

## Notification of the Office of Insurance Commission

re: Rules, Procedures and Conditions for Allocating Insurance Premiums as Insurance Reserves for Valid Insurance Policies, and Other Insurance Reserves, for Life Insurance Companies, B.E. 2554 (2011)

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By virtue of section 23 of the Life Insurance Act, B.E. 2535, amended by the Life Insurance Act (No. 2), B.E. 2551, in combination with the resolution of the meeting of the Office of Insurance Commission No. 8/2554 on 31 August 2011, the Office of Insurance Commission issues the following orders.

Clause 1 This Notification is called the "Notification of the Office of Insurance Commission re: Rules, Procedures and Conditions for Allocating Insurance Premiums as Insurance Reserves for Valid Insurance Policies, and Other Insurance Reserves, for Life Insurance Companies, B.E. 2554 (2011)."

Clause 2 This Notification is effective from 1 September 2011.

Clause 3 The Notification of the Office of Insurance Commission re: Rules, Procedures and Conditions for Allocating Insurance Premiums as Insurance Reserves for Valid Insurance Policies, B.E. 2552 (2009), dated 29 October 2009, will be repealed.

Clause 4 In this Notification,

"company" means a life insurance company granted the license to engage in a life insurance business under life insurance law, or a branch of a foreign life insurance company granted a license to engage in a life insurance business in the Kingdom of Thailand under the life insurance law;

"Registrar" means the secretary general of the Office of Insurance Commission, or the person assigned by the secretary general of the Office of Insurance Commission; and

"gross surrender value of insurance policies" means the value of the surrender of insurance policies on the same date as the date of the calculation of reserves for every valid insurance policy.

Clause 5 The calculation of insurance reserves under clause 6, clause 7, and clause 8 must comply with the methodology prescribed in the Notification of the Office of Insurance Commission re: Valuation of Assets and Liabilities of Life Insurance Companies.

Clause 6 The amount of insurance premiums allocated by the insurance company as insurance reserves for valid insurance policies must be no less than the total amount of the following:

- (1) the amount of insurance reserves before reinsurance, calculated using the total insurance premium formula;
- (2) the amount of unearned premium reserves before reinsurance, or the amount of unexpired risk reserves before reinsurance, whichever is higher; and
- (3) compensation reserves before reinsurance.

Clause 7 Other reserves allocated by the company must be no less than the difference between the gross surrender value of insurance policies and the amount of insurance reserves before reinsurance, calculated using the total insurance premium formula, if the gross surrender value of insurance policies exceeds the amount of insurance reserves before reinsurance under clause 6 (1).

Clause 8 In addition to the reserves described in clause 6 and clause 7, companies must allocate the full amount of reserves for liabilities and obligations under other insurance agreements.

Clause 9 Assets that companies may allocate as reserves under this Notification must be cash; Thai government bonds; currency deposits; accrued investment incomes; incomes from securities sales accrued for up to five days after the date of the sale; or assets invested in other business operations of the company under the life insurance law. These assets must be maintained by the company at all time, and must be unencumbered, except for the following encumbrances:

- (1) the purchase and sale, or the holding of derivative status;
- (2) the borrowing and lending of securities; or
- (3) the purchase and sale of securities with sales agreements or redemption agreements.

In the event of (2) or (3), only assets recorded as the assets of the company in compliance with accounting standards will be eligible. The valuation of assets described in the first paragraph must be based on the assessed value of assets and liabilities under the Notification of the Office of Insurance Commission re: Valuation of Assets and Liabilities of Life Insurance Companies, and the number of assets on the last business day of each month.

Announced on 18 November 2011

- Signed -

(Mr. Areepong Bhoocha-oom)

Permanent secretary of the Ministry of Finance, and  
chairman of the Office of Insurance Commission

Remarks: The reason for the issuance of this Notification is that life insurance companies must allocate their insurance premiums as insurance reserves for valid life insurance policies, and other reserves, in compliance with the principles of risk-based capital. The calculation rules and procedures must comply with those prescribed in the Notification of the Office of Insurance Commission re: Valuation of Assets and Liabilities of Life Insurance Companies.