

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)

General insurance /General takaful business	Life insurance /Family takaful business
<p>The surplus of assets over liabilities is at least <u>the higher</u> of:</p> <ul style="list-style-type: none"> (a) the working fund's amount of RM300,000; or (b) 10% of the net premium/contribution income for the preceding year; or (c) 10% of provision for outstanding claims for the preceding year (net basis). 	<p>The surplus of assets over liabilities is at least <u>the higher</u> of:</p> <ul style="list-style-type: none"> (a) the working fund's amount of RM300,000; or (b) 2.5% of the actuarial valuation of the liabilities for life insurance/family takaful business as at the last valuation date.

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:

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

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.