

## CLARIFICATION NOTE FOR GUIDELINES ON CAPITAL ADEQUACY REQUIREMENTS FOR LABUAN CAPTIVE INSURANCE AND TAKAFUL BUSINESS

### 1.0 Preamble

- 1.1. This Clarification Note is issued to clarify the regulatory expectations pertaining to capital requirements under the *Guidelines on Capital Adequacy Requirements for Labuan Captive Insurance and Takaful Business (the Guidelines)* issued on 31 October 2019. This is to reflect the consequential changes arising from the *Guidelines on Captive Insurance Business in Labuan International Business and Financial Centre (Captive Insurance Business Guidelines)* which came into effect on 1 January 2024.

### 2.0 Solvency Capital Requirement for Multi-owner Captive

*Excerpt of the Guidelines*

Paragraph 5.3(1)(ii)

<b>General insurance /General takaful business</b>	<b>Life insurance /Family takaful business</b>
<p>The surplus of assets over liabilities is at least <b><u>the higher</u></b> of:</p> <p>(a) the working fund's amount of RM300,000; or</p> <p>(b) 10% of the net premium/contribution income for the preceding year; or</p> <p>(c) 10% of provision for outstanding claims for the preceding year (net basis).</p>	<p>The surplus of assets over liabilities is at least <b><u>the higher</u></b> of:</p> <p>(a) the working fund's amount of RM300,000; or</p> <p>(b) 2.5% of the actuarial valuation of the liabilities for life insurance/family takaful business as at the last valuation date.</p>

- 2.1 In line with paragraph 7.1 of the *Captive Insurance Business Guidelines*, the minimum working fund's amount for Multi-owner Captive is RM500,000 (or its equivalent in any foreign currency).

### 3.0 Solvency Capital Requirement for External Rent-a-Captive (XRAC)

3.1 The minimum solvency capital requirement for XRAC is as follows:

<b>General insurance /General takaful business</b>	<b>Life insurance /Family takaful business</b>
The surplus of each XRAC's assets over its liabilities is at least <b><u>the higher</u></b> of: (a) 10% of the XRAC's net premium/contribution income for the preceding year; or (b) 10% of the XRAC's provision for outstanding claims for the preceding year (net basis).	The surplus of each XRAC's assets over its liabilities is at least 2.5% of the XRAC's actuarial valuation of the liabilities for life insurance/ family takaful business as at the last valuation date.

### 4.0 Minimum Capital Requirement

*Excerpt of the Guidelines*

Paragraph 5.1

"...This is also in line with the requirements of paragraph 4.1(B)(iii)(a) and (iv)(a) of the *Directive on Minimum Capital Requirement by Labuan Licensed Entities* dated 5 October 2015."

4.1 For clarification, the minimum paid-up capital/working funds under paragraph 7.1 of the *Captive Insurance Business Guidelines* superseded paragraph 4.1(B)(iii)(a) and (iv)(a) of the *Directive on Minimum Capital Requirement by Labuan Licensed Entities* dated 5 October 2015.