



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

INSURANCE (SPECIAL PROVISIONS)
ACT, No. 22 OF 1979

[Certified on 19th April, 1979]

Printed on the Orders of Government

Published as a Supplement to Part II of the **Gazette of the Democratic
Socialist Republic of Sri Lanka** of April 27, 1979

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVT. PUBLICATIONS BUREAU, COLOMBO

Price : Re. 1.10

Postage : 50 cents

*Insurance (Special Provisions)
Act, No. 22 of 1979*

[Certified on 19th April, 1979]

L. D.—O. 43/77.

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF SUBSIDIARY CORPORATIONS OF THE INSURANCE CORPORATION ESTABLISHED BY THE INSURANCE CORPORATION ACT, NO. 2 OF 1961, AND OTHER INDEPENDENT CORPORATIONS, TO CARRY ON THE BUSINESS OF ANY DESCRIPTION OF INSURANCE SPECIFIED IN THE INCORPORATION ORDER; TO AMEND THE INSURANCE CORPORATION ACT, NO. 2 OF 1961, AND THE CONTROL OF INSURANCE ACT, NO. 25 OF 1962; AND TO MAKE PROVISION FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:—

Short title.

1. This Act may be cited as the Insurance (Special Provision) Act, No. 22 of 1979.

PART I

ESTABLISHMENT OF SUBSIDIARY CORPORATIONS AND INDEPENDENT CORPORATIONS

2. (1) Where the Minister considers it desirable that the right to carry on the business of any description of insurance should be extended to any other insurer in addition to the Insurance Corporation, he may with the approval of the Government by Order (hereinafter referred to as the "Incorporation Order") published in the *Gazette*,—

Incorporation Order for the establishment of a subsidiary corporation.

- (a) declare that a subsidiary corporation of the Insurance Corporation be established for the purpose of carrying on the business of insurance of any description as may be specified in such Order;
- (b) assign a corporate name to the subsidiary corporation;
- (c) determine the initial capital of the subsidiary corporation, which shall not exceed such amount as shall have been approved by Parliament;
- (d) state the principal place of business of the subsidiary corporation;
- (e) fix the number of members of the Board of Directors of the subsidiary corporation;
- (f) appoint the members of the Board of the subsidiary corporation in accordance with the provisions of section 8;

(g) appoint one of the members of the Board as its Chairman ;

(h) appoint the date on which the subsidiary corporation shall commence business.

(2) Upon the publication of the Incorporation Order in the *Gazette*, a subsidiary corporation consisting of the persons who are for the time being members thereof by virtue of section 7, with the corporate name specified in such Order and with perpetual succession, shall be deemed to have been established.

(3) A subsidiary corporation may sue and be sued in its corporate name.

(4) The amount of the initial capital of a subsidiary corporation shall be paid to such corporation out of the funds of the Insurance Corporation in such instalments as the Minister may with the concurrence of the Minister in charge of the subject of Finance determine.

Incorporation
Order for the
establishment
of an
independent
corporation.

3. (1) Where the Minister considers it desirable that an independent corporation should be established, in addition to the Insurance Corporation and its subsidiaries, to carry on the business of any description of insurance as specified in the Incorporation Order, he may with the approval of the Government by Order (hereinafter referred to as "the Incorporation Order") published in the *Gazette*,—

(a) declare that an independent corporation be established for the purpose of carrying on the business of insurance of any description as may be specified in such Order ;

(b) assign a corporate name to such independent corporation ;

(c) determine the initial capital of the independent corporation which shall not exceed such amount as shall have been approved by Parliament ;

(d) state the principal place of business of such independent corporation ;

(e) fix the number of members of the Board of Directors of such independent corporation ;

(f) appoint the members of the Board of such independent corporation in accordance with the provisions of section 8 ;

(g) appoint one of the members of the Board as its Chairman ;

(h) appoint the date such independent corporation shall commence business.

(2) Upon the publication of the Incorporation Order in the Gazette, an independent corporation consisting of the persons who are for the time being members thereof by virtue of section 7, with the corporate name specified in such Order and with perpetual succession, shall be deemed to have been established.

(3) An independent corporation may sue and be sued in its corporate name.

(4) The amount of the initial capital of an independent corporation shall be paid to such corporation out of the Consolidated Fund in such instalments as the Minister in charge of the subject of Finance may with the concurrence of the Minister determine.

PART II

PROVISIONS APPLICABLE TO SUBSIDIARY AND INDEPENDENT CORPORATIONS

4. The provisions of this Part, shall apply to a subsidiary corporation and an independent corporation established under this Act (hereinafter in this Part referred to as a "corporation").

Provisions of this Part to apply to subsidiary and independent corporations.

5. (1) The seal of the corporation shall be in the custody of the Board.

The seal of the Corporation.

(2) The seal of the corporation shall be altered in such manner as may be determined by the Board.

6. (1) The general control, supervision and administration and business of a corporation shall be vested in the Board.

The general control of the corporation vested in the Board of Directors.

(2) The Board may exercise all or any of the powers of the corporation.

7. The persons holding office for the time being as members of the Board shall be the members of the corporation.

Members of the corporation.

8. (1) The corporation shall have a Board of Directors consisting of such number of persons as is fixed by the Incorporation Order and appointed by the Minister.

Board of Directors.

(2) A person shall be disqualified from being appointed or being a member of the Board if he is or becomes a Member of Parliament.

(3) (a) Every member shall, subject to the provisions of subsections (4) and (5), hold office for a period of three years.

(b) Where a member of the Board appointed under this section, dies or resigns or is removed from office, the Minister may appoint another person to be a member in place of the member who dies or resigns or is removed from office.

(c) Any member of the Board appointed under paragraph (b) shall, unless he earlier resigns or vacates office by death or removal, hold office for the unexpired period of the term of office of the member whom he succeeds.

(4) Any member may resign from the Board by letter to that effect addressed to the Minister.

(5) The Minister may, if he considers it necessary to do so, without assigning any reason therefor remove any member of the Board.

(6) Where a member of the Board is, by reason of illness or other infirmity or absence from Sri Lanka, temporarily unable to perform the duties of his office, the Minister may appoint any other person to act in his place. A Director who vacates office by effluxion of time shall be eligible for reappointment.

(7) A member of the Board who is in any way directly or indirectly interested in a contract made or proposed to be made by the corporation shall disclose the nature of his interest at a meeting of the Board and such disclosure shall be recorded in the minutes of such Board, and the member shall not take part in any determination or decision of the Board with respect to that contract.

Remuneration
of Directors.

9. All or any of the Directors may be paid such remuneration out of the funds of the corporation as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

Chairman of
the Board of
Directors.

10. (1) If the Chairman is by reason of illness or absence from Sri Lanka temporarily unable to perform the duties of his office the Minister may appoint any other member to act in place of such Chairman.

(2) The Chairman shall unless he vacates the office of Chairman by resignation or is removed therefrom, hold office for the period of his membership of such Board.

(3) The Chairman may resign his office by letter to that effect addressed to the Minister.

(4) The Minister may, if he considers it necessary to do so, without assigning any reason therefor terminate the appointment of any member as Chairman of the Board of Directors and appoint any other member as Chairman of such Board.

11. (1) The quorum for any meeting of the Board shall be three members. The Chairman shall if present preside at every meeting of the Board. In the absence of the Chairman from any such meeting, the members present shall elect one of the members to preside at the meeting.

Procedure at
meetings
of the
Board.

(2) The Board may regulate the procedure in regard to the meetings of such Board and the transactions of business at such meetings.

12. Any act or proceeding of the Board shall not be invalid by reason only of the existence of a vacancy among its members or any defect in the appointment of its members.

Acts not
invalidated
by
vacancy.

13. (1) The initial capital of the corporation shall be the amount specified in the Incorporation Order.

Capital
of the
corporation.

(2) The capital of the corporation may be increased from time to time by such amount as may be determined by the corporation with the approval of the Minister given with the concurrence of the Minister in charge of the subject of Finance.

14. The Minister may determine—

(a) the amount of the initial capital that will be set apart for the division into shares ;

(b) the value to be allotted to each such share ;

(c) the basis of allotment of such shares if any,—

(i) to any Government department or public corporation ; and

(ii) to the workers employed in such corporation.

Division
of the
capital
into
shares and
the basis of
allotment.

15. The Board shall keep in one or more books a register of shareholders and shall enter therein the following particulars :—

Register of
shareholders.

(a) the names and addresses, and the occupation, if any, of the shareholders, and a statement of the shares held by each shareholder, distinguishing each share by its number ;

(b) the date on which the name of each shareholder was entered in the register of shareholders ; and

Duty of every corporation to reinsure with the Insurance Corporation.

21. (1) Every corporation shall, notwithstanding anything to the contrary in any other written law, reinsure with the Insurance Corporation a percentage of the liability as may be prescribed by regulation under every contract of insurance entered into or renewed by such corporation, and every such corporation shall be entitled to receive from the Insurance Corporation a commission calculated at such rate as the Insurance Corporation may determine for such reinsurance.

(2) Every corporation shall from time to time furnish to the Insurance Corporation such returns as the Insurance Corporation may require in regard to the reinsurance business done by such corporation with the Insurance Corporation in conformity with the provisions of subsection (1).

Persons authorized to act on behalf of corporation.

22. No person other than a director or a person expressly authorized by the Board shall have the authority to make, draw, accept or endorse any bill of exchange, cheque or order for the payment of money on behalf of the corporation or to enter into any contract so as to impose any liability on the corporation or otherwise to pledge the credit of the corporation.

Receipts.

23. Receipts signed by two Directors or by any person expressly authorized by the Board to sign such receipts shall be an effectual discharge of the amounts paid to the corporation.

Provisions of management services.

24. The Insurance Corporation may, on being requested to do so by a corporation, provide such management services as may be required by such corporation for the efficient discharge of its functions and the Insurance Corporation may recover fees for the provisions of such services.

Profits of a corporation.

25. The profits of a corporation may be invested in such securities or be declared and paid as a dividend on the shares as the Minister may determine with the concurrence of the Minister in charge of the subject of Finance.

Powers of the Minister.

26. The Minister may in consultation with the corporation give such general or special directions in writing as he deems necessary as to the performance of the duties and the exercise of the powers of such corporation and such corporation shall give effect to such directions.

27. (1) The Minister may from time to time direct any corporation to furnish to him in such form as may be required returns, accounts and other information with respect to the property and business of such corporation and such corporation shall comply with every such direction.

Power of the Minister to call for information.

(2) The Minister may from time to time order all or any of the activities of a corporation to be investigated and reported upon by such person or persons as the Minister may appoint and upon such order being made, the Board, and every officer, servant and agent of such corporation shall afford such facilities and furnish all such information to such person or persons as may be necessary to carry out such order.

28. (1) The provisions of the Companies Ordinance or any other written law regulating the incorporation of companies shall not apply to a corporation.

Application of the provisions of the Companies Ordinance &c.

(2) Notwithstanding the provisions of subsection (1), the Minister may, whenever he desires to do so by Order published in the *Gazette*, declare that any one or more of the provisions of such Ordinance or any other written law, for the time being in force relating to companies shall apply to such corporation.

(3) Every Order made by the Minister shall as soon as convenient after the date of its publication in the *Gazette* be brought before the Parliament for approval. Any order which is not so approved shall be deemed to be revoked from the date of such disapproval but without prejudice to anything previously done thereunder.

29. Every director, officer or servant of a corporation shall be indemnified by such corporation against all losses incurred by him on or in relation to the performance of his duties except such as are caused by his wilful act or default.

Indemnity of directors, officers and servants.

30. (1) The Minister may make regulations for the purpose of carrying out and giving effect to the principles and provisions of this Act.

Regulations.

(2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister may make regulations in respect of all or any of the following matters:—

- (a) the conduct and the management of the affairs of the corporation;

(b) the control of the business activities of the corporation ; and

(c) any other matter to be prescribed or in respect of which regulations are authorized by this Act to be made.

(3) Every regulation made by the Minister shall be published in the *Gazette* and shall come into operation on the date of publication or on such later date as may be specified in the regulation.

(4) Every regulation made by the Minister shall as soon as convenient after its publication in the *Gazette* be brought before the Parliament for approval. Any regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval but without prejudice to anything previously done thereunder.

Officers and servants of the corporation deemed to be public servants.

31. All officers and servants of the corporation shall be deemed to be public servants within the meaning and for the purposes of the Penal Code.

Corporation deemed to be scheduled institution within the meaning of the Bribery Act.

32. The corporation shall be deemed to be a scheduled institution within the meaning of the Bribery Act and the provisions of that Act shall be construed accordingly.

Interpretation.

33. In this Part of this Act—

“Board” means the Board of Directors of a corporation ;

“capital” means the capital for the time being of the corporation ;

“corporation” means a subsidiary corporation established under section 2 or an independent corporation established under section 3.

PART III

MISCELLANEOUS

Dissolution of subsidiary corporation

34. (1) Where the Minister is not satisfied with the manner in which the business of a subsidiary corporation is being carried on or transacted, he may after consultation with the Insurance Corporation, by Order published in the *Gazette* dissolve the subsidiary corporation.

(2) Where a subsidiary corporation is dissolved by Order made under subsection (1)—

- (a) all movable and immovable property of the subsidiary corporation on the date of publication of the Order shall vest in the Insurance Corporation ;
- (b) all contracts of the subsidiary corporation subsisting on the date of the publication of the Order shall be deemed to be contracts of the Insurance Corporation, and all rights and liabilities of the subsidiary corporation under such contracts shall be deemed to be the rights and liabilities of the Insurance Corporation ;
- (c) all sums due to the subsidiary corporation on the date of the publication of the Order shall be deemed to be due to the Insurance Corporation and may accordingly be recovered by the Insurance Corporation ; and
- (d) all sums due from the subsidiary corporation on the date of the publication of the Order shall be deemed to be due from the Insurance Corporation and may accordingly be recovered from the Insurance Corporation.

(3) Where a subsidiary corporation is dissolved by Order made under subsection (1), the Minister shall, with the concurrence of the Minister in charge of the subject of Finance, determine the amount of compensation to be paid in lieu of the shares allotted to the workers of such subsidiary corporation.

35. (1) Where the Minister is not satisfied with the manner in which the business of an independent corporation is being carried on or transacted, he may after consultation with such corporation, by Order published in the *Gazette*, dissolve such corporation.

Dissolution of
an independent
corporation.

(2) Where an independent corporation is dissolved by Order made under subsection (1)—

- (a) all movable and immovable property of the corporation on the date of the publication of the Order shall vest in the State ;
- (b) all contracts of such corporation subsisting on the date of the publication of the Order shall be deemed to be contracts of the State and all rights and liabilities of such corporation under such contracts shall be deemed to be the rights and liabilities of the State ;

- (c) all sums due to such corporation on the date of the publication of the Order shall be deemed to be due to the State and may accordingly be recovered by the State ; and
- (d) all sums due from such corporation on the date of the publication of the Order shall be deemed to be due from the State and may accordingly be recovered from the State.

(3) Where an independent corporation is dissolved by Order made under subsection (1), the Minister shall, with the concurrence of the Minister in charge of the subject of Finance, determine the amount of compensation to be paid in lieu of the shares allotted to the workers of such corporation, to any Government department or public corporation.

36. The provisions of Part II of the Finance Act, No. 38 of 1971, shall, *mutatis mutandis*, apply to the financial control and accounts of a subsidiary corporation and as if such subsidiary corporation were a public corporation within the meaning of that Part.

37. The financial year of the subsidiary corporation shall be the calendar year.

38. The provisions of Part II of the Finance Act, No. 38 of 1971, shall, *mutatis mutandis*, apply to the financial control and accounts of an independent corporation.

39. The financial year of an independent corporation shall be the calendar year.

40. In this Act, unless the context otherwise requires—
“independent corporation” means an independent corporation established under section 3 ;

“Insurance Corporation” means the Insurance Corporation established by the Insurance Corporation Act, No. 2 of 1961 ;

“public corporation” means any corporation the capital of which is wholly or partly provided by the Government by way of grant, loan or other form ;

“subsidiary corporation” means a subsidiary corporation established under section 2.

Application of the provisions of Part II of the Finance Act, No. 38 of 1971, to a subsidiary corporation.

Financial year of a subsidiary corporation.

Application of the provisions of Part II of the Finance Act, No. 38 of 1971, to an independent corporation.

Financial year of an independent corporation.

Interpretation.

PART IV

AMENDMENT TO THE INSURANCE CORPORATION ACT, No. 2 OF
1961

41. The long title of the Insurance Corporation Act, No. 2 of 1961, (hereinafter referred to as the principal enactment), is hereby amended by the substitution for the words "establishment of an Insurance Corporation for carrying on exclusively the business of Life Insurance and carrying on in addition insurance business of every other description", of the words "Establishment of an Insurance Corporation for carrying on the business of Life Insurance and carrying on in addition insurance business of every description."

Amendment
of the
long title
of Act No. 2
of 1961.

42. Section 10 of the principal enactment is hereby repealed and the following section substituted therefor:—

Replacement
of section
10 of the
principal
enactment.

"Corporation
or a
subsidiary
corporation
or an
independent
corporation
to be
insurers
authorized to
transact
insurance
business.

10. (1) Notwithstanding anything to the contrary in any other written law no person other than the Corporation or a subsidiary corporation or an independent corporation shall be authorized to transact new business of any class of insurance whatsoever and to issue policies of insurance, or renew any policy of general insurance in Sri Lanka.

(2) Every policy of insurance issued or every policy of general insurance renewed on or after the first day of January 1964, by any insurer other than the Corporation or a subsidiary corporation or an independent corporation, shall be deemed to be invalid and accordingly shall be of no force or effect in law:

Provided, however, that the Minister may, by Order published in the *Gazette*, exempt any enterprise with which the Greater Colombo Economic Commission has entered into an agreement under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, from all or any of the provisions of this Act.

(3) In this section "enterprise" has the same meaning as in the Greater Colombo Economic Commission Law, No. 4 of 1978."

Amendment
of section
39 of the
principal
enactment.

43. Section 39 of the principal enactment is hereby amended as follows:—

(a) by the omission of the definition "Co-operative Insurance Department";

(b) by the insertion, immediately after the definition of "Corporation", of the following new definition:—

"independent corporation" means an independent corporation established under section 3 of the Insurance (Special Provisions) Act, 1979; and

(c) by the insertion, immediately after the definition of "prescribed", of the following new definition:—

"subsidiary corporation" means a subsidiary corporation established under section 2 of the Insurance (Special Provisions) Act, 1979;.

PART V

AMENDMENT OF THE CONTROL OF INSURANCE ACT, No. 25 OF 1962

Replacement
of section
2 of Act No. 25
of 1962.

44. Section 2 of the Control of Insurance Act, No. 25 of 1962, is hereby repealed and the following section substituted therefor:—

"Exemption
of the
Insurance
Corporation
of Ceylon
and a
subsidiary
corporation
of the
Insurance
Corporation
of Ceylon
and an
independent
corporation.

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."