

**CHAPTER 331**

**INSURANCE (SPECIAL PROVISIONS)**

Act  
No. 22 of 1979.

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF SUBSIDIARY CORPORATIONS OF THE INSURANCE CORPORATION ESTABLISHED BY THE INSURANCE CORPORATION ACT AND OTHER INDEPENDENT CORPORATIONS, TO CARRY ON THE BUSINESS OF ANY DESCRIPTION OF INSURANCE SPECIFIED IN THE INCORPORATION ORDER ; AND TO MAKE PROVISION FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

[19th April, 1979]

Short title.

**1.** This Act may be cited as the Insurance(SpecialProvision)Act.

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

**PART I**

ESTABLISHMENT OF SUBSIDIARY  
CORPORATIONS AND INDEPENDENT  
CORPORATIONS

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

Incorporation  
Order for the  
establishment  
of a subsidiary  
corporation.

**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,—

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

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

(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;

(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.

(b) assign a corporate name to the subsidiary corporation;

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

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

(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.

(d) state the principal place of business of the subsidiary corporation;

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— Division of the capital into shares and the allotment.

(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.

business or in the exercise, discharge and performance of its powers, functions and duties under this Act.

Register of shareholders.

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

- (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
- (c) the date on which any shareholder ceased to be a shareholder.

**17.** The provisions of section 5 of the Insurance Corporation Act shall apply as if those provisions were provisions of this Act and as if reference in that section to " Corporation" were references to a " corporation ".

Functions of the corporation.

**18.** The provisions of section 6, other than paragraphs (c) and (g) of the Insurance Corporation Act shall apply as if those provisions were provisions of this Act and as if reference in that section to " Corporation" were- references to a " corporation ".

Powers of the corporation.

Fund of the corporation.

**16.** (1) The corporation shall have its own Fund.

- (2) There shall be paid into the Fund—
  - (a) the sum paid to the corporation under section 13;
  - (b) all sums received by the corporation as premiums in respect of the policies of insurance issued by the corporation; and
  - (c) all sums of money received by the corporation in the carrying on of its business or in the exercise, discharge and performance of its powers, functions and duties under this Act.

**19.** Subject to the provisions of section 20, the corporation may enter into and perform all such contracts as may be necessary for the purpose of carrying on and transacting its business or in the exercise, discharge and performance of its powers, functions and duties under this Act.

Contracts of corporation.

(3) There shall be paid out of the Fund of the corporation—

- (a) all sums of money required for the discharge of the liabilities of the corporation, under the policies of insurance issued by the corporation; and
- (b) all sums of money required to defray any expenditure incurred by the corporation in the carrying on of its

**20.** (1) A corporation may employ, on such terms and conditions as may be determined by the corporation, such officers and servants as it may be considered necessary for the efficient exercise, discharge and performance of its powers, functions and duties under this Act, and may exercise disciplinary control over any officer or servant of the corporation.

Staff of the corporation

(2) The Minister may transfer an officer or servant employed by the Insurance Corporation to a corporation established under this Act with the consent of that officer or servant, or may transfer an officer or servant employed by a corporation established under this Act to the Insurance Corporation with the consent of that officer or servant, and an officer or servant so transferred shall hold office or service on terms and conditions not less favourable than the terms and conditions on which he was previously employed.

(3) (a) The period of service of any officer or servant under the Insurance

Corporation, immediately preceding the date of transfer of such officer or servant to a corporation established under this Act, shall be deemed to be a period of service under the corporation to which he was transferred.

(b) The period of service of any officer or servant under any corporation established under this Act, immediately preceding the date of transfer of such officer or servant to the Insurance Corporation, shall be deemed to be a period of service under the corporation to which he was transferred.

(4) Where an officer or servant of a corporation is transferred to another corporation by Order made by the Minister under subsection (2), the total amount lying to the credit of the individual account of that officer or servant in the Employees \* Provident Fund established under the Employees' Provident Fund Act shall notwithstanding anything to the contrary in section 23 of that Act, be credited to the individual account of that officer or servant in respect of which contributions are required to be remitted under subsection (6) and shall be paid to him when he terminates his services with the corporation to which he has been transferred.

(5) Every corporation shall cause and permit any officer or servant transferred under subsection (2) to any office or service in such corporation to perform and discharge the duties and functions of such office or service and shall, out of its funds, pay the salary and allowances of such officer or servant.

(6) Every corporation shall, in respect of each of its officers and servants, remit to the Employees\* Provident Fund established by the Employees' Provident Fund Act contributions of such amounts as may be prescribed by that Act.

**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

Duty of every corporation to reinsure with the Insurance Corporation.

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).

**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.

Persons authorized to act on behalf of corporation.

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

**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 provision of such services.

Provisions of management services.

**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.

Profits of a corporation.

**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.

Powers of the Minister.

Power of the Minister to call for information.

**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.

(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.

Application of the provisions of the Companies Ordinance, &c.

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

(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 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.

Indemnity of directors, officers and servants.

**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.

Regulations.

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

(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 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.

**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.

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

**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.

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

**33.** In this Part of this Act—

Interpretation.

" 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.

\* Repealed and replaced by the Companies Act, No. 17 of 1982.

**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.

(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.

Dissolution of an independent corporation.

Application of the provisions of Public Corporations (Financial Control) Act to a subsidiary corporation.

**36.** The provisions of the Public Corporations (Financial Control) Act 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 Act.

Financial year of a subsidiary corporation.

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

Application of the provisions of Public Corporations (Financial Control) Act to an independent corporation.

**38.** The provisions of the Public Corporations (Financial Control) Act shall, *mutatis mutandis*, apply to the financial control and accounts of an independent corporation.

Financial year 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;

"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.