

LEMBAGA PERKHIDMATAN KEWANGAN LABUAN  
(LABUAN FINANCIAL SERVICES AUTHORITY)

Our Reference : LFSA.400-02/PCC/GUI/2016 (1)  
Date : 10 October 2016

Mr. Raymond Wong Shu Yoon  
Chairman  
Labuan International Insurance Association  
Brumby Centre, Lot 42  
Jalan Muhibbah  
87000 Labuan

Dear Sir,

**Clarification Note for Guidelines on the Establishment of Labuan Protected Cell Companies**

We refer to the attached Clarification Note for Guidelines on the Establishment of Labuan Protected Cell Companies (Clarification Note).

2. The Clarification Note provides further guidance to Labuan Protected Cell Companies (Labuan PCCs) for their compliance to the minimum Margin of Solvency requirement at the organisational level as well as the individual cell level.

Should you require additional information, you may contact our officers as follows:

Encik Billy Anak Gumbang	+6 087 591 331	billy@labuanfsa.gov.my
Encik Ibrahim Iskandar Azmi	+6 03 2780 3397	iiazmi@labuanfsa.gov.my

We would appreciate it if you can disseminate the Clarification Note to the LIIA members, accordingly.

Thank you.

For and on behalf of Labuan FSA



Syahrul Imran Mahadzir  
Director  
Strategic Development Department



## CLARIFICATION NOTE FOR GUIDELINES ON THE ESTABLISHMENT OF LABUAN PROTECTED CELL COMPANY

### 1.0 Purpose

- 1.1 This Clarification Note is issued to clarify on the solvency requirements for Labuan Protected Cell Company (Labuan PCC) under the Guidelines on the Establishment of Labuan Protected Cell Company (Guidelines) issued on 11 December 2013.
- 1.2 This Clarification Note shall be read together with the Guidelines and to be considered as part of the same. All other policy requirements in the Guidelines remain effective.

### 2.0 Clarification on the Calculation of Margin of Solvency

2.1. Labuan PCCs are required to comply with the margin of solvency (MOS) requirements as stipulated under paragraphs 7.1.1(b) and 8.1 of the Guidelines. In this regard, these solvency requirements shall be adhered to as follows:

- (i) The Labuan PCC's aggregated net assets<sup>1</sup> shall be sufficient to cover the overall MOS which is the higher of:
- (a) 20% of the Labuan PCC's Net Premium Income of the preceding year (for General insurance/takaful business); or 3% of the Labuan PCC's actuarial valuation of life/family takaful liabilities of the preceding year (for Life insurance/Family takaful business); and
  - (b) RM500,000;

as depicted below.

<p style="text-align: center;"><i>Max (20% x PCC's Net Premium/Contribution Income <u>or</u> 3% x Actuarial Valuation of Life/Family Liabilities, RM500,000)</i></p>
--

<sup>1</sup> The aggregated net assets of the PCC's Core and its Cells  
i.e. (Core Assets – Core Liabilities) +  $\sum$ (Total Cell Assets – Total Cell Liabilities)

- (ii) The individual Cell's net assets<sup>2</sup> of the Labuan PCC shall be sufficient to cover the Cell MOS which is:
  - (a) 20% of the Cell's Net Premium/Contribution of the preceding year for Cells carrying General insurance/takaful business; or
  - (b) 3% of the actuarial valuation of the liabilities for life insurance/family takaful business as at the last valuation date of the preceding year for Cells carrying Life insurance/Family takaful business.

2.2 In a summary, the Labuan PCC shall be considered solvent if it meets both MOS requirements as depicted in paragraphs 2.1(i) and 2.1(ii) as abovementioned.

**Labuan Financial Services Authority**

10 October 2016

*193/2016/LIIA*

---

<sup>2</sup> Individual Cell Assets – Individual Cell Liabilities