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## Notification of the Office of Insurance Commission

**Re: Rules, Procedures and Conditions for Prescribing the Minimum Requirements in Fraud-Related Risk Management for Non-life insurance Companies, B.E. 2561 (2018)**

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A fraud risk is considered a significant operational risk that may affect the revenue, capital, reputation or survival of an insurance company, as well as public confidence in the insurance business. Therefore, to allow a company to put in place fraud management process and measures, it is expedient to prescribe guidelines on fraud risk management to ensure the company may efficiently interdict, prevent, locate, and report on frauds and manage fraud risk, as well as remedy damages incurred by fraud.

By virtue of the provisions of section 37 (12) of the Non-life insurance Act, B.E. 2535 (1992), as amended by the Non-life insurance Act (No. 2), B.E. 2551 (2008), along with the resolutions passed at the Insurance Commission meetings No. 5/2561 on 25 May 2018 and 8/2561 on 26 July 2018, the Insurance Commission hereby issues a notification as follows.

Clause 1 This Notification may be cited as the “Notification of the Office of Insurance Commission re: Rules, Procedures and Conditions for Prescribing the Minimum Requirements in Fraud-Related Risk Management for Non-life insurance Companies, B.E. 2561 (2018)”.

Clause 2 This Notification shall come into force upon the expiration of 180 days from the date of its publication in the *Government Gazette*.

Clause 3 In this Notification:

“Notification on Risk Management” means the Notification of the Insurance Commission re: Rules, Procedures, and Conditions for Prescribing the Minimum Requirements in Risk Management for Non-life insurance Companies, or relevant notifications on any other risk management issued by virtue of section 37 (12) of the Non-life insurance Act;

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“fraud” means any dishonest, deceitful act or omission for unlawful gains, regardless of whether that fraud has been committed by the person who gains benefits from that fraud or by any party involved;

“internal fraud” means any fraud committed by a director; executive; employee; or contractor, severally or jointly with any other person within or outside the organization, against the company; the insured person; the beneficiary; the person having the right to claim under a non-life insurance contract; or the injured person;

“external fraud” means any fraud committed against the Company; insured person; beneficiary; rightful claimant under the insurance contract; or injured person by the insured person; beneficiary; rightful claimant under the insurance policy; non-life insurance agent; non-life insurance broker; person appointed by the Company; or any person other than the director, executive, official or employee of the Company;

“fraud risk management policy” means policies that outline internal and external fraud risk management process and measures;

“board of directors” means a board of directors under the laws on non-life insurance, and includes a board of directors, in which its branch manager is a member, of a branch office of a foreign non-life insurance company licensed to engage in the non-life insurance business in the Kingdom under the laws on non-life insurance;

“executive” means the manager or the persons holding the first four executive positions below the manager, and all persons whose positions are equivalent to the fourth executive rank, including all executive officers in charge of accounting or finance at the rank of department manager or higher, or equivalent.;

“manager” means a person nominated by a board of directors to supervise the company's operations, regardless of his or her title;

“audit committee” means an audit committee as defined in the Notification of the Insurance Commission re: Rules, Procedures and Conditions for Receipt and Payment of Monies, Audit and Corporate Compliance of Non-life insurance Companies; and

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“Office” means the Office of Insurance Commission.

## Chapter 1

### General provisions

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Clause 4. A board of directors has the duty to ensure the company's compliance with the rules, procedures and conditions of this Notification.

Clause 5. The enterprise risk management shall be in accordance with the Notification on Risk Management; provided that the fraud risk management shall be done in accordance with the provisions set forth in this Notification.

Clause 6. Each company must formulate its fraud risk management policy in writing, as approved by its board of directors. The essence of that policy must be communicated to all divisions for their strict implementation. Each company must review its fraud management risk policy at least once a year, or upon the occurrence of an event that may materially affect its financial stability or reputation.

In formulating a fraud risk management policy as referred to in the foregoing paragraph, the company may draw up a fraud risk management policy as part of its enterprise risk management policy, or as a separate policy.

Each company must submit its fraud risk management policy in an electronic file to the Office within 30 days from the date this Notification comes into force, and within 30 days from the date its board of directors has approved material changes to that policy.

Clause 7. Each company must cause an employees' code of ethics to be prepared, and foster a corporate culture that values ethical conduct and honesty, endorsed by its board of directors and executives who are required to set a good example by continuously and consistently following the company's policies and processes. The company must also provide training to its personnel to promote knowledge, understanding, and awareness of potential fraud risks.

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Clause 8. The Office may prescribe exhaustive guidelines in support of compliance with this Notification, and if these guidelines have been followed, that company is deemed to have followed this Notification with respect to the related matters.

## Chapter 2

### Fraud risk management process

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Clause 9. Each company must identify and locate events and sources of internal and external fraud risks that cover undertakings that may affect its revenue, capital, reputation, or existence.

Clause 10. Each company must develop its fraud risk assessment procedures and assess any fraud risk based on probability and the magnitude of the impact of that fraud in order to show a degree of that risk and prioritize that risk. This will allow the company to appropriately manage that fraud risk.

Clause 11. Each company must manage its fraud risks to stay within its risk appetite by at least:

(1) establishing standards of qualification and suitability of its board of directors; executives; and employees, with a regular qualification and suitability assessment at least once a year to ensure that their qualifications are commensurate with their respective positions and duties;

(2) drawing up rules and procedures for customer handling and customer classification which must identify customer irregularities, along with customer due diligence in accordance with insurance types, and measures to be implemented if irregularities are detected;

(3) developing clearly-defined rules and procedures for insurance payout management to reduce fraud risks associated with claims made under insurance contracts;

(4) outlining the rules and procedures for reviewing the qualification and suitability of non-life insurance agents and non-life insurance brokers, along with background checks, qualification and suitability assessment, and adequate compliance with the code of ethics, taking into account their

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performance of duties under the applicable laws and guidelines to suppress and prevent fraud committed by non-life insurance agents and non-life insurance brokers;

(5) monitoring operating results or business outlooks, and any behavior of non-life insurance agents and non-life insurance brokers that may pose risks in order to locate fraud committed by non-life insurance agents and non-life insurance brokers; and

(6) establishing outsourcing policies, if the company uses outsourcing services, and drawing up proper selection guidelines to enter new contracts or to renew the existing ones with outsourcers; as well as monitoring, assessing, auditing and handling fraud risks from outsourcing services.

Clause 12. Each company must draw up whistleblowing rules and procedures in relation to fraud. Protection guidelines must also be outlined for protecting complainants or whistleblowers to encourage stakeholders inside and outside the enterprise to report suspected fraud. Each company must expressly set up its whistleblowing channels through which this fraud reporting can be submitted, and information related to the complainant or the whistleblower must be kept confidential.

Clause 13. In the event of suspicion or detection of fraud, the company shall designate a person not connected to the suspected activity to take charge of the inquiry and investigation in order to find facts, and handle and take remedial actions for the fraud-related damage. A report on the inquiry and investigation, along with the results of how the fraud was handled and remedial actions must be submitted to the audit committee at least once every quarter.

If the audit committee has received the report referred to in the foregoing paragraph and detected fraud or any other act that may cause an adverse effect on the financial standing, operating results, or reputation of the company, the audit committee must report the matter to the board of directors to take remedial actions at a reasonable time without delay as recommended by the audit committee. If the board of directors or executives fail to take any remedial actions within the period specified by the audit committee, the audit committee must report that act to the Office.

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Clause 14. Each company must create its database on internal and external fraud for the purpose of fraud monitoring and improvement in the Company's fraud risk management efficiency.

Clause 15. To support its review of fraud risk management policy, each company must control, monitor, and assess its fraud risk management to be in compliance with the rules, procedures, and conditions set out in this Notification at least once a year.

Clause 16. Each company must draw up a summary report on its implementation of fraud risk management measures that have been reviewed by its risk management committee under the Notification on Risk Management. That report must be presented to the board of directors at least once a year.

Issued on .....

(Mr. Prasong Poonthanet)

Permanent Secretary for the Ministry of Finance  
Chairman of the Insurance Commission