



PRESS RELEASE

Labuan FSA and Labuan IBFC Incorporated Sdn Bhd hosted The Insurance Capital Adequacy Framework Conference

21 September 2023 – Labuan FSA and Labuan IBFC Incorporated Sdn Bhd hosted a half-day conference on Insurance Capital Adequacy Framework (ICAF) with esteemed speakers from Labuan FSA, Bank Negara Malaysia and the industry professionals. The conference is aimed at showcasing the intricacies of the new risk-based capital solvency framework for Labuan IBFC and providing practical guidance for the industry as ICAF comes into effect in January 2024.

The issuance of the ICAF Guidelines by Labuan FSA in August last year, was a pivotal milestone for Labuan IBFC, signifying the market's shift from the traditional “*one-size-fits-all*” capital approach, to a “*fit-for-purpose*” solvency measure tailored to suit an insurer's business risk profile. With the adoption of ICAF, Labuan insurers are expected to have sufficient risk-sensitive capital buffer for their business to weather against financial uncertainties. It reflects Labuan IBFC's ongoing commitment to achieve conformity with international regulatory standards and best practices. While bearing a broad resemblance to Malaysia's Risk Based Capital Framework, the ICAF has been thoughtfully developed to accommodate the distinctive international landscape of the Labuan IBFC, serving as an international insurance for hub Malaysia, Asia and regions beyond. Therefore, ICAF's architecture blends the finest aspects of both domestic and internationally recognised capital regulations. This is to ensure ICAF remains practical and relevant to Labuan IBFC's mid-shore business make-up and circumstances.

The three primary advantages that ICAF offers to the Labuan insurance landscape are:

- i. Firstly, it addresses the limitations of the current Margin of Solvency framework by promoting transparency and providing more granular understanding of insurers' financial position;

- ii. Secondly, ICAF also allows for a holistic risk assessment that provide Labuan insurers with a well-rounded perspective in managing capital resources vis-à-vis the risks inherent within their respective businesses; and
- iii. Thirdly, ICAF is calibrated to the manner of which Labuan FSA supervises the insurers by linking an insurer's capital adequacy ratio (CAR) to the supervisory risk profile. Declining CAR would be a red flag trigger to prompt appropriate supervisory measures. This enables Labuan FSA to undertake pre-emptive and timely interventions to address any emerging financial distress.

The Director General of Labuan FSA, Nik Mohamed Din said, "*In developing the ICAF, we had gone through extensive rounds of industry and public consultations as well as quantitative impact studies*". He urged the industry to embrace ICAF beyond a mere compliance exercise and to see it as an opportunity for business to adapt, grow stronger and innovate further.

Nik Mohamed Din also reaffirmed that "*Labuan FSA is committed to working closely with the industry to provide constructive feedback and facilitate Labuan insurers' compliance to ICAF requirements*".

More than 140 participants ranging from subject matter experts and industry professionals attended the conference.

Labuan Financial Services Authority
21 September 2023

FOR FURTHER INFORMATION, PLEASE CONTACT:

Corporate Communication & External Relations Unit
Tel: 03 – 8873 2000, Fax: 03- 8873 2209
E-mail: communication@labuanfsa.gov.my
Website: www.labuanfsa.gov.my