

## **Risk-Based Capital Framework for Insurers**

### **Issuance Date**

31 May 2017

### **Effective Date**

1 June 2017

The Risk-Based Capital Framework for Insurers (RBC) sets out the minimum level and approach to compute a licensed insurer's regulatory capital. The RBC also specifies the expectations of Bank Negara Malaysia (the Bank) on valuation of assets and insurance liabilities, and regulatory limits for exposures to specific types of investment and counterparties.

Effective from 1 June 2017, the RBC is issued pursuant to sections 47 (as prudential standards) and 143 (on submission of document or information to the Bank) of the Financial Services Act 2013 (FSA). This RBC shall replace the preceding RBC [Version 3.0] issued on 20 June 2013 and will no longer be imposed as a licensing condition effective from 1 June 2017.

The substance of this RBC remains unchanged from the preceding RBC [Version 3.0] issued on 20 June 2013 and shall continue to remain applicable to licensed insurers.

Summary of amendments to this RBC are highlighted in Attachment.

### Summary of amendments to the Risk-Based Capital Framework for Insurers (RBC)

1. The issuance of this RBC is to update its content to align with the provisions under the FSA. Please note that the changes in this RBC include the following:
  - (a) references to the repealed Insurance Act 1996 and the Banking and Financial Institutions Act 1989 have been substituted with the corresponding provisions under FSA and any other relevant legal instruments or documents currently applicable to the licensed insurers, as the case may be;
  - (b) deletion of appendix IX on the Appointed Actuary and Signing Actuary which were superseded by the policy document on Appointed Actuary: Appointment and Duties issued on 28 April 2014; and
  - (c) general editorial amendments to enhance clarity.
2. The specific updates in the relevant paragraphs in this RBC are listed in the table below.

No.	Changes	References
1	<p><b>Updates to Legal Provisions paragraph to align with the FSA effective 1 June 2017:</b></p> <p>(i) Revocation of licensing condition on imposition of the RBC to licensed insurers; and</p> <p>(ii) Specification of RBC as prudential standards pursuant to section 47 of the FSA and application of section 143 on requirement relating to submission of documents or information to the Bank.</p>	Paragraph 2.1 and paragraph 4.1 (Part A Overview)
2	<p><b>Deletion of superseded requirements</b> Appointed Actuary and Signing Actuary</p>	Appendix IX Appointed Actuary and Signing Actuary
3	<p><b>Updates on references to repealed Act</b></p> <p>(i) Replacement of references to provisions under the repealed Insurance Act 1996 (IA) with corresponding provisions under FSA</p> <p>(ii) Replacement of references to provisions under the IA (without corresponding provisions under FSA) with appropriate references to the policy document on Management of Insurance Funds issued on 28 June 2013</p>	<p>(i) Paragraph 17.1 (Part D Valuation of Assets and Liabilities)</p> <p>(ii) Paragraph 27.1 (Part G Relevant Issues)</p> <p>(i) Paragraph 8.1(iii) Footnote 7 under Part B Capital Adequacy</p> <p>(ii) Paragraph 4.1 (Appendix VI Valuation Basis for General Insurance Liabilities)</p>

4	<p><b>Editorial updates and clarification</b></p> <p>(i) Amendments to the terms used in the RBC to be consistent with corresponding definitions under FSA, Islamic Financial Services Act 2013 (IFSA), and Development Financial Institutions Act 2002 (DFIA):</p> <p>(a) Licensed insurers (to replace “insurers”)</p> <p>(b) Licensed banks and licensed investment banks (to replace “institutions licensed under the Banking and Financial Institutions Act 1989”);</p> <p>(c) Licensed Islamic banks (to replace “institutions licensed under the Islamic Banking Act 1983”);</p> <p>(d) Prescribed development financial institutions (to replace “institutions prescribed under the Development Financial Institutions Act 2002”); and</p> <p>(e) Appointed Actuary (to replace “Signing Actuary”)</p> <p>(ii) Editorial enhancements for greater clarity and to facilitate continued enforcement of the requirements</p>	<p>Throughout the RBC</p> <p>Throughout Appendix I Credit Risk Capital Charges and Appendix III Investment and Individual Counterparty Limits</p> <p>Throughout Appendix VI Valuation Basis for General Insurance Liabilities, Appendix VI(a) The Report on Reserves for General Insurance Business for the year ended 20XX and Appendix VI(b) Additional Guidance for Inwards Reinsurance</p> <p>Throughout the RBC</p>
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