

Insurance Commission Notification

Subject: Allocation of assets for liabilities and obligations under insurance contracts and the deposition of assets with financial institution B.E. 2551

By virtue of section 27/4 paragraph one, two, three and section 23 of the Life Insurance Act B.E. 2535 amended by the Life Insurance Act (No.2) B.E. 2551 combine with the resolution of the 9/2551 Insurance Commission meeting on 24 September B.E. 2551, Insurance Commission has declared the followings:

Clause 1. This Notification shall be called “Insurance Commission Notification Subject: Allocation of assets for debts and liabilities under insurance contracts and the deposition of assets with financial institution B.E. 2551”.

Clause 2. This Notification shall come to force from 1 January B.E. 2552

Clause 3. In this Notification;

“Company” means Life Insurance Company under the law on Life Insurance

“Registrar” means Registrar under the law on Life Insurance

“Financial Institution” means

- (1) Bank under the law on Financial Institution business
- (2) Security company under the law on Securities and Exchange
- (3) Life Insurance company under the law on Life Insurance
- (4) Financial Institution established by specific law
- (5) The Thailand Securities Depository Co., Ltd.

Financial Institutions under (1) (2) (3) and (4) must be approved to be private fund assets depository under the rules conditions and procedures prescribed by Securities and Exchange Commission.

“Share” includes a share warrant or a warrant of the gain from Thailand’s quoted securities (NVDR) or a warrant of the gain from ordinary shares (DR) under the law on Securities and Stock Exchange or other securities as prescribed by the Registrar.

“Corporate Debenture” includes a convertible debenture or a debenture warrant or a warrant of the gain from debentures under the law on Securities and Exchange;

“Unit Trust” means a unit trust or a unit trust warrant in accordance with the law on securities and stock exchange

“Bill” means a promissory note or a bill of exchange

“saving lottery” means

“Reserves” means reserves under the law on Life Insurance

“Liabilities and obligations” means outstanding claim, outstanding liabilities and obligations under life insurance contract which are not included in the reserves.

“Backup assets” means investment assets under the law on Life Insurance including cash, current deposit, investment income receivables and receivables from sale of securities which are allocated for liabilities and obligations under life insurance contracts. This shall include the portion of assets that are placed with the registrar under the law on Life Insurance.

“Investment income receivables” means undue interest of bonds, corporate debentures, bill, cash deposit and stock and unit trust dividend receivables aging not more than 45 days from payment declaration date.

“Receivables from sale of securities” means income receivables from the selling of securities aging not more than 5 date from sell date.

Clause 4. Company must allocate backup assets at the amount not less than the sum of reserves, liabilities and obligations and must maintain that amount of asset all the time until the next date of allocation of backup assets.

Backup assets in the first paragraph must not be subject to any obligations except the followings:

4.1 Open position of derivatives approved by the Registrar

4.2 Securities borrowing and lending

4.3 Securities repurchase transaction

Backup assets under 4.2 and 4.3 are those booked as Company’s assets according to accounting standards only.

The valuation of Backup assets under the first paragraph must be in accordance with the rules of assets and liabilities valuation under the law of Life Insurance and the amount used must be the amount standing at the last working day of each month.

The Company must present name, types and amount of Backup assets in the monthly report on Company’s financial status and Company’s operations submitted to the Registrar.

Clause 5. Company must deposit the following types of Backup asset with Financial Institution.

5.1 Book bank, bank deposit slip or bank certificate of deposit

5.2 The Royal Thai Government bond, Bank of Thailand bond or treasury bill

5.3 Bonds or debentures of an organization or state enterprise

5.4 Certificate of deposit of a finance company

5.5 Bill

5.6 Shares, debentures of a limited company or unit-trust

5.7 สลากออมทรัพย์

5.8 Backup assets approved to invest outside the Royal Kingdom of Thailand under the law on Life Insurance

5.9 Others Backup assets as prescribed by Insurance Commission

Backup assets under the first paragraph shall not include the portion placed with the Registrar under the law on Life Insurance, cash and bank cash saving deposit or current deposit used for Company liquidation. The amount of cash and cash deposit altogether shall not exceed 5 percent of the amount of Company’s Backup assets.

The deposit of Backup assets with Financial Institutions under 5.8, agents of Financial Institutions abroad must be approved to operate as depository under the law of the foreign country where the company invests or under the law of the financial institution agent’s country.

Clause 6. In the contract hiring Financial Institution as a depository of the Backup assets under clause 5, the company must affirm that the Backup assets, apart from those subject to obligations under Clause 4 paragraph two, are free from obligations and must allow only the Financial Institutions to do any actions according Company’s order to create, modify, transfer, preserve or extinguish rights in relation

to those Backup assets. The Company must inform the Financial Institution of any action concerning Backup assets which is done by the Company itself or any other person that are not the hired financial institutions.

The contract of hiring Financial Institution must specify that the Financial Institution must act and omit to act the followings:

6.1 The Financial Institution must provide a report regarding the status of the deposited Backup assets on the last working day of each month. The valuation of those assets must be according to the rules regarding the valuation of liabilities and assets under the law on Life Insurance or face value or market value of each assets as accepted by the Registrar. The report must be submitted to the Registrar within 5 working days from the last working day of each month and must have the followings details:

6.1.1 Name, types, the amount of assets deposited and withdrawn.

6.1.2 Account balance on the last working day of each month.

6.1.3 Obligations of the assets (if any)

6.2 The Financial Institution must answer all the Registrar's enquiries in relation to the report under 6.1 and agree to allow the Registrar to examine Company's asset account deposited with the Financial Institution.

6.3 The Financial Institution must keep the information and documents concerning the deposit of asset not less than 2 years form the date the information or the documents have been made. They must be ready for the Registrar to examine or to be sent to the Registrar, if requested in writing.

6.4 The Financial Institution can not appoint any person acting as depository of the Backup assets except Backup assets under 5.8 or the deposit of securities with the Thailand Securities Depository Co., Ltd.

Clause 7. Company may keep Backup Assets apart from those specified in Clause 5 to itself or deposit them with Financial Institutions. If the Company keeps them to itself they must follow rules and procedures;

7.1 Company must have at least the following operation system ready to keep Backup assets;

7.1.1 Personnel must be ready to be responsible for the task of keeping Backup assets. Those personnel must have knowledge, be competent and have suitable experience for the characteristic of the tasks they are responsible for.

7.1.2. Must have a system to separate Backup assets from other Company's assets and a keeping and maintenance system including internal control system to protect the misuse of Backup assets.

7.1.3 Must have a protection system to protect Backup assets, information and related documents from damages and also a system to control the paying and receiving of Backup assets.

7.1.4 Must have a system to examine and to count Backup assets

7.1.5 Must have a system to manage asset account to illustrate particulars and amount of assets and to book receiving or payment particulars concerning Backup assets in the monthly report on the Company financial status and Company operation that must be submitted to the Registrar. The Account must contain at least the followings;

1) Name, types, sum and the withdrawal.

2) Balance of assets on the last working day of each month

7.1.6 Must have a system to look after and follow any benefits arising from Backup assets kept by the Company

7.1.7 Must have other systems illustrating the readiness to keep Backup assets as prescribed by the Registrar.

7.2 Company must report the Registrar in writing of the operation system and details thereof under 7.1 within 30 days from the date this Notification comes into force. In the case where there is a change to operation system which might affect the keeping of Backup assets of the Company, the Company must report the change to the Registrar. If the Registrar did not order otherwise with 15 days, the Company may change the operation system. In the case of emergency, Company can proceed the change in advance prior to the result of the consideration. In this case, if the Registrar finds that it deems proper to correct the system, the Registrar shall inform the Company within 15 days from the date informed by the Company.

Clause 8. From 1 January B.E. 2552, Company must allocate Backup assets not less than 90 percent of the amount of Backup assets that must be allocated under clause 4.

From 1 January B.E. 2553 onwards, Company must allocate backup assets not less than 100 percent of the amount of Backup assets that must be allocated under clause 4.

Clause 9. The deposit of Backup assets with Financial Institution under clause 5 must commence on 1 April B.E. 2552 onwards.

Notified on 9 December B.E. 2551

signed by

(Mr. Suparat Kwatkul)

Permanent Secretary of Ministry of Finance
Chairman of Insurance Commission

Note: The reason of issuing this Notification is because the allocation of assets for liabilities and obligations under life insurance contract and the keeping of those assets must be in accordance with the rules, procedures and conditions prescribed by the Insurance Commission; to prevent insurance company from facing solvency problems and to have the Company allocated of assets for liabilities and obligations.