

LEMBAGA PERKHIDMATAN KEWANGAN LUAR PESISIR LABUAN
(LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY)

Circular No.: 92/2007/LIIA/ALTC

21. November 2007

Chairman
Labuan International Insurance Association (LIIA)
Association of Labuan Trust Companies (ALTC)



Dear Sir/Madam,

Sale of Investment-Linked Policies to High Net-worth Malaysian Individuals

Our Circular No: 72/2005/ALL dated 12 April 2005 on liberalization of the foreign exchange administration rules relating to the sale of investment-linked policies to high net-worth Malaysian individuals refers.

We are pleased to inform you that Bank Negara Malaysia (BNM) has agreed to remove the aggregate maximum value of RM200 million in terms of premium an offshore insurer may sell to Malaysian high net-worth individuals with immediate effect. Nevertheless, offshore life insurance companies are subject to prudential requirements set out by BNM as attached in the Appendix.

In this regard, LOFSA wishes to reiterate that offshore life insurers should focus on "out-out" business rather than relying mainly on the domestic market for their business growth. For more information, kindly contact our officer, Cik Essah Abd Manaf at e-mail essah@lofsa.gov.my or telephone number 087-591312.

Kindly inform your members accordingly.

With kindest regards,

Yours sincerely,

Md. Yunus Bin Atip
Director
Regulation Department
110/38/5

**Prudential and Disclosure Requirement for
Foreign-Currency Denominated (FX) Education and Investment-Linked Policies**

1. Separate funds shall be established for FX policies within the ordinary life and investment-linked funds as applicable.
2. Liabilities and underlying assets shall be currency-matched for each product line offered. Where products are offered in more than one currency, the assets should be matched to the predominant currency(ies).
3. Investment strategies supporting the FX funds shall be consistent with the general prudential principles of diversification, liquidity and dealings with creditworthy counterparties.
4. Adequate disclosures shall be provided to policy holders in the marketing material to draw attention to the foreign investment exposures underlying the policies. This should include information on the nature of foreign investments (including details on the jurisdiction, investment instruments and sectors/industries in which the funds will be invested) and a description of the major investment risks faced by policyholders.¹

¹ e.g. policyholders of a fund that investments in an investment-linked UK FTSE tracker fund will be subject to movements in both the RM-Pound Sterling exchange rate as well as values of the shares composing the FTSE 100 Index.