

FINANCIAL INSTITUTIONS

ENERGY

INFRASTRUCTURE, MINING AND COMMODITIES

TRANSPORT

TECHNOLOGY AND INNOVATION

PHARMACEUTICALS AND LIFE SCIENCES

Insurance regulation in Thailand

Ten things to know



Insurance regulation in Thailand*

1 The regulator

The Office of Insurance Commission, under the supervision of the Ministry of Finance (OIC) regulates insurers, brokers and agents.

2 Subsidiary/branch:

Both are permitted for an insurer; however the OIC's current policy is not to grant new licences for either on the basis that the insurance company market requires consolidation.

Brokers must establish a legal entity in Thailand.

Only individuals can be insurance agents.

3 FDI restrictions

Insurance and reinsurance companies:

- up to 25 per cent less one share permitted
- up to 49 per cent with approval of the OIC
- above 49 per cent with approval of the Minister of Finance

Brokers can be 100 per cent foreign owned, but if > 49 per cent they need a licence under the Foreign Business Act.

4 Control approvals

A change of \geq five per cent shareholding must be notified after the event to the OIC.

A change in directors must be approved by the OIC.

5 Minimum capital

Life insurer/reinsurer: THB500 million

General insurer/reinsurer: THB300 million

THB31.5 = USD1 at 14 August 2012

6 Risk based capital

Yes – Eligible Capital/Risk Capital Requirement x 100 per cent = minimum capital requirement.

Eligible Capital is equity, share premium, retained profits, preference shares less certain deductions. Assets are valued at market value with adjustments.

Risk Capital Requirement is liabilities (calculated on a best-estimate basis) plus capital charges for insurance risk, market risk, credit risk, concentration risk.

Solvency margin: minimum capital requirement of 125 per cent, increasing to 140 per cent by 1 January 2013.

7 Group supervision

No.

8 Policyholder protection

Yes. The General Insurance Fund and the Life Insurance Fund (funded by industry levies) assist policyholders of non-life and life insurers respectively in the event of insolvency or revocation of insurance licence. Payments are limited to THB1 million.

Prior to claiming from the relevant fund, policyholders must first bring a claim against the insurer and, in insolvency proceedings, the policyholder will have priority over other creditors against any securities and unearned premiums reserves of the relevant insurer placed with the OIC.

9 Portfolio transfers

No regime

10 Outsourcing

Insurer may not outsource "core" functions, which include: risk underwriting & issue of policy and collecting premiums. An insurer may outsource non-core administrative functions, eg accounting, IT and back office functions. There is no formal approval process. Generally insurers will consult and obtain approval from the OIC for all outsourcing arrangements.

*as at 14 August 2012

Contacts

Anna Tipping

Partner
Norton Rose (Asia) LLP
Tel +65 6309 5417
anna.tipping@nortonrose.com

Sarah Chen

Of Counsel
Norton Rose (Thailand) Limited
Tel +662 205 8518
sarah.chen@nortonrose.com

Norton Rose Group



*associate office

Norton Rose Group

Norton Rose Group is a leading international legal practice. With more than 2900 lawyers, we offer a full business law service to many of the world's pre-eminent financial institutions and corporations from offices in Europe, Asia, Australia, Canada, Africa, the Middle East, Latin America and Central Asia. We are strong in financial institutions; energy; infrastructure, mining and commodities; transport; technology and innovation; and pharmaceuticals and life sciences. Norton Rose Group comprises Norton Rose LLP, Norton Rose Australia, Norton Rose Canada LLP, Norton Rose South Africa (incorporated as Deneys Reitz Inc), and their respective affiliates.

The purpose of this publication is to provide information as to developments in the law. It does not contain a full analysis of the law nor does it constitute an opinion of Norton Rose (Thailand) Limited on the points of law discussed.

No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any constituent part of Norton Rose Group (whether or not such individual is described as a "partner") accepts or assumes responsibility, or has any liability, to any person in respect of this publication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of, as the case may be, Norton Rose LLP or Norton Rose Australia or Norton Rose Canada LLP or Norton Rose South Africa (incorporated as Deneys Reitz Inc) or of one of their respective affiliates.

© Norton Rose (Thailand) Limited NR13636 08/12
Extracts may be copied provided their source is acknowledged.