

**Notification of Insurance Commission**  
**Subject: Rules, Procedures and Conditions for Prescribing the Minimum Requirement of Risk Management for Life Insurance Companies B.E.2551**

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By the virtue of the provision of Section 38 (13) of the Life Insurance Act, B.E.2535, amended by the Life Insurance Act (No.2), B.E.2551, combined with the resolution of the 11<sup>th</sup>/2551 Insurance Commission meeting on 28<sup>th</sup> October, B.E.2551, the Insurance Commission hereby notifies as follows:

Clause 1: This Notification is called “Notification of Insurance Commission, Subject: Rules, Procedures and Conditions for Prescribing the Minimum Requirement of Risk Management for Life Insurance Companies B.E.2551”

Clause 2: This Notification shall come into force on and from 1<sup>st</sup> January B.E.2552

Clause 3: In this Notification,

“Company” means a company that has been licensed to engage in the Life Insurance Business under Life Insurance Law, and shall include a branch office of a foreign life insurance company, which has been licensed to engage in the Life Insurance Business in the Kingdom.

“Risk Management” means an integrated process of planning, managing and controlling core activities of the Company with the purpose to minimize impacts of variable factors by taking into account the characteristics, size, and complexity of the company and achievement of the Company’s objectives or goals.

“The Company’s Management” means:

In the case that a company has been licensed to engage in the Life Insurance Business under Life Insurance law, “The Company’s Management” means board of director except the content under clause 11 which means board of director or executives.

In the case that a company is a branch office of a foreign Life insurance company, “The Company’s Management” means executives or managements who own authority or have a role in determining the company’s policies.

“Risk Management Framework” means policies, scopes, structures, and processes of Risk Management.

“Risk Appetite” means a level of risk that the Company can accept in order to achieve its objectives.

Clause 4: Minimum Requirement of Risk Management for the Company shall follow rules, procedures, and conditions which are prescribed in the Notification.

Clause 5: The Company shall prepare a Risk Management policy that identifies sources of risks, types of risks, and Risk Appetite. It shall specify a process of risk assessment and prioritization, and risk monitoring and controlling for each risk type. The Company shall communicate such policy to all departments for them to strictly comply with. The Company may specify its Risk Appetite in qualitative and/or quantitative fashion.

In exception to Risk Management policy under first paragraph, the Company shall prepare summary of its 3-year business expansion plan, business growth, and a plan to support such business expansion.

The Risk Management policy under first paragraph and the summary of 3-year business expansion plan under second paragraph must be approved by the Company's Management.

Clause 6: The Company shall specify scope of Risk Management in accordance with the Risk Management policy and shall identify main content of the Risk Management which must envelop the core activities which are as following:

- 6.1 Product design and development
- 6.2 Insurance Pricing
- 6.3 Underwriting
- 6.4 Claim management
- 6.5 Reinsurance
- 6.6 Investment in other businesses

Clause 7: The Company shall establish a Risk Management structure in accordance with the Company's policies, objectives, and environment. The Company's Management shall approve the Risk Management structure and review the Risk Management report every year.

Clause 8: The Company shall set up a process of Risk Management as follows.

8.1 The Company shall identify risks and sources of risks that have financial and non-financial impact to the Company. The Company shall review the risks periodically and the review shall be taken for at least once a year or every time there is significant change in risk factors. The review, at minimum, shall include the following types of risk:

(1) Strategic Risk means risk that arises from inappropriate policies, inappropriate strategic plans, inappropriate operation plans, and inappropriate execution, or execution which is inconsistent to internal factors and external environment.

(2) Insurance Risk means risk that arises from volatility of frequency, severity, and timing of loss occurrence that deviates from assumptions used in insurance pricing, reserving, and underwriting.

(3) Liquidity Risk means risk that arises from the Company's inability to pay its liability and obligation due.

(4) Operational Risk means risk that arises from failure, inadequacy, or improperness of personnel, operation process in the internal system, or external factors.

(5) Market Risk means risk that arises from changes in market prices of investment asset, interest rate, foreign exchange rate, equity instrument, and commodity.

(6) Credit Risk means risk that arises from failure of another party to perform according to the terms of agreement, and the probability that the counter party's credit risk will be downgraded.

8.2 The Company shall state a methodology for risk assessment and risk prioritization

8.3 The Company shall respond to risk in accordance with the policies.

8.4 The Company shall control risks, monitor and review its Risk Management performance and reporting system with regard to risk factors and status by each type of risks. Such control, monitoring and review shall be taken by considering the overall risk profile.

Clause 9: The Company shall submit the Risk Management policy, summary of 3-year plan, as provided under clause 5, to the Office of insurance Commission every year. The submission shall be made within three months following the end of the last calendar year and one month from the date that the Company's Management approved the revision of the Risk Management policy or summary of 3-year plan if such revision is significant.

Clause 10: The Company shall report the Risk Management results to the Company's Management at least once a year and shall, at all time, be prepared for the Office of Insurance to run the examination.

Clause 11: The Company's Management shall determine the Risk Management framework and ensure that such framework is brought into actions.

Notified on the 30<sup>th</sup> December B.E.2551

(Signed) Suparut Kawatkul

(Mr. Suparut Kawatkul)

Permanent Secretary for Finance,

Chairman of Insurance Commission

Note: The purpose of this notification is to prescribe the minimum requirement of Risk Management for insurance companies which ensures the effectiveness and efficiency of enterprise risk management of the insurance companies and ensures the insurance companies' appropriate resource allocation and ability to completely conform to their obligation. This will create credibility of insurance companies and Thai insurance industry as a whole.