servants as may from time to time be required for the purposes of this Act.

77. (1) Any notice or other document required or authorized by or under this Act to be served on any insurer shall—

Service of notices.

- (a) if such insurer is a company, be served on any director or manager or officer thereof in accordance with the provisions in that behalf contained in the Companies Ordinance*, and
- (b) if such insurer is a person other than a company, be served on such insurer or the manager or principal agent of such insurer,

* Repealed and replaced by the Companies Act, No. 17 of 1982.

and, if so served, shall be deemed for the purposes of this Act to have been duly served.

[§ 5,9 of 1967.] (2) Any notice required to be served on any person under section 46A may be served on such person—

- (a) by the delivery thereof to such person, or by the delivery thereof at the last known place of abode of such person to some adult member of his family or to some servant of his:
- (b) by the delivery thereof at the usual or last known place of abode or business of such person in a cover addressed to such person ; or
- (c) by the despatch thereof by registered post in a letter addressed to such person at his usual or last known place of abode or business.

Power of Controller to settle claims arising under life assurance policies in which the sum assured does not exceed two thousand rupees.

78. (1) Where a dispute relating to the settlement of a claim on a policy of life assurance, by which the sum assured does not exceed two thousand rupees (exclusive of any profit or bonus not being a guaranteed profit or bonus) and which was issued by an insurer in respect of insurance business transacted by the insurer in Sri Lanka, arises between a claimant under the policy and the insurer who issued the policy or has otherwise assumed liability in respect thereof, the dispute may, at the option of the claimant, be referred to the Controller for his decision, and the Controller may, after giving an opportunity to the parties to be heard and after making such further inquiries as he may think fit, make his order on the dispute.

(2) The order of the Controller under this section shall be final and shall not be called in question in any court of law, and may, on application made by the Controller to the court in which, if the dispute had not been referred to the Controller, action would have been instituted in respect of the dispute, be executed by that court as if it were a decree entered by that court.

(3) The Controller shall be entitled to levy from the claimant such amount as may

be prescribed as his fees for the duties performed by him under this section. Such amount may be recovered in the prescribed manner from the claimant and shall on recovery be paid into the Consolidated Fund.

79. (1) The Minister may make Regulations. regulations for the purpose of carrying out or giving effect to the principles and provisions of this Act or of amending any Schedule to this Act, and in particular in respect of matters required by this Act to be prescribed or in respect of which regulations are authorized to be made.

(2) No regulation made by the Minister shall have effect until it is approved by Parliament and notification of such approval is published in the Gazette. [§ 6,9 of 1967.]

79A. (1) Where the Controller or an administrator appointed under section 53 or any policy holder or member of an insurer which is a company incorporated under any law for the time being in force or the liquidator of any such insurance company in liquidation is of the opinion—

Power of Controller or an administrator appointed under section 53 or policy holder or member of an insurance company to apply in certain circumstances to a District Court for an order for payment of money or restoration of property by any person. [§7,9 of 1967.]

- (a) that any person whether he be a person who has taken part in the promotion or formation of such company or is a past or present director, managing agent or manager, or other officer or employee of such company—
 - (i) has misapplied or retained or become liable or accountable for any money or other property of such company, or
 - (ii) has been guilty of any misfeasance or breach of trust in relation to such company, or
 - (iii) has acted in a manner prejudicial to the interests of the policy holders of such company; or
- (b) that any person, whether he is or has been in any way connected with the affairs of such company or not, is in wrongful possession of any money or other property of such company or having any such money or other

property in his possession wrongfully withholds it, or has converted it to any use other than that of such company; or

- (c) that any person has by contravention of the provisions of this Act diminished the amount of the life assurance fund of such company,

then the Controller, or such administrator, policy holder, member or liquidator may, on application made to the District Court within the jurisdiction of which such company carries on business or such person resides, be entitled to an order—

- (a) for the payment by such person, to the life assurance fund of such company, of such sum by way of compensation as the Court thinks fit in respect of the misapplication, retention, misfeasance or breach of trust or acts prejudicial to the interests of the policy holders of such company, or

- (b) for the payment by such person to the life assurance fund of such company of such sum as may be found due from him in respect of any money or other property of such company for which he is accountable, or for the restoration of other property or part thereof, as the case may be, or

- (c) where the amount of the life assurance fund of such company has been diminished, for the payment by such person to such fund of such sum as the Court thinks fit.

(2) Every application under subsection (1) shall be made, and shall be disposed of, by way of summary procedure in accordance with the provisions of Chapter XXIV of the Civil Procedure Code.

(3) The provisions of Chapter XXII of the Civil Procedure Code relating to execution shall be applicable to any order of a District Court for the payment of any

money, or for the restoration of property in any application made under subsection (1), and for the purposes of the application of such provisions the Controller or other person making such application shall be deemed to be the judgment-creditor and the person liable to pay the money or restore the property in accordance with the order of the District Court shall be deemed to be the judgment-debtor.

(4) Where in any proceedings in any District Court arising out of an application under subsection (1) the Court is satisfied that any money or other property of the insurance company has disappeared or has been lost, the Court shall presume that every person in charge of, or having a disposing power over, such money or other property, whether such person is a director, manager, or other officer or employee of such company, is accountable for such money or other property unless such person proves—

- (a) that the money or other property had been utilized or disposed of in the ordinary course of the business of such company and for the purposes of that business, or

- (b) that he took all reasonable steps to prevent the disappearance or loss of such money or property or otherwise satisfactorily accounts for such disappearance or loss.

80. Save as expressly provided in this Act, the provisions of this Act relating to insurance companies shall have effect in addition to and not in substitution for the provisions of the Companies Ordinance*.

Application of Companies Ordinance*.

81. (1) Any insurer who is registered under the provisions of this Act to carry on motor vehicle insurance business shall be deemed to be an authorized insurer for the purposes of Part VI of the Motor Traffic Act.

Certain insurers deemed to be authorized insurers for the purposes of the Motor Traffic Act, and deemed to be granted licences under section 45 (1) of the Workmen's Compensation Ordinance.

(2) Any insurer who is registered under the provisions of this Act to carry on employers' liability Insurance business shall be deemed to have been granted a licence under the provisions of section 45 (1) of the

* Repealed and replaced by the Companies Act, No. 17 of 1982.

Workmen's Compensation Ordinance to undertake insurance against liabilities to workmen which may be incurred by employers under that Ordinance.

section 47A (1) of the Income Tax Ordinance;

" approved securities " means—

- (a) Government securities,
- (b) Government guaranteed securities,
- (c) Local authority securities,
- (d) Savings Bank Certificates, and deposits in the National Savings Bank,
- (e) shares of the Development Finance Corporation of Ceylon,
- (f) investments in any approved project, and
- (g) ordinary shares, preference shares, and debentures, of any institution in which the Government of Sri Lanka and private individuals participate jointly;

Duty of insurers who have disposed of assets relating to life assurance business prior to the appointed date.

82. Notwithstanding anything in the preceding provisions of this Act, where any insurer has, at any time between the twenty-fourth day of November, 1961, and the appointed date, committed any of the following acts,—

- (i) invested any moneys forming part of the assets relating to his life assurance business in investments other than in approved securities ;
- (ii) given loans of such moneys which are not in accordance with the provisions of this Act;
- (iii) in any manner whatsoever alienated such assets or any part thereof,

such act shall be deemed to be null and void, and it shall be the duty of such insurer, notwithstanding anything in any other law, to recover such moneys or assets by the institution of legal proceedings in a competent court;

" auditor" means a person possessing such qualifications as may be prescribed;

" certified " in relation to any statement, account or return, or to any copy or translation of a document required to be furnished by or on behalf of an insurer, means that a certificate to the effect that such a statement, account or return is true and correct or that the copy is a true copy or that the translation is a correct translation, has been endorsed thereon or attached thereto by the insurer or the principal officer of the insurer authorized in that behalf, as the case may be;

" Controller" means the Controller of Insurance appointed for the purposes of this Act and includes the Deputy Controller of Insurance;

" District Court" means the District Court of the district in which the head office or principal place of business in Sri Lanka of an insurer is situated •

Provided that this section shall not apply to any loan or investment given or made by an insurer if the Minister is satisfied that such loan or investment was made in the best interests of the policy holders of that insurer.

Repeals.

83. The Life Insurance Companies Ordinance, No. 11 of 1911, is hereby repealed.

Interpretation.

84. (1) In this Act, unless the context otherwise requires—

" actuary" means a person possessing such qualifications as may be prescribed;

" appointed date " means the 1st day of November 1962;

" approved project* " shall have the same meaning as " approved project" in

• There is no definition of " approved project " in the Inland Revenue Act. (No. 28 of 1979).

- " foreign insurance company " means a company formed and registered under the law in that behalf in any country other than Sri Lanka which has at any time carried on insurance business in Sri Lanka;
- " foreign insurer " means an insurer other than a Sri Lanka insurer;
- "Government guaranteed securities" includes any security in respect of a loan the repayment of which together with interest thereto is guaranteed by the Government of Sri Lanka;
- " Government securities " means promissory notes (including treasury bills), stock, bearer bonds, and any other security issued by or on behalf of the Government of Sri Lanka in respect of any loan raised either before or after the appointed date, but does not include a currency note;
- " insurance agents " means an individual who receives or agrees to receive payment from an insurer by way of commission or other remuneration in consideration for his soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance;
- " insurance business " means any of the following classes of business :—
- (a) life assurance business, that is to say, the business of entering into or maintaining contracts of assurance on human lives, such contracts including contracts whereby the payment of money is assured on death or on the happening of any contingency dependent on human life, and contracts which are subject to payment of premiums for a term dependent on human life and such contracts being deemed to include—
 - (i) contracts for the granting of disability and double or triple indemnity accident and sickness benefits if so specified in such contracts,
 - (ii) contracts for the grant of annuities dependent on human life, and
 - (iii) contracts relating to capital redemption business;
 - (b) marine insurance business, that is to say, the business of effecting contracts of insurance upon vessels of any description, including cargoes and freights, and other interest which may legally be insured in or in relation to such vessels, cargoes and freights, goods, wares, merchandise and property of whatever description insured for any transit by land or water, or both, and whether or not including warehouse risks or similar risks in addition or as are incidental to such transit and includes any other risks customarily included among the risks insured against in marine insurance policies;
 - (c) fire insurance business, that is to say, the business of effecting, otherwise than incidentally to some other class of insurance business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies;
 - (d) motor vehicle insurance business, that is to say, the business of effecting contracts of insurance against loss of motor vehicles or damage

arising out of or in connexion with the use of motor vehicles, including third-party risks;

employs a representative or maintains a place of business in Sri Lanka,

(e) employers' liability insurance business, that is to say, the issue of, or the undertaking of liability under, policies insuring employers against liability to pay compensation or damages to workmen in their employment;

and shall be deemed to include an individual, any body corporate, or unincorporated body of individuals who or which has prior to the appointed date carried on or transacted insurance business, liability in respect of which remains unpaid or undischarged on the appointed date;

(f) miscellaneous insurance business, including personal accident insurance business, aircraft insurance business, fidelity guarantee insurance business, burglary insurance business, cash in transit insurance business and cash in safe insurance business but excluding insurance business which is not principally or wholly of any kind or kinds included in paragraphs (b), (c), (d) and (e) and excluding insurance business involving contracts of a long-term nature;

"local authority securities" means any security that may be issued, in accordance with the law in force for the time being by any local authority in Sri Lanka;

"long-term business" means insurance business of all or any of the following classes, namely, life assurance business and bond investment business, and includes in relation to any insurer, insurance business carried on by the insurer as incidental only to any such class of business;

insurer " means—

(a) any body corporate carrying on or transacting insurance business and being incorporated under any law for the time being in force in Sri Lanka;

"manager" means a person who, subject to the control and supervision of the insurer, or if the insurer is a company, of the directors, has the management of the whole of the affairs of an insurer, and includes any other person occupying the position of a manager, by whatever name called, and whether under a contract of service or not;

(b) an individual or unincorporated body of individuals or body corporate incorporated under the law of any country other than Sri Lanka, who or which carries on or transacts insurance business and who or which—

"officer" or "principal officer" includes any director, managing director, manager or secretary of an insurer;

(i) carries on that business in Sri Lanka, or

"policy holder" includes a person to whom the whole of the interest of the policy holder in the policy is assigned once and for all, but does not include an assignee thereof whose interest in the policy is defeasible or is for the time being subject to any condition;

(ii) has his or its principal place of business or his or its domicile in Sri Lanka, or

(iii) with the object of offering insurance business

" principal agent" means a person who, not being a salaried employee of an insurer, in consideration of any commission—

- (i) performs any administrative and organizing function for the insurer, and
- (ii) procures insurance business ;

" prescribed " means prescribed by regulation made under this Act;

" Sri Lanka insurer " means in the case of a company any body corporate carrying on or transacting insurance business and being incorporated under any law for the time being in force in Sri Lanka and shall be deemed to include any such body corporate that has prior to the appointed date carried on or transacted insurance business, liability in respect of which remains unpaid or undischarged on the appointed date;

"Winding-up Tribunal" means a Tribunal appointed under section 62 of this Act.

(2) For the purposes of this Act, a person shall be deemed to carry on or transact insurance business of any class in Sri Lanka if such person—

- (a) issues, or undertakes liability under, any policy or contract of insurance of that class to or with a person for the time being in Sri Lanka; or
- (b) offers whether orally or in writing to issue, or undertake liability under, any policy or contract whether such offer is made directly to any such person or generally to any such person by the publication, transmission, or circulation of any advertisement, book, pamphlet, or any document whatsoever; or
- (c) employs, engages or in any other manner causes or encourages, any person to make any such offer as aforesaid whether or not any remuneration is paid or payable to such other person.

FIRST SCHEDULE

[Section 35.]

REGULATIONS AND FORMS FOR THE PREPARATION OF BALANCE SHEET

PART I

REGULATIONS

1. (i) The balance sheet required to be prepared by an insurer must be in Form A set out in Part II of this Schedule.
 - (2) Form A set out in Part II of this Schedule, which is intended to be used by an insurer who carries on insurance business and who has undischarged liabilities in respect of life assurance policies issued by such insurer, must be used with the necessary modifications in the case of an insurer who does not have such undischarged liabilities or in the case of an insurer who also has undischarged liabilities on bond investment business.
2. The balance sheet of the life assurance business, the balance sheet relating to any other class of insurance business, and the balance sheet of bond investment business shall each be prepared as a separate document. The totals of each separate balance sheet prepared by any insurer under this regulation, that is to say, the total assets of the long-term business and insurance business, the balance in the credit of the life assurance fund and of every other separate fund or account, the amount of the shareholders' undivided profits, and outstanding liabilities shall in every case be incorporated in the general balance sheet of that insurer.

3. Every combined balance sheet issued for any purpose by an insurer, shall be in Form A referred to in regulation I. There shall not be included among the assets shown in any combined balance sheet any amount in respect of any holding in or advance to any insurer whose assets and liabilities have been incorporated therein. Every combined balance sheet must show clearly on the face thereof that it is a combined balance sheet, and must set out fully the name of every insurer whose assets and liabilities have been incorporated therein; and where the assets and liabilities of any person who is not an insurer are included in the combined balance sheet the fact must be expressly stated in the balance sheet.

4. Where any guarantee has been given by an insurer (otherwise than in the ordinary course of reinsurance business) in respect of the policies of one or more other insurers, the balance sheet of the first-mentioned insurer must show clearly the name of each other insurer whose policies have been so guaranteed and the extent of the guarantee:

Provided that this regulation shall not apply where a combined balance sheet is issued incorporating the assets and liabilities of the insurer whose policies are guaranteed.

5. Where any part of the assets of an insurer is deposited in any place outside Sri Lanka as security for the owners of the insurance policies issued in that place, the balance sheet must state that such part of the assets has been so deposited, and, if any such part forms part of the life assurance fund, the balance sheet must show the amount thereof and the place where it is deposited. Where any combined balance sheet is issued by an insurer for any purpose, the information required by this regulation must be shown in the aggregate in respect of all the insurers whose assets and liabilities have been incorporated in the balance sheet.

6. There shall be appended to the balance sheet of each insurer a statement, in Form AA set out in Part II of this Schedule, showing the value of the assets of that insurer in Sri Lanka together with a certificate by an auditor that the stated value does not in his opinion exceed the market value.

7. Every balance sheet must have the following certificates set out therein, namely—

- (a) a certificate signed by the same persons as are required by this Act to sign the balance sheet, as to the manner in which the values of the investments in stocks and shares shown in the balance sheet have been arrived at, and the market value thereof has been ascertained for the purpose of comparison with the values so shown;
- (b) a certificate signed by the same persons as are required by this Act to sign the balance sheet and signed also, so far as respects the value of any items shown in the balance sheet under the heading of "Reversions and Life Interests", by an actuary to the effect that the values of all the assets have been reviewed as at the date of the balance sheet, and that in their belief the assets set forth in the balance sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings- "Loans", "Reversions and Life Interests", "Investments", "Agents' Balances", "Outstanding Premiums", "Interest, Dividends and Rents accruing but not due", "Amounts due from other persons or bodies carrying on Insurance business" separately for Sri Lanka Insurers and for Foreign Insurers, "Sundry Debtors", "Bills Receivable", "Cash" and the several items specified under "Other Accounts";

Provided that in any case where it is not possible to certify that the assets set forth in the balance sheet are shown as required by this regulation a full explanation of the bases upon which the values shown in the balance sheet have been assessed shall be given in the certificate ;

- (c) where the balance sheet relates either wholly or in part to life assurance business, a certificate signed by the same persons as are required by this Act to sign the balance sheet and by the auditor, to the effect that no part of the assets of the life assurance fund has been directly or indirectly applied in contravention of the provisions of this Act relating to the application and investment of life assurance funds; and
- (d) certificates signed by the auditor (which shall be in addition to any other certificate or report which he is required by law to give with respect to the balance sheet) to the effect—
 - (i) that he has verified the cash balances and the securities relating to the insurer's loans, reversions and life interests, and investments,
 - (ii) to what extent, if any, he has verified the investments and transactions relating to any trusts undertaken by the insurer as trustee ; and
 - (iii) in the case of a combined balance sheet that he has audited the balance sheet and accounts of every insurer whose assets and liabilities are incorporated therein, or that any such balance sheet and accounts which have not been audited by him have been certified by independent auditors. The said certificate shall contain a reference to such reservations, if any, as may have been made by any auditor upon any report or certificate given by him with respect to the balance sheet and accounts of any insurer whose assets and liabilities are incorporated in the combined balance sheet.

8. If the values shown in the balance sheet in respect of "Holdings in Subsidiary Companies" or "House property" (i) in Sri Lanka (ii) out of Sri Lanka have been increased since the last previous balance sheet, the certificate required by paragraph (b) of regulation 7 shall state the amount of every increase not solely due to the cost of subsequent additions or, as respects holdings in controlled companies, to increased profits, and shall contain an explanation of the reason for such increase in values.

9. For the purposes of this Schedule, the following expressions have the meaning hereby respectively assigned to them, namely:—

- (a) "combined balance sheet" includes any combined statement of assets and liabilities made by an insurer in the form of a balance sheet which includes the assets and liabilities of any other insurer; and
- (b) "market value", as respects any asset, means the market value thereof as ascertained from published market quotations, or, if there be no such quotations published, its fair value as between a willing buyer and a willing seller.

PART II

FORM A

FORM OF BALANCE SHEET

Balance Sheet of as at 19

	Life Assurance Rs. c.	General Business Rs. c.		Life Assurance Rs. c.	General Business Rs. c.
Shareholders' capital (each class to be stated separately)			Loans on Mortgages of Property in Sri Lanka		
Authorized shares of Rs. each Rs.			Loans on Mortgages of Property out of Sri Lanka		
Subscribed shares of Rs. each Rs.			Loans on Policies		
Called up shares of Rs. each Rs.			Other loans (to be specified) (c)		
Less unpaid calls Rs.			Reversions and Life Interests		
Reserve or Contingency accounts (a)			Debenture Stocks (c)		
Investment Revenue Account			Deposit with Deputy Secretary to Treasury (securities to be specified)		
Profit and Loss Appropriation account			Sri Lanka Government securities		
Life Assurance Fund			Foreign Government securities		
(i) Business in Sri Lanka			Sri Lanka Government guaranteed securities		
(ii) Business outside Sri Lanka			Preference shares of concerns in Sri Lanka (c)		
Fire Insurance Account			Preference shares of concerns out of Sri Lanka		
Marine Insurance Account			Ordinary shares of concerns in Sri Lanka (c)		
Motor Vehicle Insurance Account			Ordinary shares of concerns out of Sri Lanka		
Employers' Liability Insurance Account			Land and House property in Sri Lanka		
Miscellaneous Insurance Account			Land and House property out of Sri Lanka		
Other accounts (to be specified)			Agents' Balances		
Loans and advances (b)			Outstanding Premiums		
Claims admitted or intimated but not paid			Interest, Dividends and Rents outstanding		
Life assurance			Interest accruing but not due		
Fire Insurance			Amounts due from other persons or bodies carrying on Insurance business (d)		
Marine Insurance			Sri Lanka Rs.		
Motor Vehicle Insurance			Foreign Rs.		
Employers' liability Insurance					
Miscellaneous Insurance					

CONTROL OF INSURANCE

FORM A (Contd.)

	Life Assurance Rs. c.	General Business Rs. c.		Life Assurance Rs. c.	General Business Rs. c.
Amounts due to other persons or Bodies carrying on Insurance business (b) . .			Sundry Debtors (e) . .		
Sri Lanka Rs			Cash on deposit account - •		
Foreign Rs			Bank Accounts . .		
Sundry Creditors (b) • .			Other accounts (to be specified (f) . .		
Other sums owing (to be specified) (b) . .					
Contingent Liabilities (to be specified) (b) . .					

NOTES

(a) The Reserves or Contingency Accounts must be separately stated.

(b) If the insurer has deposited security as cover in respect of any of these items, the amount and nature of the securities so deposited must be clearly indicated on the face of the balance sheet.

(c) Full particulars of holdings in and loans to subsidiary companies must be stated giving the name of each company, the number and description of each class of shares held, the amounts paid thereon, and the value at which the holdings in each company stand in the balance sheet.

(d) The aggregate amount owing by a subsidiary company or subsidiary companies must be shown separately from all other assets and the aggregate amount owing to a subsidiary company or subsidiary companies must be shown separately from all other liabilities.

(e) Amounts due from directors and from officers must be shown separately.

(f) Under this heading must be included such items as the following, which must be shown under separated headings suitably described :- office furniture, goodwill, preliminary formation and organization expenses, development expenditure account, other expenditure carried forward to be written off in future years, balance being loss on profit and loss appropriation accounts, etc. The amounts included in the balance sheet must not be in excess of cost.

CONTROL OF INSURANCE

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FORM AA

Classified Summary of the Assets in Sri Lanka of the
..... 19

Class of Asset	(a) Book Value Rs.	W Market Value Rs.	(c) Remarks
1. Government Securities	. .		
2. Government Guaranteed Securities	. .		
3. Local Authority Securities	. .		
4. Debentures of concerns in Sri Lanka (approved)	• •		
5. Debentures of concerns in Sri Lanka (unapproved)	. .		
6. Preference Shares of concerns in Sri Lanka (approved)	• •		
7. Preference Shares of concerns in Sri Lanka (unapproved)	. .		
8. Ordinary Shares of concerns in Sri Lanka (approved)	- •		
9. Ordinary Shares of concerns in Sri Lanka (unapproved)	- .		
10. Loans on Company's policies in Sri Lanka	- •		
11. Loans on mortgage of property in Sri Lanka	. .		
12. Other loans granted in Sri Lanka (particulars to be stated)	. -		
13. Land and House Property in Sri Lanka	. .		
14. Buildings	. .		
15. Savings Bank Certificates	. .		
16. Deposits in National Savings Bank	• •		
17. Cash at Commercial Banks	. .		
18. Interest, dividends and rents outstanding	. .		
19. Agents' balances and outstanding premia	. .		
20. Other Assets in Sri Lanka (to be specified)	. .		

The statement shall show—

- (o) the value for which credit is taken in the balance sheet for each of the above-mentioned classes of assets,
- (b) the market value of such of the above-mentioned classes of assets as has been ascertained from published quotations after deduction of accrued interest included in market prices in those cases where accrued interest is included elsewhere in the balance sheet, and
- (c) how the value of such of the above-mentioned classes as has not been ascertained from published quotations has been arrived at.

SECOND SCHEDULE

[Section 35.]

REGULATIONS AND FORMS FOR THE PREPARATION OF PROFIT AND LOSS ACCOUNTS

PART I

REGULATIONS

1. The items on the income side of the profit and loss account and profit and loss appropriation account must relate to income whether actually received or not, and the items on the expenditure side must relate to expenditure whether actually paid or not.

2. Deduction from Interest, Dividends and Rents shown in respect of income tax must include all amounts in respect of Sri Lanka Income Tax whether or not it has been or is to be deducted at source or paid direct.

CONTROL OF INSURANCE

PART II

Forms

FORM B

FORM OF PROFIT AND LOSS ACCOUNT

Profit and Loss Account of _____ for the year ended _____ 19____

	Rs. c.		Rs. c.
Taxes not applicable to any particular Fund or Account . . .		Interest, Dividends and Rents (not applicable to any particular Fund or Account) . . .	Rs.
Expenses of Management not applicable to any particular Fund or Account (a) • •		<i>Less</i> Income Tax thereon	Rs.
Loss on Realization of Investments (not charged to Revenue or any particular Fund or Account) . . .		Profit on Realization of Investments (not credited to Revenue or any particular Fund or Account) . . .	
Depreciation of Investments (not charged to Revenue or any particular Fund or Account) . . .		Appreciation of Investments (not credited to revenue or any particular Fund or Account) . . .	
Loss transferred from Revenue Accounts (details to be given) . . .		Profit transferred from Revenue Accounts (details to be given) . . .	
Other Expenditure (to be specified) . . .		Transfer fees . . .	
Balance for the year carried to Profit and Loss Appropriation Account . . .		Other Income (to be specified) - -	
		Balance being loss for the year carried to Appropriation Account . . .	

(a) If any sum has been deducted from this item and entered on the assets side of the balance sheet, the amount must be shown separately.

FORM C

FORM OF PROFIT AND LOSS APPROPRIATION ACCOUNT

Profit and Loss Appropriation Account of _____ for the year ended _____ 19____

	Rs. c.		Rs. c.
Balance being loss for the year brought down from Profit and Loss Account (as in Form B) . . .		Balance brought forward from last year <i>less</i> dividends since paid in respect of last year (to be specified) Rs.....	
Dividends paid during the year on account of the current year (to be specified)		Balance for the year brought from Profit and Loss Account (as in Form B)	
Transfers to any particular Funds or Accounts (details to be given) . . .			
Balance at end of year as shown in the Balance Sheet . . .			

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THIRD SCHEDULE

(Section 35.)

REGULATIONS AND FORMS FOR THE PREPARATION OF REVENUE ACCOUNTS

PART I

REGULATIONS

1. The revenue account relating to life assurance business must be in Form D set out in Part II of this Schedule.
2. A separate revenue account must be prepared for every class of business in respect of which the insurer is required to maintain a separate account.
3. The revenue account relating to marine insurance business must be in Form E set out in Part II of this Schedule.
4. The revenue account relating to fire insurance business must be in Form E set out in Part II of this Schedule.
5. A separate revenue account substantially in Form E must be prepared in respect of motor vehicle insurance business, employers' liability insurance business and miscellaneous insurance business.
6. Every combined revenue account issued for any purpose by an insurer—
 - (fl) must be in accordance with the Forms set out in Part II of this Schedule;
 - (fb) must clearly show on the face thereof that it is a combined revenue account;
 - (c) must set out fully the name of every insurer who is required to make separate returns under this Act and whose revenue and expenditure have been included therein ; and
 - (rf) if the revenue and expenditure of any person who is not an insurer are included in the account, the fact must be expressly stated thereon.
7. The items on the income side of the revenue account must relate to income whether actually received or not, and the items on the expenditure side must relate to expenditure whether actually paid or not.
8. Insurance business (excluding life assurance business), reinsurance premiums, whether on business ceded or accepted, must be brought into account as gross amounts. Net amounts, ordinary reinsurance commissions and reinsurance profits commissions must be shown separately.
9. In respect of the life assurance business carried on by each insurer, there shall be furnished annually to the Controller a statement, setting out full details, in each of the Forms DD, DDD, and DDDD set out in Part II of this Schedule.
10. Premiums received under each class of insurance business in Sri Lanka must be shown separately from Premiums in respect of business out of Sri Lanka.
11. Any office premises which form part of the assets of an insurer carrying on life assurance business must be treated as an investment on which interest accrues, and accordingly, in the revenue account relating to the life assurance business a fair rent for the premises must be included under the heading "Interest, Dividends and Rents", and in the revenue account relating to every other class of business for which the premises are used proper charges for the use thereof must be included under the heading "Expenses of Management".
12. Where an insurer carries on the business of life assurance in conjunction with any other class of insurance business, the expenses of management charged to the life assurance revenue account must not include more than a reasonable proportion of the common expenses, and in particular, such account must not be charged with more than a fair sum for the use of any office premises, having regard to the income from the various classes of business carried on and to the extent to which the premises are used for the purposes of each class of business.
13. Deductions in respect of income tax from the Interest, Dividends and Rents must include all income tax charged thereon, whether or not it has been or is to be deducted at source or paid direct.

CONTROL OF INSURANCE

PART II

Forms

FORM D

FORM OF REVENUE ACCOUNT APPLICABLE TO LIFE ASSURANCE BUSINESS

Revenue Account of for the year ended 19

	Busi- ness within Sri Lanka Rs.	Busi- ness out of Sri Lanka Rs.	Total Rs.		Busi- ness within Sri Lanka Rs.	Busi- ness out of Sri Lanka Rs.	Total Rs.
Claims under Policies (including provisions for claims due or intimated), <i>less</i> Re- insurances—				Balance of Fund at the beginning of the year			
By death . . .				Premiums <i>less</i> Re- insurances—			
By maturity . . .				(i) First year premiums . . .			
Annuities, <i>less</i>				(ii) Renewal pre- miums - -			
Reinsurances . . .				(iii) Single premiums			
Surrenders (including Surrenders of Bonus), <i>less</i> Reinsurances . . .				Consideration for Annuities granted, <i>less</i> Reinsurances <i>{b}</i>			
Bonuses in cash, <i>less</i>				Interest, Dividends and Rent . . .			
Reinsurances . . .				<i>Less</i> Income tax thereon (c) . . .			
Bonuses in Reduction of Premiums, <i>less</i> Re- insurances . . .				Registration Fees . . .			
Commission (<i>less</i> that on Reinsurances) . . .				Other Income (to be specified) <i>(d)</i> . . .			
Expenses of Management (<i>"</i>)(<i>/</i>)				Deficit transferred to Profit and Loss Account . . .			
1. Commission and allowances . . .				Transferred from Appropriation Account . . .			
2. Salaries, &c. (other than to agents and those contained in item No. 1)							
3. Travelling Expenses							
4. Directors' fees . . .							
5. Auditors' fees . . .							
6. Law charges . . .							
7. Advertisements . . .							
8. Printing and Sta- tionery . . .							
9. Other expenses of management (ac- counts to be specified)							
10. Other payments (accounts to be specified) . . .							
11. Rents for offices belonging to and occupied by the insurer . . .							

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FORM D (Comd.)

	Business within Sri Lanka Rs.	Business out of Sri Lanka Rs.	Total Rs.		Business within Sri Lanka Rs.	Business out of Sri Lanka Rs.	Total Rs.
12. Rents of other offices occupied by the insurer . . .							
Bad Debts . . .							
Sri Lanka and Foreign Taxes . . .							
Other Expenditure (to be specified) . . .							
Surplus transferred to Profit and Loss Account . . .							
Balance of Fund at the end of the year as shown in the Balance Sheet . . .							

NOTES

(a) If any sum has been deducted from this item and entered on the assets side of the balance sheet, the amount so deducted must be shown separately. Under this item the salary paid to the managing agent or managing director shall be shown separately from the total amount paid as salaries to the remaining staff.

(b) All single premiums for annuities, whether immediate or deferred, must be Included under this heading.

(c) Sri Lanka and foreign income tax on interest, dividends and rents must be shown under this heading, less any rebates of income tax recovered from the revenue authorities in respect of expenses of management. The separate heading on the other side of the account is for Sri Lanka and foreign taxes, other than those shown under this item.

(d) Under the head 'Other Income' fines, if any, realized from the staff must be shown separately. All the amounts received by the insurer directly or indirectly whether from his head office or from any other source outside Sri Lanka shall also be shown separately in the revenue account except such sums as properly appertain to the capital account.

FORM DD

Classified Statement of Life Assurance Policies of the _____ for the year ending _____ 19__

	New life assurance business in respect of which a premium has been paid in the year				Total life assurance business in force at end of the year		Premium income for which credit has been taken in the revenue account
	Number of policies	Sums Insured and annuities per annum	Single premiums (including consideration for immediate annuities and all other premiums paid at the outset where no subsequent premium is payable)	Yearly renewal premium income	Number of policies	Sums insured with bonuses and annuities per annum	
		Rs.	Rs.	Rs.		Rs.	Rs.
Ordinary policies— In Sri Lanka . . . Out of Sri Lanka . . . Total . . .							
Annuity contracts, &c.— In Sri Lanka . . . Out of Sri Lanka . . . Total . . .							
Group insurance policies— In Sri Lanka . . . Out of Sri Lanka . . . Total . . .							

The amounts should be stated to the nearest rupee and after deduction of reinsurance.

CONTROL OF INSURANCE

FORM DDD

Additional to and Deductions from Policies of the.....for..... ending.....19

	Ordinary life assurance policies insuring money to be paid on death or survival			Annuities	
	Number	Sum assured	Reversionary bonus additions	Number	Annuity per annum
		Rs.			Rs.
1. Policies at beginning of year					
2. New policies issued . . .					
3. Old policies re-issued . . .					
4. Old policies changed and increased . . .					
5. Bonus additions allotted . . .					
TOTAL . . .					
Discontinued during year					
6. By death . . .					
7. By survival or the happening of the contingencies insured against other than death					
8. By expiry of term under temporary insurance					
9. By surrender of policy . . .					
10. By surrender of bonus . . .					
11. By forfeiture or lapse . . .					
12. By change and decrease . . .					
13. By being not taken up . . .					
Total discontinued . . .					
Total existing at end of year					

FORM DDDD

Particulars of the policies forfeited or lapsed in the last financial year under review, less those revived and reinstated for full benefits, classified according to the year in which they were issued—

Financial year in which the policies were issued	Number of policies forfeited or lapsed	Sum insured under policies forfeited or lapsed
Year ending , 19 being the year under review		Rs.
Year ending 19 being the year previous to that under review		

And so on the number of and sum insured under policies forfeited or lapsed in the last financial year under review being stated after classification according to each of the preceding years in which they were issued.

A separate statement must be given in respect of each class of life assurance business for which a separate revenue account is submitted.

Insurers having their principal place of business in Sri Lanka shall give the information required in the form separately for business transacted in Sri Lanka and business transacted outside Sri Lanka and insurers having their principal place of business outside Sri Lanka will furnish information regarding business transacted in Sri Lanka only.

REGULATION FOR THE PREPARATION OF ABSTRACTS OF ACTUARIES' REPORTS AND REQUIREMENTS APPLICABLE TO SUCH ABSTRACTS

PART I

REGULATIONS

1. Abstracts and Statements must be so arranged that the numbers and letters of the paragraphs correspond with those of the paragraphs of Part II of this Schedule.

2. In showing the proportion which that part of the annual premiums reserved as a provision for future expenses and profits bears to the total of the annual premiums, in accordance with the requirements of paragraph (4) of Part II of this Schedule, no credit is to be taken for any adjustments made in order to secure that no policy is treated as an asset.

3. (1) The average rate of interest yielded in any year by the assets constituting a life assurance fund shall, for the purposes of paragraph (5) of Part II of this Schedule, be calculated by dividing the interest of the year by the mean fund of the year; and for the purposes of any such calculation the interest of the year shall be taken to be the whole of the interest credited to the life assurance fund during the year after deduction of income tax charged thereon (any refund of income tax in respect of expenses of management made during the year being taken into account), and the mean fund of the year shall be ascertained by adding a sum equal to one-half of the amount of the life assurance fund at the beginning of the year to a sum equal to one-half of that fund at the end of the year, and deducting from the aggregate of those two sums an amount equal to one-half of the interest of the year.

(2) For the purposes of the calculation aforesaid either—

(a) all profits and income arising during the year from sums invested in reversions shall be included in the interest credited to the life assurance fund during the year; or

(b) such portion of the life assurance fund as is invested in the purchase of reversions, and the profits and income arising therefrom, shall be excluded from the calculation; but in that case a statement must be added to the information required under the said paragraph (5), showing, in respect of the portion of the fund so excluded as aforesaid, the average rate of annual profit and income for which credit has been taken during the three years last preceding the valuation date, and explaining the manner in which the said average rate has been calculated.

(3) The information given in accordance with the requirements of the said paragraph (5) shall show clearly by which of the methods hereinbefore in this regulation mentioned the sums invested in reversions and the profits and income arising therefrom have been dealt with.

4. Every abstract prepared in accordance with the requirements of Part II of this Schedule shall be signed by an actuary and shall contain a certificate by him to the effect that he has satisfied himself as to the accuracy of the valuations made for the purposes thereof and of the valuation data;

Provided that in the case of an abstract prepared on behalf of an insurer, if the actuary who signs the abstract is not a permanent officer of the insurer, the certificate as to the accuracy of the valuation data shall be given and signed by the principal officer of the insurer and the actuary shall include in the abstract a statement signed by him showing what precautions he has taken to ensure the accuracy of the data.

5. For the purposes of this Schedule, the following expressions have the meanings hereby respectively assigned to them, namely:—

" extra premium " means a charge for any risk not provided for in the minimum contract premium;

" inter-valuation period " means, as respects any valuation, the period to the valuation date of that valuation from the valuation date of the last preceding valuation in connexion with which an abstract was prepared under this Act or, in a case where no such valuation has been made in respect of the class of business in question, from the date on which the insurer began to carry on that class of business;

" maturity date " means the fixed date on which any benefits will become payable either absolutely or contingently;

" net premiums " means as respects any valuation the premium taken credit for in the valuation;

" premium term " means the period during which premiums are payable ;

" valuation date " as respects any valuation means the date as at which the valuation is made.

PART II

REQUIREMENTS APPLICABLE TO AN ABSTRACT IN RESPECT OF LIFE ASSURANCE BUSINESS

The following tabular statement shall be annexed to every abstract prepared in accordance with (he requirements ut this Pan of ihJs Schedule, namely :—

- (a) a Consolidated Revenue Account, in Form F annexed to this Part of this Schedule, for the inter-valuation period (except that it shall not be necessary [o prepare such an account in respect of any class of business so long as the insurer deposits annually with the Controller an abstract in respect of that class of business); and
- (b) a Summary and Valuation in Form G annexed to this Part of this Schedule of the policies included at the valuation date in the class of business to which the abstract relates ; and
- (c) a Valuation Balance Sheet in Form H annexed to this Part of this Schedule; and
- (d) a statement in Form DDD as set forth in Part II of the Third Schedule of the additions to and deductions from the number of policies and the sums insured thereunder tor each claim of life assurance ; and
- (e) a statement in Form DDDD as set forth in Part II of the Third Schedule of particulars of policies, forfeited or lapsed under each class of life assurance ;

and every such abstract shall show—

- (1) the valuation date ;
- (2) the general principles and full details of the methods adopted in the valuation of each of the various classes of assurances and annuities shown in the said Form Ci, including statements on the following points :--
 - (a) whether the principles were determined by the instruments constituting the insurer or by its regulations or by-laws or how otherwise;
 - (b) the method by which the net premiums have been arrived at and how the ages of entry, premium terms and maturity dates have been treated for the purposes of the valuation ;
 - (c) the methods by which the valuation age, period from the valuation date to the maturity date, and the future premium terms, have been treated for the purpose of the valuation ;
 - (d) the rate of bonus taken into account where by the method of valuation definite provision is made for the maintenance of a specific rate of bonus ;
- (e) the method of allowing for—
 - (i) the incidence of the premium income; and
 - (ii) premiums payable otherwise than annually ;
- (f) the methods by which provision has been made for the following matters, namely :—
 - (i) the immediate payment of claims ;
 - (ii) future expenses and profits in the case of limited payment and paid-up policies;
 - (iii) the reserve in respect of lapsed policies not included in the valuation, but under which a liability exists or may arise ; and whether any reserves have been made for the matters aforesaid ;
- (g) whether under the valuation method adopted any policy would be treated as an asset, and, if so, what steps, if any, have been taken to eliminate such assets ;
- (h) a statement of the manner in which policies on under-average lives and policies subject to premiums which include a charge tor climatic, military or other extra risks have been dealt with ; and

- (i) the rates of exchange at which liabilities in respect of policies issued in foreign currencies have been converted into rupees and what provision has been made for possible increase of liability arising from future variations in the rates of exchange;
- (3) the table of mortality used, the rate of interest and the taxation basis assumed, in the valuation ;
- (4) the proportion which that part of the annual premiums reserved as a provision for future expenses and profits bears to the total of the annual premiums separately specified in respect of assurances with immediate profits, with deferred profits, with profits under discounted bonus systems, and without profits ;
- (4A) the proportion which that part of the total annual premiums reserved as provision for future renewal expenses bears to the total annual premiums ;
- (5) the average rates of interest yielded by the assets, whether invested or uninvested constituting the life assurance fund for each of the years covered by the valuation date ;
- (6) the basis adopted in the distribution of profits as between the insurer and policy holders, and whether such basis was determined by the instruments constituting the insurer, or by its regulations or by-laws or how otherwise ;
- (7) the general principles adopted in the distribution of profits among policy holders, including statements on the following points :—
 - (a) whether the principles were determined by the instruments constituting the insurer, or by its regulations or by-laws, or how otherwise ;
 - (b) the number of years' premiums to be paid, the period to elapse and other conditions to be fulfilled before a bonus is allotted;
 - (c) whether the bonus is allotted in respect of each year's premium paid, or in respect of each completed calendar year or year of assurance or how otherwise; and
 - (d) whether the bonus vests immediately on allocation, or if not, the conditions of vesting;
- (8) (i) the total amount of surplus arising during the inter-valuation period, including surplus paid away and sums transferred to reserve funds or other accounts during that period, and the amount brought forward from the preceding valuation (to be stated separately) and the allocation of such surplus—
 - (a) to interim bonus paid ;
 - (b) among policy holders with immediate participation giving the number of the policies which participated and the sums assured thereunder (excluding bonuses);
 - (c) among policy holders with deferred participation, giving the number of the policies which participated and the sums assured thereunder (excluding bonuses);
 - (d) among policy holders in the discounted bonus class, giving the number of policies which participated and the sums assured thereunder (excluding bonuses);
 - (e) to the insurer or, in the case of an insurance company, among shareholders or to shareholders' accounts (any such sums passed through the accounts during the inter-valuation period to be separately stated);
 - (f) to every reserve fund or other fund or account (any such sums passed through the accounts during the inter-valuation period to be separately stated);
 - (g) as carried forward unapproved ;
 - (h) specimens of bonuses allotted as at the valuation date to policies for one thousand rupees—
- (a) for the whole term of life effected at the respective ages of 20, 30 and 40, and having been in force respectively for five years, ten years and upwards at intervals of ten years , and

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(b) for endowment assurances effected at the respective ages of 20, 30 and 40, for endowment terms of fifteen, twenty and thirty years, and having been in force respectively for five years, ten years and upwards at intervals of ten years;

together with the amounts apportioned under the various manners in which the bonus is receivable;

(9) a statement in Form I annexed to this Part of this Schedule of specimen policy reserve values held or required to be held according to the methods adopted in the valuation, and specimen minimum surrender values in respect of whole life assurance policies for Rs. 1,000 with premiums payable throughout life effected at the respective ages of 20, 30, 40 and 50, and immediately on payment of the first, second, third, fourth, sixth, seventh, eighth, ninth, tenth, fifteenth and twentieth annual premium, with similar specimen policy reserve values and specimen surrender values in respect of whole life assurance policies subject to premiums payable for 20 years and of endowment assurance policies maturing at age of 55 ;

(10) a statement showing how the liability under any disability clause in a policy has been determined in the valuation with full information of the tables of sickness or accident rates used for the purpose.

FORM F

Consolidated Revenue Account of. for Years Commencing and Ending

	Business within Ceylon	Total		Business within Ceylon	Total
	Rs.	Rs.		Rs.	Rs.
Claims under Policies (including provision for claims due or intimated)			Balance of Life Assurance Fund at the beginning of the period		
<i>less</i> Reinsurances —			Premiums, <i>less</i> Reinsurances		
By death			Consideration for Annuities Granted, <i>less</i> Reinsurances		
By maturity			Interest, Dividends and Rents Rs.		
Annuities, <i>less</i> Reinsurances			<i>Less</i> —Income tax thereon (b)		
Surrenders (including Surrender of Bonuses). <i>less</i> Reinsurances			Rs. —		
Bonuses in Cash, <i>less</i> Reinsurances			Registration Fee		
Bonuses in reduction of Premiums <i>less</i> Reinsurances			Other Income (to be specified)		
Commission (<i>less</i> at on Reinsurances)			Deficit transferred to Profit and Loss Account		
Expenses of Management (n) Agents' and Canvassers' allowance			Transferred from Appropriation Account		
Salaries, Ac, (other than 10 Agents and Canvassers)					
Travelling expenses					
Directors' fees					
Auditors' fees					
Medical fees					
Law charges					
Advertising					
Printing and Stationery					
Other expenses of management (accounts to be specified)					
Other payments (accounts to be specified)					
Rents for offices belonging to and occupied by the company					
Rents of other offices occupied by the insurer					
Sri Lanka Taxes					
Foreign Taxes					
Bad Debts					
Other expenditure (to be specified)					
Surplus transferred to Profit and Loss Account					
Balance to Life Assurance Fund at end of the period as shown in the Balance Sheet					
Rs			Rs		

(a) If any sum has been deducted from this item and entered on the assets side of the balance sheet the amount so deducted must be shown separately.

(b) Sri Lanka and Foreign income tax on interest, dividends and rents must be shown under this heading, less any rebates of income tax recovered from the revenue authorities in respect of expenses of management. The separate heading on the other side of the account is for Sri Lanka and Foreign taxes, other than those shown under this item.

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FORM G

Summary and Valuation of the Policies of. as at. 19

	Particulars of the Policies for Valuation					Valuation			
	Number of Policies	Sum Insured	Amount	Policy Value	Actual Cash Value	Office Reserve	Policy Reserve	Unpaid Claims	
DIVISION I									
ASSURANCES									
Group A—									
With immediate participation in profits									
For whole term of life									
Other classes (to be specified)									
Extra premiums									
Total Assurances									
Deduct Reinsurances									
Net Assurances									
Group B—									
With deferred participation in profits									
For whole term of life									
Other classes (to be specified)									
Extra premiums									
Total Assurances									
Deduct—Reinsurances									
Net Assurances									
Group C—									
Under discounted bonus systems									
For whole term of life									
Other classes (to be specified)									
Extra premiums									
Total Assurances									
Deduct -Reinsurances									
Net Assurances									
Total Assurances with profits									
Group D—									
Without participation in profits									
For whole term of life									
Other classes (to be specified)									
Extra premiums									
Total Assurances									
Deduct—Reinsurances									
Net Assurances									
Total Assurances without profits									
Total of the Assurances shown in all groups									
Deduct—Reinsurances									
Net amount of Assurances Adjustments, if any (to be separately specified)									
DIVISION II									
Annuities on Lives									
Immediate Annuities									
Deferred Annuities with return of premiums									
Deferred Annuities without return of premiums									
Other classes (to be specified)									
Total Annuities									
Deduct- Reinsurances									
Net Annuities									
Total of the results (after deduction of Reinsurances)									

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FORM G (Conid.)

WTES

1. Items in this summary are to be stated to the nearest rupee.
2. No policy of assurance upon the lives of a group of persons, whereby sums assured are payable in respect of the several persons included in the group, is to be included in Groups A, B, C or D of this Form: any such policies must be shown in a separate Group which must be added to the Form.
3. If policies without participation in profits but with a guaranteed rate of bonus are issued they must be separately specified in Group D of this Form.
4. Separate forms must be prepared in respect of classes of policies valued by different tables of mortality or at different rates of interest or involving the valuation of net premiums on different bases.
5. In cases where separate valuations of any portion of the business are required under local laws in places outside Sri Lanka and reserves based on such valuations are deposited in such places, a statement must be furnished in respect of the business so valued in each such place showing the total number of policies, the total sums assured and bonuses, the total office yearly premiums, and the total net liability on the bases as to mortality and interest adopted in each such place with a statement as to such bases respectively.
6. Office and net premiums and the values thereof must be shown after deduction of abatements made by the application of bonus.

FORM H

Valuation Balance Sheet of, _____ as at _____ 19__

	Rs.			Rs.
Net liability under business as shown in the Summary and Valuation of Policies		Balance of Life Assurance Fund as shown in the Balance Sheet		
Surplus, if any		Deficiency, if any		

Note.—If the proportion of surplus allocated to the insurer, or in the case of an insurance company to shareholders, is not uniform in respect of all classes of insurances, the surplus must be shown separately for the classes to which the different proportions relate.

FORM I

Specimen Policy Reserve Values and Minimum Surrender Values under a Policy for Rs. 1,000

Number of premiums paid	Age at entry 20		Age at entry 30		Age at entry 40		Age at entry 50	
	Reserve value	Minimum surrender value						
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
15								
20								

Note.— Items in this Form to be stated to the nearest rupee.

FIFTH SCHEDULE

REGULATIONS FOR PREPARING STATEMENTS OF BUSINESS IN FORCE AND
REQUIREMENTS APPLICABLE TO SUCH STATEMENTS

PART I

REGULATIONS

1. Statements prepared under this Schedule must be prepared, so far as practicable, in tabular form and must be identified by numbers and letters corresponding with those of the paragraphs of Part II of this Schedule.
2. Except with respect to rates of premium or contribution, items in statements prepared under this Schedule are to be shown to the nearest rupee.
3. Extra premium shown in the forms of Summary and Valuation prepared under the Fourth Schedule must not be included in statements prepared under this Schedule.
4. Every statement prepared under this Schedule shall be signed by the actuary making the investigation in connexion with which it is prepared.
5. For the purposes of this Schedule the following expressions have the meanings hereby respectively assigned to them, namely;—
 - (a) " annual loading " means the provision made for future expenses and profits;
 - (b) " extra premiums " means a charge for any risk not provided for in the minimum contract premium ;
 - (c) " net premiums " means the premiums taken credit for in the valuation in connexion with which any statement is prepared ; and
 - (d) " valuation date " means as respects any valuation the date as at which the valuation is made.

PART II

REQUIREMENTS FOR STATEMENTS APPLICABLE TO LIFE ASSURANCE BUSINESS

The statements required to be prepared under this Part of this Schedule are as follows :—

1. Where new life assurance business is currently transacted in Sri Lanka, statements, separately prepared in respect of policies with and without participation in profits, showing—
 - (a) as respects policies for the whole term of life, the rates of office premiums charged, in accordance with the published tables in use, for new policies giving the rates for decennial ages at entry from 20 to 70 inclusive; and
 - (b) as respects endowment assurance policies, the rates of office premiums charged, in accordance with the published tables in use, for new policies with original terms of ten, fifteen, twenty, thirty and forty years, giving the rates for decennial ages at entry from 20 to 40 inclusive, but excluding policies under which the age at maturity exceeds 70.
2. Statements, separately prepared in respect of policies with immediate profits, with deferred profits, with profits under discounted bonus systems and without profits, showing in quinquennial groups—
 - (a) as respects policies for the whole term of life—
 - (i) the total amount assured (specifying sums assured and reversionary bonuses separately), grouped according to ages attained ;
 - (ii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable throughout life, and of the corresponding net premiums, grouped according to ages attained; and
 - (iii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable for a limited number of years, and either, the corresponding net premiums grouped in accordance with the grouping adopted for the purposes of the valuation, or, the annual loading reserved for the remaining duration of the policies, grouped according to ages attained;

- (b) as respects endowment assurance policies—
 - (i) the total amount assured (specifying sums assured and reversionary bonuses separately), grouped in accordance with the grouping adopted for the purposes of the valuation; and
 - (ii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable, and of the corresponding net premiums grouped in accordance with the grouping adopted for the purposes of the valuation :

Provided that—

- (a) as respects endowment assurance policies which will reach maturity in less than five years, the information required by sub-paragraph (b) (i) of this paragraph must be given for each year instead of in quinquennial groups; and
 - (b) where the office premiums payable under policies for the whole term of life for a limited number of years, or the office premiums payable under endowment assurance policies, or the corresponding net premiums, are grouped for the purposes of the valuation otherwise than according to the number of years payments remaining to be made, or, where the sums assured under endowment assurance policies are grouped for the purposes of the valuation otherwise than according to the years in which the policies will mature for payment or in which they are assumed to mature if earlier than the true year, then, in any such case the valuation constants and an explanation of the method by which they are calculated must be given for each group, and in the case of the sums assured under endowment assurance policies a statement must also be given of the amount assured maturing for payment in each of the two years following the valuation date.
3. Statements as respects any policies in force under which premiums cease to be payable, whether permanently or temporarily, during disability arising from sickness or accident, showing the total amount of the office premiums payable.
4. Policies under which there is a waiver of premiums during disability must be shown as a separate class.
5. Statements as respects immediate annuities on single lives for the whole terms of life, separately prepared in respect of annuities on male and female lives, showing in quinquennial age groups the total amount of such annuities.
6. Statements as respects deferred annuities, separately prepared in respect of annuities on male and female lives, showing the specimen reserve values for annuities of one hundred rupees which will be produced on maturity on the basis of valuation adopted at ages, in the case of male lives, 60 and 65 and in the case of female lives, 55 and 60; the said statements must show the specimen reserve values which will be produced under the table of annual premiums in use for new policies where new business is currently transacted in Sri Lanka and if under any other table of annual premiums in use for any other deferred annuity policies in force smaller reserve values will be produced the like specimens of these must also be given.
7. Statements as respects any policies of assurance upon the lives of a group of persons, whereby sums assured are payable in respect of the several persons included in the group, showing the total claims paid since the date as at which the last statements were prepared under this Part of this Schedule or, where no such statements have been prepared, since the date on which the insurer began to carry on the class of business to which the statements relate or the date of the last valuation of the insurer's liabilities in respect of that class of business, and the reserve for unexpired risks and outstanding claims.

SIXTH SCHEDULE

[Section 64.]

REGULATION AS TO THE VALUATION OF THE LIABILITIES OF AN INSURER IN LIQUIDATION

The liabilities of an insurer in respect of current contracts effected in the course of life assurance business including annuity business shall be calculated by the method and upon the basis to be determined by an actuary approved by the District Court or Winding-up Tribunal, and the actuary so approved shall, in determining as aforesaid, take into account—

- (a) the purpose for which such valuation is to be made,
- (b) the rate of interest, taxation, and the rates of mortality and sickness to be used in valuation, and
- (c) any special directions which may be given by the District Court or Winding-up Tribunal.

The liabilities of an insurer in respect of current policies of general business shall be such portion of the last premium paid as is proportionate to the unexpired portion of the policy in respect of which the premium was paid.

[Section 3.]

SEVENTH SCHEDULE

REGULATIONS APPLICABLE TO UNDERWRITING MEMBERS OF LLOYDS

1. The Committee of Lloyds shall appoint a person resident in Sri Lanka as the chief representative of underwriting members of Lloyds (hereinafter referred to as the "chief representative") and shall notify the Controller the name of the person so appointed.

2. The person appointed as the chief representative under regulation 1 shall, on payment of the deposit or deposits referred to in regulation 3, be deemed to be registered as a person authorized to carry on Sri Lanka business on behalf of any member, or all members, of Lloyds:

Provided that nothing in this regulation shall be construed to prevent any member of Lloyds from carrying on Sri Lanka business through any other representative or agent so long as the registration of the chief representative is in force.

3. The chief representative shall keep deposited with the Deputy Secretary to the Treasury, for and on behalf of the Government of Sri Lanka a sum of fifty thousand rupees in respect of each class of Sri Lanka business proposed to be carried on by any member, or all members, of Lloyds :

Provided that the maximum amount of the deposit shall be two hundred thousand rupees.

4. The chief representative shall file with the Controller—

- (a) a copy of each of the Acts of the British Parliament defining or regulating the functions of Lloyds Underwriters,
- (b) a copy of the annual list of members of Lloyds Underwriters and all information relating to the constitution of the Committee of Lloyds, and
- (c) the names and addresses of one or more persons resident in Sri Lanka duly authorized, except in respect of cases arising from marine insurance cover, to accept, on behalf of underwriting members of Lloyds, service of process or other notice required by law to be served on them, together with a power of attorney granted to such person or persons.

5. The chief representative shall forward to the Controller—

- (a) four copies of the returns and accounts submitted by Lloyds Underwriters to, and published each year by, the British Board of Trade, one copy being authenticated by the Chairman of Lloyds Underwriters and the appropriate Department of the British Government,
- (b) a declaration signed by the Chairman of Lloyds Underwriters and by the appropriate Department of the British Government, certifying that all Lloyds Underwriters have complied with the requirements for the time being imposed upon them by the provisions of the First Schedule to the Insurance Companies Act, 1958, of Great Britain,
- (c) such returns, abstracts and additional information as the Controller may from time to time call for relating to the conduct of the Sri Lanka business of underwriting members of Lloyds.

6. In these regulations and in section 3 (3) of this Act, "Sri Lanka business" means any insurance business, other than life assurance business, transacted in Sri Lanka and such business shall be deemed to be transacted in Sri Lanka wherever it may be so transacted, if the relevant contract of insurance is in respect of persons resident in Sri Lanka or in respect of property situated in Sri Lanka or any vessel or aircraft registered in Sri Lanka. If any question arises as to whether any business is transacted in Sri Lanka or not, the Controller shall decide the question and his decision shall be final.