



Effective date: 23 December 2016

**NOTICE FOR TAKAFUL OPERATORS
NOTICE NO. TIU/N-4/2016/4**

NOTICE ON MARGINS OF SOLVENCY



1. INTRODUCTION

1.1 This Notice is issued pursuant to Section 90 of the Takaful Order, 2008 ["the Order"] and is applicable to all registered Takaful operators.

1.2 This Notice shall take effect immediately.

2. DEFINITION

2.1 For the purpose of this Notice:

2.1.1 Margins of solvency" means the requirement under section 21(1) of the Takaful Order, 2008 for every takaful operator to maintain:

(a) a fund margin of solvency in respect of each of the takaful funds established by the takaful operator under this Order; and

(b) a margin of solvency in the amount determined by the Authority.

3. DETERMINATION OF MARGINS OF SOLVENCY UNDER SECTION 21(1) OF TAKAFUL ORDER, 2008

3.1 For the purposes of section 21(1)(a), the fund margin solvency of a takaful fund to be maintained at all times during an accounting period shall be as follows:

3.1.1 in the case of a general takaful business, takaful funds should not be less than 20 per cent of the net contribution income of the fund in the last accounting period; and

3.1.2 in the case of a family takaful business, the takaful funds should not be less than 20 per cent of the net contribution income of the fund in the last accounting period.

3.2 Assets representing the surplus of assets over the liabilities of any takaful operator may be counted towards meeting the fund margin of solvency, provided that those assets:

3.2.1 are maintained in Brunei Darussalam, Singapore or Malaysia;

3.2.2 are valued in accordance with International Financial Reporting Standards (IFRS);

3.2.3 cannot be used for any purpose other than to meet the fund's liabilities.

3.3 Separate accounts shall be kept for the assets referred to paragraph 3.3 above and the Authority may direct that the whole or a specified proportion of those assets be held by an approved trustee.



Notice on Margins of Solvency for Takaful Operators

- 3.4 Assets in the separate account may be withdrawn with the approval of the Authority if they are no longer needed to meet the fund solvency margin requirements, but only after a valuation of the assets and liabilities of the fund is carried out.
- 3.5 Takaful operators shall at all times maintain a margin of solvency of 20 per cent of assets over liabilities.
- 3.6 The assets representing the fund margins of solvency required in paragraph 3.2 may be taken into account in calculating the margins of solvency under paragraph 3.6.

**MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK**

Issue Date: 23 Rabiulawal 1438H / 23 December 2016M