

**INSURANCE ACT CAP 487**

**INSURANCE REGULATIONS, 2015**

**Insurance Capital Requirements Regulations 2015**

Part 1.

Citation.

1. These regulations may be cited as Insurance Capital Requirements Regulations 2015.
2. These regulations are made under section 180 of the Insurance Act.
3. Interpretation

Definition of key terms

**"Minimum capital requirement"** has the same meaning provided in the Schedule on Minimum Capital Requirements in the Insurance Act.

**"Risk based capital"** means the capital that is required to be held by an insurer in consideration of its size and risk profile.

**"Prescribed Capital Requirement"** means risk based capital and shall be the level above which there is no supervisory intervention on capital adequacy grounds.

Solvency margin

4. An insurer shall, for the purposes of calculating the minimum capital requirements, apply such margins as prescribed by the Authority.

Valuation of Assets

5. An insurer shall, for the purposes of determining the value of liabilities, adopt such statutory valuation method as prescribed by the Authority

Capital available

6. (1) An insurer shall at all times keep and maintain a capital adequacy in accordance with this regulation.  
(2) The capital adequacy ratio shall at all times be at least 100%.  
(3) The Prescribed Capital Requirement shall at all times be at least 200% of the Minimum Capital Requirement.  
(4) An insurer shall, immediately inform the Authority, if it anticipates its capital adequacy to fall below the targeted level as defined in subparagraph (2) and (3) and submit to the Authority, for approval, a contingency plan to meet the targeted level.
7. An insurer shall for the purposes of calculating the capital adequacy in these Regulations, value its assets at fair value. For purposes of this regulations "fair value" shall be-
  - i. in the case of an asset which is listed on a licensed stock

- exchange and for which a price was quoted on that stock exchange on the date as at which the value is calculated, the price last so quoted; and
- ii. 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 arms-length, as estimated by the insurer;
8. Where the Authority is of the opinion that there is market abuses under (i) or is not satisfied with the estimate under (ii), the estimate of the assets shall be as determined by the Authority.
  9. The capital available to an insurer shall consist of Shares issued and paid up, Share premium, retained earnings and reserves subject to admissibility as determined by the Authority from time to time.
  10. The Capital available shall be divided into tiers as is determined by the Authority from time to time. Capital required for Balance Sheet Assets
  11. (1) An insurer shall –
    - (a) set out in writing strategies and policies on investment concentration as part of their overall prudent portfolio investment policy; Tiers of capital
    - (b) have in place management information and control systems necessary to give effect to their written policies; Investment Concentration limit
    - (c) submit to the Authority policies and proof of management information and control systems in paragraph (a) and (b) within six months from the time these regulations come into force for the first policy and subsequently within 14 days after the approval by the insurer’s Board in case of any review.
  - (2) The Authority may recommend a review of the policies and systems in sub regulation 1(a) and (b) if the Authority has a reason to believe that the interest of policyholders or the stability of the insurer is threatened and such recommendations shall be effected within one month.
  - (3) An insurer may invest its assets as may be prescribed by the Authority from time to time taking into consideration security, liquidity, return and diversification.
  - (4) The Authority shall take into consideration any investment above the limits prescribed by the Authority for the purpose of determining the available capital.
  - (5) Any insurer who does not meet the requirements of this regulation shall take such measures as is necessary to comply with the provisions within six months from the date of publication of these regulations.

**Henry Rotich  
Cabinet Secretary  
National Treasury**

**Dated this .....day of .....2015**