

The text below is an internet version of the Rules made by the Commission under section 18 of the Captive Insurance Act and section 93 of the Financial Services Act and is for information purposes only. Whilst reasonable care has been taken to ensure its accuracy, the authoritative version is the one published in the Government Gazette of Mauritius (GN No. 31 of 2024) read together with subsequent amendments in the Government Gazette of Mauritius.

THE CAPTIVE INSURANCE ACT

FSC Rules made by the Commission under section 18 of the Captive Insurance Act and section 93 of the Financial Services Act

(Consolidated version with amendments as at 29 September 2025)

PART I

PRELIMINARY

1. Citation

These rules may be cited as the Captive Insurance (Captive Insurance Business) Rules 2024.

2. Interpretation

In these rules -

“Act” means the Captive Insurance Act;

“auditor” means a person -

(a) qualified to act as auditor under the Financial Reporting Act; and

(b) appointed as auditor of a captive insurer with the approval of the Commission under Rule 15;

“balance sheet date” has the same meaning as in the Companies Act;

“best-estimate assumptions” means realistic assumptions which depend upon the nature of the business and which should be guided by immediate past experience, as modified by any knowledge of, or expectations regarding, the future, and when assumptions are interrelated, such as discount rates, bonus rates and expense inflation, the assumptions must be consistent;

“category of captive insurance business” means any category of captive insurance business specified in the Schedule to the Act;

"class 1 third party captive insurer" means a person carrying on class 1 third party captive insurance business as described in the Schedule to the Act;

"class 2 third party captive insurer" means a person carrying on class 2 third party captive insurance business as described in the Schedule to the Act;

"class 3 third party captive insurer" means a person carrying on class 3 third party captive insurance business as described in the Schedule to the Act;

"class of insurance business" means the class of policies as defined in Part I and Part II of the First Schedule to Insurance Act;

"contractual service margin" means the component of the carrying amount of the asset or liability for a group of insurance contracts, representing the unearned profit which the captive insurer shall recognise as it provides captive insurance business under the group of insurance contracts;

"fulfilment cash flows" means the explicit, unbiased and probability-weighted estimate of the expected present value of the future cash outflows minus the present value of the future cash inflows that will arise as the captive insurer fulfils insurance contracts, including a risk adjustment for non-financial risk;

"insurance contracts" includes reinsurance contracts;

"liability for incurred claims" means the captive insurer's obligations to pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses;

"liability for remaining coverage" means the captive insurer's obligations to pay valid claims under existing insurance contracts for insured events that have not yet occurred, specifically, the obligation that relates to the unexpired portion of the insurance coverage;

"minimum capital requirement" means such capital that is required to be held by a captive insurer calculated in accordance with these rules;

"pure captive insurer" means a person carrying on pure captive insurance business referred to in the Schedule to the Act;

"risk adjustment" means the compensation a captive insurer requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the captive insurer fulfils its insurance contracts.

"third party captive insurer" includes class 1 third party captive insurer, class 2 third party captive insurer and class 3 third party captive insurer;

"multi-owner pure captive insurer" means persons carrying on multi-owner pure captive insurance business referred to in the schedule of the Act;

“RMF” has the same meaning as in the Insurance (Risk Management) Rules 2016;

“substantial shareholder” has the same meaning as in the Companies Act;

“solvency ratio” means the ratio of capital available to the minimum capital requirement.

Amended by [GN No. 80 of 2025]

3. Application of the Rules

These rules shall apply to a captive insurer which is licensed or ought to be licensed by the Commission under the Act and who is conducting a category of captive insurance business referred to in the Schedule to the Act.

PART II

SCOPE OF CAPTIVE INSURANCE BUSINESS

4. Conduct of captive insurance business

- (1) A captive insurer shall conduct its captive insurance business in accordance with section 8(6) of the Act and subject to the limitations, restrictions and conditions specified in the Schedule to the Act or as may otherwise be determined by the Commission.
- (2) No captive insurer shall conduct a category of captive insurance business other than the category disclosed in its application except with the prior approval of the Commission.
- (3) Where a captive insurer licensed to conduct a category of captive insurance business has exceeded any limit relating to gross written premium corresponding to that category as set out in the Schedule to the Act, the captive insurer shall-
 - (a) submit a contingency plan acceptable to the Commission to reduce its relevant gross written premium; or
 - (b) seek the approval of the Commission to conduct a different category of captive insurance business specified in the Schedule to the Act; or
 - (c) apply for an appropriate licence under the Insurance Act.
- (4) Where a captive insurer has exceeded the limit corresponding to the technical provisions in respect of its long term insurance business as set out in the Schedule to the Act, the captive insurer shall submit a contingency plan

containing corrective measures which are acceptable to the Commission or apply for an appropriate licence under the Insurance Act.

- (5) The contingency plan referred to in paragraphs (3) and (4) shall be submitted immediately after the captive insurer becomes aware that it has exceeded the limits prescribed in the Schedule to the Act and shall not have a term of more than 12 months from the date of submission to the Commission.
- (6) A captive insurer, which fails to reduce its relevant gross written premium within the period specified in its contingency plan submitted pursuant to paragraph (3), shall within 1 month from the end of the term of the contingency plan—
 - (a) seek the approval of the Commission to conduct a different category of captive insurance business specified in the Schedule to the Act;
 - (b) apply for an appropriate licence under the Insurance Act; or
 - (c) cease to conduct business, surrender its licence to the Commission and take steps towards the orderly winding up of its business or transfer of its business.
- (7) A captive insurer, which fails to take corrective measures detailed in its contingency plan submitted pursuant to paragraph (4), shall within 1 month from the end of the term of the contingency plan—
 - (a) apply for an appropriate licence under the Insurance Act; or
 - (b) cease to conduct business, surrender its licence and take steps towards the orderly winding up of its business or transfer of its business.
- (8) Where the parent or affiliates of a captive insurer no longer comply with the description of related business or the description of unrelated business referred to in the Schedule to the Act, the captive insurer shall –
 - (a) cease to write new business;
 - (b) submit to the Commission a plan to ensure the orderly running off or transfer of its business; and
 - (c) wind up its business.
- (9) Where a captive insurer ceases to write new business pursuant to paragraph (8), the policies in force as at the date it has ceased writing new business shall not remain in force for more than 2 months from that date.

PART III

MANAGEMENT OF CAPTIVE INSURANCE BUSINESS

5. Risk Management Framework

- (1) A multi-owner pure captive insurer, a class 2 third party captive insurer, or a class 3 third party captive insurer shall, at all times, maintain a RMF and implement strategies, policies, procedures and controls to manage material risks, similar to those specified in the Insurance (Risk Management) Rules 2016.
- (2)
 - (a) The Commission may, where necessary, by reason of the nature, scale and complexity of the business of a captive insurer, direct the captive insurer to comply with such additional underwriting, investment, reinsurance or other requirements as may be imposed.
 - (b) The Commission shall not issue a direction referred to in paragraph (a) unless it —
 - (i) notifies the captive insurer of the proposed additional risk management requirements, and the reason for complying with those additional requirements; and
 - (ii) gives the captive insurer reasonable opportunity to make representations to the Commission.

PART IV

SOLVENCY REQUIREMENTS

6. Capital and solvency requirements

- (1) For the purposes of the Act and these rules, a captive insurer, an auditor or an actuary shall specify all values relating to capital and solvency requirements in Mauritian Rupees or in any other currency acceptable to the Commission.
- (2) A captive insurer shall have and at all times maintain a minimum unimpaired paid up capital as specified in the First Schedule.

7. Solvency ratio

- (1) For the purposes of section 10(8) of the Act, a captive insurer shall comply with the requirements of this rule.
- (2) A captive insurer shall, at all times, maintain a minimum solvency ratio as specified in the First Schedule.

- (3) A captive insurer shall immediately inform the Commission if it anticipates its solvency ratio to fall below the target level as defined in the First Schedule, and shall submit to the Commission, for approval, a contingency plan to restore the target level on such terms and conditions as it may deem fit.
- (4) Notwithstanding paragraph (3), the requirements provided in section 22 of the Insurance Act shall be applicable to a captive insurer whose solvency ratio is less than the minimum solvency ratio specified in the First Schedule.

8. Calculation of the minimum capital requirement

- (1) The minimum capital requirement of a captive insurer shall be calculated as the higher of –
 - (a) the sum of the asset capital and the underwriting capital, calculated in accordance with the requirements specified in Part I and Part II of the Second Schedule; or
 - (b) the minimum unimpaired paid up capital as specified in the First Schedule.
- (2) The calculation of the underwriting capital and the asset capital of a captive insurer shall be based on -
 - (a) the acceptable ratings specified in Part III of the Second Schedule; or
 - (b) any other equivalent ratings from a credit rating agency which is acceptable to the Commission.

9. Valuation of assets

- (1) The asset value for the purpose of calculating the asset capital of a captive insurer shall be taken at fair value.
- (2) For the purposes of paragraph (1) and of determining the solvency ratio and minimum capital requirement, “fair value” means –
 - (a) in the case of an asset which is listed on the Official List of a securities exchange which is a member of the World Federation of Exchanges and for which a price was quoted on that securities exchange on the date as at which the value is calculated, the price last so quoted;
 - (b) in any other case, the price which could have been obtained upon a sale of the asset between a willing buyer and a willing seller dealing at arm's length, as estimated by the captive insurer; or

- (c) the Commission's estimate of the asset where the Commission suspects market abuses under paragraph (a) or is not satisfied with the estimate under paragraph (b).

10. Capital available

- (1) The capital available of a captive insurer shall consist of shares issued and paid up, share premium, retained earnings, reserves and may include the contractual service margin.
- (2) Notwithstanding paragraph (1) but subject to the prior approval of the Commission, the capital available of a captive insurer may consist of a subordinated loan provided that -
 - (a) the title deed setting out the terms of the subordinated loan explicitly mentions that the loan is legally subordinated to the claims of policyholders and other creditors of the captive insurer;
 - (b) the subordinated loan is unsecured;
 - (c) the subordinated loan has an original maturity period of over 5 years;
 - (d) the subordinated loan may be redeemed before maturity only at the option of the captive insurer and with the prior written approval of the Commission; and
 - (e) the subordinated loan shall not, in the event of the winding up of the captive insurer, be repaid until the claims of policyholders and other creditors have been fully satisfied.
- (3) Where an approval has been granted under paragraph (2), the subordinated loan shall not be more than 40 per cent of the total assets of the captive insurer.

Amended by [GN No. 80 of 2025]

11. Admissible assets covering solvency ratio

- (1) Subject to paragraph (2), a captive insurer shall keep and maintain in cash and cash equivalents the amount specified in First Schedule.
- (2) The assets covering the solvency ratio of a captive insurer may be a combination of the following –
 - (a) cash;
 - (b) investments made in accordance with section 11 of the Act and Rule 13 of these rules;
 - (c) any other security deemed appropriate by the Commission.

12. Technical reserves

A captive insurer shall make adequate technical provisions in its accounts for its underwriting liabilities in respect of its insurance contracts, including –

- (a) liabilities for remaining coverage; and
- (b) liabilities for incurred claims.

Amended by [GN No. 80 of 2025]

13. Investment

(1) A captive insurer shall invest the assets covering the technical provisions in accordance with the following principles -

- (a) the assets shall take into account the type of business carried out by the captive insurer, in particular the nature, amount and duration of the expected claims payments, in such a way as to secure the sufficiency, liquidity, security, quality, profitability and matching of its investments;
- (b) the assets shall be diversified and adequately spread so as to allow the captive insurer to respond adequately to changing economic circumstances and the captive insurer shall assess the impact of irregular market circumstances on its assets and shall diversify the assets in such a way as to reduce such impact;
- (c) any investment in assets which are not admitted to trading on a regulated securities exchange shall be kept to prudent levels;
- (d) investment in derivative instruments may be made insofar as they contribute to a reduction of investment risks or facilitate efficient portfolio management provided that –
 - (xxxii) the derivative instruments are valued on a prudent basis, taking into account the underlying assets, and included in the valuation of the captive insurer's assets; and
 - (xxxiii) the captive insurer avoids excessive risk exposure to a single counterparty and to other derivative operations;
- (e) the assets shall be properly diversified in such a way as to avoid excessive reliance on any one particular asset, issuer or group of undertakings and accumulations of risks in the portfolio as a whole;
- (f) any investment in assets issued by the same issuer or by issuers belonging to the same group shall not expose the undertaking to excessive risk concentration; and

(g) such other principles as the Commission may deem appropriate.

- (2) The aggregate value of investments as reported on the balance sheet of a multi-owner pure captive insurer, class 2 third party captive insurer or class 3 third party captive insurer in any specific property, corporation, foreign government debts, commodity or group of related corporations shall not exceed 10 per cent of its assets.

14. Loans

- (1) Subject to the prior approval of the Commission, a captive insurer may give loans to a related entity.
- (2) The Commission shall only grant an approval under paragraph (1) where the captive insurer is able to demonstrate that the funds remaining after the loan has been deducted are adequate to support the captive insurer's risk profile.
- (3) Subject to paragraph (2), the Commission may approve a loan to a related entity of the captive insurer, on the condition that the loan will be applied from assets in excess of technical reserves subject to a security margin of –
- (a) 10 per cent with respect to a pure captive insurer or class 1 third party insurer;
 - (b) 25 per cent with respect to a class 2 third party captive insurer or class 3 third party captive insurer;
 - (c) 35 per cent with respect to a multi-owner pure captive insurer; or
 - (d) as the Commission may otherwise require,
- and after deduction of the share capital.
- (4) A loan agreement to a related entity shall contain the following characteristics –
- (a) the loan is negotiated on an arm's length basis;
 - (b) the loan repayment is for a finite period;
 - (c) the loan attracts a commercial rate of interest; and
 - (d) the loan is to be repayable within such time period as the Commission may determine.

PART V
AUDIT AND REPORTING REQUIREMENTS
SUB PART A
AUDIT

15. Appointment of auditor and actuary

- (1) A captive insurer shall appoint and at all times have –
 - (a) an auditor; and
 - (b) an actuary.
- (2) No person shall be appointed as an auditor or an actuary under paragraph (1) without the prior approval of the Commission.
- (3) When making an appointment under paragraph (1), a captive insurer shall consider and state in the resolution making the appointment whether the auditor or the actuary, as the case may be –
 - (a) holds the necessary qualifications and competence, has proven experience and adequate resources to perform his functions;
 - (b) is independent of the captive insurer in that he, or in the case of a firm, any of his partners, has no relationship with, or no interest in the captive insurer, any of its group of companies, nor has any connection with any officer or substantial shareholder of the captive insurer, which could reasonably be perceived as materially affecting the exercise by him of an independent mind and judgment in the performance of his duties; and
 - (c) is fit and proper.
- (4) An application for approval under paragraph (2) shall be made in writing and shall be accompanied by a certified copy of the resolution referred to in paragraph (3) or any information and documents as the Commission may require.
- (5) In determining the application submitted under paragraph (4), the Commission shall have regard to such matters as it deems necessary in the circumstances and in particular but without limitation to -
 - (a) any report from the professional organisation of which the proposed appointee is a member, or from a relevant supervisory body; or
 - (b) any information relevant to determine whether the proposed appointee is a fit and proper person.

- (6) Where a captive insurer fails to appoint an auditor or actuary in accordance with this rule, the Commission may make the appointment of an auditor or an actuary at the cost of the captive insurer.
- (7) Where an auditor or actuary appointed by a captive insurer is a firm –
 - (a) the firm shall designate a partner as the signing partner who shall, for the purposes of the Act and these rules, without any limitation to the obligations and liabilities of the other partners or associates, have all the duties, responsibilities and obligations of an auditor or actuary as if he were himself appointed;
 - (b) the approval of the Commission for the appointment of the firm shall not lapse by reason of a change in the membership of the firm provided that at least half of the members, after the change, were members at the time when the appointment of the firm was last approved by the Commission.
- (8) The auditor or actuary of a captive insurer shall have similar duties and the functions as the auditor or actuary of an insurer as specified under sections 43, 44 and 45 of the Insurance Act, where applicable.

16. Notice of termination and resignation

- (1) A captive insurer shall give to the Commission written notice of the termination of appointment or resignation of its auditor or actuary within 15 days of the termination or resignation.
- (2) Where the termination of appointment or resignation of an auditor or actuary is otherwise than by reason of expiry of his term of office –
 - (a) the notice referred to in paragraph (1) shall specify the reasons for and circumstances of the termination or resignation; and
 - (b) the Commission may request the auditor or actuary to give his representations on the circumstances of the termination or resignation.

17. Termination of appointment by the Commission

- (1) Subject to paragraph (2), the Commission may direct a captive insurer to terminate the appointment of an auditor or actuary of a captive insurer, where the Commission has reasons to believe that the person or firm concerned no longer meets the requirements of Rule 15(3).
- (2) The Commission shall not issue a direction under paragraph (1) unless the Commission gives the captive insurer and the auditor or the actuary as the case may be -

- (a) prior notice of its intention to act in accordance with paragraph (1) and the reasons for so doing; and
- (b) reasonable opportunity to make written representations on the matter.

18. Audit and auditor's certificate

- (1) The financial statements of a captive insurer shall be audited by its auditor appointed under these rules.
- (2) The auditor shall, in a certificate relating to the accounts and statements in respect of a balance sheet date of a captive insurer, state whether –
 - (a) the financial statements and other reports to which the certificate relates appear to him to be in accordance with the requirements of the Act, these rules, the relevant Acts and guidelines, as may be applicable, and give particulars of any matters that do not appear to him to be in accordance with those requirements;
 - (b) the accounting records of the captive insurer in respect of that year appear to him to have been properly kept and correctly explain the transactions and financial position of the captive insurer, and give particulars of accounting records that appear to him not to have been kept and of transactions that appear to him not to have been so recorded;
 - (c) in respect of that year, he has obtained the information and explanations that he requested;
 - (d) he has been denied or not any information requested under paragraph (c), setting out the particulars of information and explanations that he requested but did not obtain;
 - (e) he is satisfied that the financial statements and other reports referred to in paragraph (a) correspond with the accounting records of the captive insurer and appear to him to represent truly the transactions and financial position of the captive insurer in respect of the balance sheet date to which they relate and, where any of them appear to him to fail to represent the transactions and financial position, give particulars of the failure;
 - (f) amounts required by Rule 20 (3) to be apportioned, have been equitably apportioned and where they have not been so apportioned give particulars of the failure;
 - (g) all management expenses incurred in respect of the captive insurer's business, whether directly or indirectly, have been fully debited in the revenue account or profit and loss account as expenses and, where they have not been so debited, give particulars of the amounts not so debited; and

- (h) every reserve has been calculated in accordance with Rule 24, and where they have not been so calculated, give particulars of the failure.

SUB PART B

REPORTING REQUIREMENTS

19. Actuarial Investigation

- (1) A captive insurer shall cause its actuary appointed under these rules to conduct an investigation into its financial position as at its balance sheet date and make a report thereon.
- (2) An investigation referred to in paragraph (1) shall include a valuation of its –
 - (a) liabilities for incurred claims; and
 - (b) liabilities for remaining coverage, in accordance with these Rules.
- (3) The captive insurer shall submit to the Commission a report of the investigation referred to in paragraph (1) together with its annual report referred to section 12 of the Act.
- (4) The report referred to in paragraph (3) shall include, where applicable –
 - (a) a statement of the valuation basis used and the assumptions and methodology used to calculate the value of liabilities for all classes of business;
 - (b) a statement showing the extent to which consideration has been taken of the nature and term of the assets available to meet the liabilities valued and degree of matching relative to the liabilities;
 - (c) the actuary's opinion on the value of the assets referred to in paragraph (b);
 - (d) a statement on whether the pricing of the insurance policies is prudentially sound;
 - (e) a summary of the data including sources of data and grouping as well as highlighting any shortcomings in the data;
 - (f) a statement of the solvency position at the valuation date, the previous valuation date and an estimate of the expected solvency position in 12 months' time;
 - (g) a statement of comparison of the assumptions used for valuation and pricing along with any management actions that have been taken into account when valuing the liabilities;

- (h) any uncertainty with respect to specific assumptions as well as the assumptions to which the final results are particularly sensitive;
- (i) the level of the bonus smoothing reserves on any smoothed bonus business and, where this figure is negative, the actions that will be taken to return this to a non-negative figure, within three years;
- (j) with regards to participating policies, the non-maintenance of last declared bonus rates for all future years, if any, and the details of the expected reductions for all future years in the bonus rates assumptions;
- (k) comment on the changes in methodology and assumptions since the previous reports and its impact on the final results;
- (l) a summary of the reinsurance arrangements of the insurer including the impact on liabilities and the appropriateness of these arrangements, given the nature of the risks;
- (m) comments on any material changes in reinsurance arrangement since the previous report and discuss the credit risk and concentration risk with respect to the reinsurance arrangements and the ability of the insurer to meet its obligations taking into consideration these risks;
- (n) a detailed analysis of surplus dealing with all the relevant parameters, emerging over the period since the previous report;
- (o) a summary of new products launched during the period since the previous valuation or where existing products have been materially changed;
- (p) the extent to which the actuary has relied on the Professional Conduct Standards and Guidance Notes issued by his profession;
- (q) the extent to which the actuary has relied on the work of other professionals;
- (r) information on the captive insurer's methodology and assumptions used to determine the inputs for fulfilment cash flows;
- (s) the confidence level used to determine the risk adjustment, and if a technique other than the confidence level technique is used, the technique used and the confidence level corresponding to the results of that technique need to be disclosed;
- (t) information about yield curves used to discount cash flows that do not vary based on returns from underlying items; and

(u) such other matters as the Commission may deem appropriate.

Amended by [GN No. 80 of 2025]

20. Separation of accounts

- (1) A captive insurer carrying on more than one class of insurance business shall keep separate accounts of all receipts and payments in respect of each class of insurance business.
- (1A) The captive insurer shall ensure that the separate accounts referred to in paragraph (1) are maintained in compliance with IFRS 17, including the accurate reflection of contractual service margin, fulfilment cash flows, and risk adjustment for each class of insurance business.
- (2) The Commission may, by notice in writing, require a captive insurer to keep separate accounts of all receipts and payments in respect of a part of any class of insurance business it is conducting.
- (3) Where a single amount received or paid, whether in respect of premiums, investment income, claims, commissions, reinsurance costs, administration costs, taxes or otherwise concerns more than one class of insurance business, and the amount is not otherwise allocable between the different classes, the captive insurer shall, for the purposes of this paragraph, apportion the amount in an equitable manner between the classes of insurance business.

Amended by [GN No. 80 of 2025]

21. Submission and publication

- (1) A copy of every audited financial statements, certificate, report or returns required to be prepared under the Act, these rules or any other FSC Rules made under the Act, shall be signed by two officers, the auditor and the actuary of the captive insurer, as the case may be, and shall be submitted to the Commission within the timeframe prescribed in section 12 (1) of the Act.
- (2) A captive insurer shall submit to the Commission a certified copy of every report on its affairs made to its shareholders or policyholders within 21 days of the date of such report.
- (3) No captive insurer shall publish in Mauritius or elsewhere any return, certificate, report or statement required under the Act in a form which is different from that submitted to the Commission.

- (4) Notwithstanding paragraph (3), a captive insurer may publish a true and accurate abstract from its return or statement for the purpose of publicity and a copy of the abstract shall be submitted to the Commission.

22. Examination of returns

- (1) Without prejudice to its powers under the relevant Acts, where it appears to the Commission that any audited financial statements, certificate, report or returns submitted or communicated under this Part is inaccurate or incomplete in any respect, the Commission may -
- (a) require further information, which shall be certified if the Commission so directs, from the captive insurer or from such auditor, actuary or other person as it may consider necessary;
 - (b) require the captive insurer to submit any document available at its registered office, or its principal place of business, in Mauritius, for examination by the Commission or to supply any statements;
 - (c) examine any officer of the captive insurer in relation to a report or returns; and
 - (d) reject the statements, certificate, report or returns unless such further information as may be required by the Commission is furnished within such period as it may specify.
- (2) Where the Commission rejects any statement, certificate, report or returns under paragraph (1)(d), the captive insurer shall be deemed to have failed to comply with the requirements of this Part.

23. Certificate of solvency

- (1) For the purposes of section 12(1)(b) of the Act, a captive insurer shall submit a certificate of solvency in the Form specified in the Third Schedule.
- (2) The certificate referred to in paragraph (1) shall be accompanied by relevant calculations in accordance with these rules.

PART VI
MISCELLANEOUS

24. Valuation of reserve

Every reserve or provision referred to in these rules shall be calculated in accordance with internationally approved methods.

Amended by [GN No. 80 of 2025]

24A. Substance requirements

A captive insurer shall, at all times, for the conduct of its core income generating activities
—

- (a) employ an adequate number of suitably qualified people either through direct employment or indirectly through an insurance manager hired to manage its captive insurance business; and
- (b) have a minimum expenditure proportionate to its level of activities.

Amended by [GN No. 80 of 2025]

25. Commencement

These rules shall come into operation on 26 February 2024.

Made by the Financial Services Commission on 20 February 2024.

FIRST SCHEDULE

[rules 2, 6, 7 and 11]

Category of captive insurance business	Minimum unimpaired paid-up capital	Minimum Solvency Ratio	Target level	Cash and cash equivalents
1 Pure captive insurance business	3 million rupees	100% of the minimum capital requirement	100% of the minimum capital requirement	At least 40% of minimum unimpaired paid-up capital
2 Multi-owner pure captive insurance business	25 million rupees	100% of the minimum capital requirement	150% of the minimum capital requirement	At least 40% of minimum unimpaired paid-up capital
3 Class 1 third party captive insurance business	5 million rupees	100% of the minimum capital requirement	100% of the minimum capital requirement	At least 40% of minimum unimpaired paid-up capital
4 Class 2 third party captive insurance business	10 million rupees	100% of the minimum capital requirement	150% of the minimum capital requirement	At least 40% of minimum unimpaired paid-up capital
5 Class 3 third party captive insurance business	10 million rupees	100% of the minimum capital requirement	150% of the minimum capital requirement	At least 40% of minimum unimpaired paid-up capital

SECOND SCHEDULE

[Rules 8 and 12]

PART I

CALCULATION OF ASSET CAPITAL

Asset capital shall be calculated by taking into consideration the following required margins:

Applicable factors	Required Margin		
	Pure captive insurance business	Class 1 third party captive insurance business	Multi-owner pure captive insurance business, class 2 or class 3 third party captive insurance business
(a) Cash, cash at bank, short term deposits and premium and non-premium receivables outstanding for less than 12 months, receivables from related companies for less than 12 months, amounts recoverable from incurred claims for less than 12 months	0%	0%	0%
(b) Money market placements (collective investment schemes), government and semi- government bonds	1%	1%	1%
(c) Term deposits of 12 months or more, amount recoverable for incurred claims outstanding for 12 months or more	2%	2%	3%
(d) Receivables from related companies outstanding for 12 months or more, bond funds with acceptable rating, corporate bonds	4%	4%	6%

Applicable factors	Required Margin		
	Pure captive insurance business	Class 1 third party captive insurance business	Multi-owner pure captive insurance business, class 2 or class 3 third party captive insurance business
with acceptable rating and asset-backed securities with acceptable rating, non-premium receivables outstanding for 12 months or more			
(e) Approved intragroup loans / Investment in related companies	2%	8%	8%
(f) Bond funds rated below acceptable rating or unrated, corporate bonds rated below acceptable rating or unrated, and asset-backed securities rated below acceptable rating or unrated, freehold land and building, investment property, investment in related companies listed equities, loans to related companies approved by the Commission	8%	8%	8%
(g) Intangible assets and goodwill	100%	100%	100%
(h) Loans to related companies (Not approved)	100%	100%	100%
(i) Assets not listed under this Schedule	17%, or such other amount as may be approved by the Commission	17%, or such other amount as may be approved by the Commission	17%, or such other amount as may be approved by the Commission

Note 1: Where information is not available to determine the redemption or maturity of an asset, or the asset falls in more than one category, the captive insurer shall use the category with the highest capital factors for that asset.

Note 2: A look-through approach has to be performed when analysing the rating of the bond funds (if not rated).

PART II

CALCULATION OF UNDERWRITING CAPITAL

Underwriting capital shall be calculated by retaining 10% of the higher of:

- (a) gross written premium or earned premium, whichever is higher, minus premiums ceded to reinsurers with acceptable ratings; and
- (b) the maximum of:
 - i. Yearly average of last 3 year's incurred service expense excluding acquisition cashflows; and
 - ii. Yearly average of last 3 year's outstanding claims and Incurred But Not Reported claims

net of recoveries from reinsurers with acceptable ratings.

PART III

ACCEPTABLE RATINGS FOR THE CALCULATION OF ASSET CAPITAL AND UNDERWRITING CAPITAL

Acceptable ratings shall be equal to or above the rating tiers provided in the table hereunder:

Credit Rating Agencies	Credit Rating Tiers	
	Pure or class 1	Multi-owner or class 2 or class 3
1. Standard & Poor's	BBB	A
2. Moody's Investors Service	Baa	A
3. AM Best	B-	B+
4. Fitch Ratings	BBB	A
5. Global Credit Rating (International Claims Paying Ability)	BBB	A
6. CARE Rating (Claims Paying Ability)	BBB	A

Where a class 1 third party captive insurer conducts long term insurance business, the ratings of multi-owner or class 2 or class 3 shall apply to the class 1 third party captive insurer.

Amended by [GN No. 80 of 2025]

THIRD SCHEDULE
[Rule 24]
PART I

Certificate of Solvency of a pure captive insurer or class 1 third party captive insurer

We hereby certify that to the best of our knowledge and belief, the solvency ratio is at least 100% (calculated in accordance with these rules made under the Captive Insurance Act).

Director

Name and Signature

Dated this:

Director

Name and Signature

Dated this:

Auditor

Name and Signature

Dated this:

Actuary

Name and Signature

Dated this:

PART II

Certificate of Solvency of a multi-owner pure captive insurer, class 2 third party captive insurer or class 3 third party captive insurer

We hereby certify that to the best of our knowledge and belief, the solvency ratio is at least 100% and the target level is at least 150% (calculated in accordance with these rules made under the Captive Insurance Act).

Director

Name and Signature

Dated this:

Director

Name and Signature

Dated this:

Auditor

Name and Signature

Dated this:

Actuary

Name and Signature

Dated this: