

Notification of the Insurance Commission

Re: Rules, Procedures and Conditions for Receipt and Payment of Monies, Audit and Internal Control of Life Insurance Companies

B.E. 2557 (2014)

The insurance business is the business based on trust and the utmost good faith principle and bears a responsibility to the insured persons and the public. To ensure that insurance companies have efficient management systems and good corporate governance, enhancing the stability, ensuring transparency and strengthening confidence of the insured persons, it is deemed expedient that the rules, procedures and conditions for receipt and payment of monies, audit and internal control shall be determined. This is to ensure that the boards of directors of insurance companies will have roles and responsibilities in the arrangement of an efficient internal control system to support the decision making with respect to risk management to prevent potential damage on a timely basis. The internal control system covers the system for receiving and paying money, auditing and monitoring of compliance with laws. The board of directors of the company and its high-level executives have a duty to establish a policy regarding internal control and risk management acceptable to the company, arrangement of the organizational structure, the delegation of powers, duties and responsibilities, rules and authorizations, and allocation of resources in terms of personnel, budget and information technology systems in an appropriate and sufficient manner. In this regard, the company shall establish an independent audit committee, an internal audit unit and a compliance unit to perform tasks supporting the independent audit committee. The company may outsource the duties of auditing and monitoring compliance with laws. The board of directors of the company is still responsible for the work which has been delegated and shall provide a control system for the operation, efficient reporting and timely improvement and rectification.

By virtue of section 38 (11) of the Life Insurance Act, B.E. 2535 (1992), as amended by the Life Insurance Act (No. 2), B.E. 2551 (1998), and the resolution of the Insurance Commission Meeting No. 5/2013 on 22 March 2013, the Insurance Commission hereby issues the following notification:

Clause 1 This notification shall be called the "Notification of the Insurance Commission Re: Rules, Procedures and Conditions for Receipt and Payment of Monies, Audit and Internal Control of Life Insurance Companies, B.E. 2557 (2014)."

Clause 2 This notification shall come into force upon the lapse of 90 days from the day following the date of its publication in the Government Gazette.

Clause 3 In this notification,

"juristic person" means a limited company, a public limited company, a limited partnership, a juristic ordinary partnership, or other juristic persons established under a special law or under a foreign law, excluding companies under the law governing life insurance and companies under the law governing non-life insurance;

"company" means a company which has received a license to undertake the life insurance business under the law governing life insurance and shall include a branch of a foreign life insurance company which has received a license to undertake the life insurance business in the Kingdom under the law governing life insurance;

"parent company" means a juristic person having any of the following characteristics:

- (1) a juristic person that has control over the company;
- (2) a juristic person that has control over the business of the juristic person under (1); or
- (3) a juristic person that has control over the juristic person under (2) in the chain of control upward beginning with control over the juristic person under (2);

"subsidiary company" means a juristic person having any of the following characteristics:

- (1) a juristic person over which the company has control;
- (2) a juristic person over which the juristic person under (1) has control; or
- (3) a juristic person under the chain of control of the juristic person under (2) beginning with being under the control of the juristic person under (2);

"same-level subsidiary company" means two or more subsidiary companies having the same parent company regardless of which tier they are in;

"associated company" means a juristic person that the company or subsidiary company has authority to participate in making decisions on financial policies and operational matters of the juristic person but not insomuch as to have control over such policies and not deemed as subsidiary company or joint venture;

In the case that the company or subsidiary company holds shares, directly or indirectly, in an aggregate amount of 20 percent but not exceeding 50 percent of the total number of the voting rights of such company, it shall be assumed that the company or subsidiary company has the authority to participate in the decision making under the first paragraph unless it is proven otherwise;

"major shareholder" means a holder of the company's shares representing more than 10 percent of the total voting shares of the company and such shareholding shall include the shares held by related persons;

"controlling power" means any of the following relationships:

- (1) holding of shares with voting rights of the company or juristic person in an amount exceeding 50 percent of the total number of the voting rights of such company or juristic person;
- (2) having control of the majority voting rights in the shareholders meeting of the company or juristic person, whether directly or indirectly, or for any other reason;

(3) having direct or indirect control over the appointment or removal of at least half of the total number of directors;

"controlling person" means a shareholder or any other person who, by behavior, has influence over policy making, management or business operation of the company or juristic person in a significant manner, whether as a result of being a shareholder or authorized under an agreement or any other matters, especially a person falling under any of the following characteristics:

(1) a person who has voting rights, whether directly or indirectly more than 25 percent of the total number of shares with voting rights of the company or juristic person;

(2) a person who, by behavior, can take control over appointment or removal from office of a director of such company or juristic person;

(3) a person who, by behavior, can take control over a person responsible for policy making, management or operation of the company or juristic person to follow his orders on policy making, management or business operation of the company or juristic person; or

(4) a person who, by behavior, takes part in the company or juristic person's operation or has responsibility for the company's business operation as a director or executive, including any person who holds the position with the same authority as such person of that company or juristic person;

"related person" means a person having relationship with any person in any of the following manners:

(1) a spouse of that person;

(2) a minor child of that person;

(3) an ordinary partnership in which that person or the person under (1) or (2) is a partner;

(4) a limited partnership in which that person or the person under (1) or (2) is a partner with unlimited liability or a partner with limited liability holding shares in an aggregate amount of more than 30 percent of the total number of shares of the limited partnership;

(5) a limited company or a public limited company in which that person or the person under (1) or (2) or the partnership under (3) or (4) holds shares in an aggregate amount of more than 30 percent of the total paid-up shares of such limited company or public limited company;

(6) a limited company or a public limited company in which that person or the person under (1) or (2) or the partnership under (3) or (4) or a company under (5) holds shares in an aggregate amount of more than 30 percent of the total paid-up shares of such limited company or public limited company; or

(7) a juristic person over which the said person has control in management managing power in this position as representative of the juristic person;

"executive director" means a director holding position as an executive or acting as the executive, including a director who has been authorized as a signatory unless it is demonstrated that affixation of his signature must be under the resolution of the board of directors and he must co-sign with other directors;

"executive" means a manager or the next four executives under the manager, a holding equivalent position to the fourth executive, including a person holding the position of manager or equivalent in the accounting or finance department;

"manager" means a person assigned by the board of directors to take the highest responsibility in managing the company, regardless of the job title;

"significant shareholder" means any person who hold shares of any business in the amount of more than 10 percent of the total shares with voting rights of such business and such shareholding amount shall include the shares held by related persons;

"board of directors" means the board of directors of a company under the law governing life insurance and shall include the executive board of the branch of a foreign life insurance company which has received a license to undertake the life insurance business in the Kingdom under the law governing life insurance, and shall include the branch manager as a director;

"audit" means activities performed independently and impartially, arranged for by the company to ensure confidence and to provide advice with the aim to add value and improve its operations. The audit will enable the company to achieve the specified objectives through assessment and enhancement of the effectiveness of the risk management process, internal audit, and systematic and well-planned supervision;

"internal control" means an operational process organized and practiced by the company to reasonably create confidence and trust that the company will achieve its business objectives and to ensure the credibility of the company's financial reports by ensuring that the operations comply with applicable laws, rules and policies, including the use of resources in the most efficient and effective manner; and

"Office" means the Office of the Insurance Commission.

#### Chapter 1

#### General provisions

Clause 4        The board of directors is responsible for ensuring that the company complies with the rules, procedures and conditions specified herein.

Clause 5 The company shall prepare regulations in relation to receipt and payment of monies with approval from the board of directors and shall provide the audit and internal control in accordance with the rules, procedures, and conditions specified herein.

The regulations under the first paragraph shall be maintained by the company at its office and available for immediate submission to the Office upon request.

Clause 6 The company shall provide a system for receipt and payment of monies with control sufficient to ensure that the operations with respect to receipt and payment of monies are correct and complete. There shall be a system for document storage and record keeping readily available for the examination by the competent officer, security of documents and data, and verification of the amount of money and confirmation of reconciliation on a regular basis.

Clause 7 The company shall store relevant data, documents and evidence for at least five years from the date of receipt or payment of monies.

In the case that the relevant data, documents and evidence under the first paragraph are particulars that the company must enter in the registers or books of account in relation to the business of the company pursuant to section 40 of the Life Insurance Act, B.E. 2535 (1992), the company shall store such data for no less than 10 years from the date of the last entry in such registers or books of account or from the date that the company is released from any liability under such particulars, whichever is later.

If the company also wishes to store data, documents and evidence in an electronic form, the company shall provide a data backup system.

Clause 8 The Office may issue a detailed guideline for the purpose of compliance under this notification. Once the company has complied with such guideline, it shall be deemed that the company has complied with the applicable portion of this notification.

## Chapter 2

### Receipt of monies

Clause 9 With respect to the regulations in relation to the receipt of monies under clause 5, the company shall specify procedure, timeframe, responsible person for each step, and the reviewer of accuracy and completion, by considering check and balance and clear segregation of duties between the accountants and the authorized underwriter and between the front-office and back-office staff.

Clause 10 The company should have a system to control the use of receipts and the reconciliation of funds in the account and the balances in temporary receipts or receipts to be able to examine the receipt of monies and prevent the issuance of a receipt without submitting the money to the company or without recording the information of receipt of monies.

Clause 11 The company shall provide a system to control the suspense account or other similar accounts and a system for debt collection and ranking of aging of receivables.

Clause 12 The company shall keep records, documents and evidence that can specify the details of receipt of money that can be verified by the company. Such data shall at least have the following details:

- (1) date on which the company receives money;
- (2) name and identification data of the payer of money to the company;
- (3) type of received money, the purpose for which money is received shall be specified;
- (4) the amount received;
- (5) the method of receipt of money;
- (6) name of the bank and the account number of the payer of money to the company in case of bank transfer or the cheque number in case payment is made by cheque or evidence of receipt of money by other means;
- (7) name of the bank and the account number used by the company to receive money; and
- (8) the receipt voucher number.

In case of receipt of premiums, the company shall keep records with details in addition to those in the first paragraph as follows:

- (1) name and identification data of the insured;
- (2) the policy number;
- (3) the installment of premiums paid;
- (4) the policy year; and
- (5) the receipt number.

In case of reinsurance, the company shall keep records with details in addition to those in the preceding paragraph as follows:

- (1) the name of the ceding company or reinsurer;
- (2) the name or the number of the reinsurance contract; and
- (3) the year in which the reinsurance contract become effective..

If the company separately keep records, documents and evidence, the company must be able to promptly present complete data, documents and evidence as specified in this clause and make them readily available for the examination by the authorized officer and shall be able to immediately submit to the Office, upon request, the report showing the details of receipt of money.

### Chapter 3

#### Payment of monies

Clause 13 With respect to the regulations in relation to the payment of monies under clause 5, the company shall specify the procedure, supporting documents for consideration of payment of monies, timeframe, responsible person in each step, review of accuracy and completion, the amount of money that the company is able to pay in cash, the person with the authority to approve payment of monies, by considering check and balance and clear segregation of duties between the accountants and the person with the authority to approve payment and between the front-office staff and back-office staff.

The payment of monies by the company shall be in crossed cheques or transferred into accounts and the details of the receiver of money shall be clearly specified, unless it is the payment of money in an amount not exceeding the amount specified by the company as payable in cash. However, in necessary and urgent cases, it shall be at the sole discretion of the company's signatory to approve the payment of cash in an amount exceeding the amounts specified by the company on a case-by-case basis. A memorandum explaining the necessity for such payment shall also be made.

Clause 14 The company shall keep records, documents and evidence that can specify the details of the company's payment of monies. The said records shall at least contain the following details:

- (1) date on which the money recipient receives money or the date on which payment of monies is made as recorded in the claim registry, *mutatis mutandis*;
- (2) name and identification of the money recipient;
- (3) type of payment; the purpose for which the payment is made shall be specified;
- (4) the amount paid;
- (5) the payment method;
- (6) name of the bank and the account number used by the company to pay money in case of bank transfer or the cheque number in case payment is made by cheque or evidence of payment of monies by other means;
- (7) name of the bank and the account number of the money recipient in case of bank transfer; and
- (8) the payment voucher number.

In case of payment under the insurance contract, the company shall keep records with details in addition to those in the first paragraph as follows:

- (1) name and identification data of the insured, beneficiary or creditor under other insurance contracts;
- (2) the policy number;
- (3) the list of benefits;
- (4) the policy years; and
- (5) the sum insured.

In case of reinsurance, the company shall keep records with details in addition to those in the preceding paragraph as follows:

- (1) the name of the ceding company or reinsurer;
- (2) the name or the number of the reinsurance contract; and

- (3) the year in which the reinsurance contract becomes effective.

If the company separately keeps records, documents and evidence, the company must be able to promptly present complete data, documents and evidence as specified in this clause and make them readily available for the examination by the authorized officer and shall be able to immediately submit to the Office, upon request, the report showing the details of payment of monies.

Clause 15 The company shall provide a system to track cheques that are not yet honored in order to be able to monitor the amount and the duration before the cheques are honored, and shall enter items correctly in accordance with the categories of accounts.

#### Chapter 4

##### Audit committee, internal audit unit and compliance unit

Clause 16 The Company shall have an audit committee in accordance with the rules specified in this chapter, unless the company has an audit committee under the law on securities and exchange or the law on financial institution business and such audit committee is able to perform its duties under clause 21 and clause 23 and to supervise the company to ensure that it fully complies with the rules specified in clauses 24, 25, 26, 27, 28, 29 and 30.

For a branch of a foreign life insurance company that has its head office or regional office's audit committee in accordance with the rules specified by the insurance regulator of that country, the audit committee may be the audit committee of the branch of the foreign life insurance company by presenting documents and evidence to the satisfaction of the Office that such audit committee is able to fully perform its duties and the acts under the first paragraph.

The company shall submit the resolution appointing the audit committee, the list of the names of the members of the audit committee, letters of representation, and resumes of members of the audit committee in the form as prescribed by the Office to the Office within 30 days from the date on which the board of directors or the shareholders meeting of the company resolves to appoint the audit committee. The charter of the audit committee shall be submitted to the Office within 30 days from the date of their assumption of office or significant changes in the charter. If the company has appointed the audit company before the effective date of this notification, such information shall be submitted to the Office within 15 business days from the date on which this notification comes into force.

If a member of the audit committee resigns or is removed before the end of his or her term, the company must report the matter and the reasons thereof in writing to the Office within 15 business days from the date that such member is no longer on the audit committee.

Clause 17 The company shall have an audit committee with at least three members, , which shall be suitable for the size, nature, and complexity of the activities of the company in accordance with the following rules:

- (1) being appointed by the resolution of the board of directors or the shareholders' meeting to take up the position on the audit committee; and



(2) having independent directors in a number of no fewer than two-thirds of the total number of the members of the audit committee.

With respect to the submission to the Office of details of the appointment of the audit committee and its charter, paragraphs three and four of clause 16 shall be applied, *mutatis mutandis*.

Clause 18 Each audit committee member under clause 17 shall satisfy the following rules:

(1) having sufficient knowledge and experience to perform duties as an audit committee member and at least one audit committee member shall have adequate knowledge and experience in accounting or finance to review the reliability of the financial statements;

(2) not being deemed incompetent under law;

(3) not being under the accusation or proceedings by the Office, regulatory agency or agency authorized by laws, whether in Thailand or overseas, for an offense only in relation to property;

(4) having no record of being under proceedings or punished in relation to management that is deceitful, fraudulent or dishonest in relation to property; and

(5) there is no cause to believe that an audit committee member has the behavior that is inappropriate in the course of dealing with the insured, beneficiaries, creditors under the insurance contract, the company or its shareholders in general. The characteristics of such inappropriate behavior shall be as specified by the Office.

Clause 19 Each independent director under clause 17 shall satisfy the following rules:

(1) holding shares not exceeding one percent of the total shares with voting rights of the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person, including shares held by related persons of such independent director;

(2) neither being nor used to be an executive director, employee, staff, advisor who receives salary, or a controlling person of the company, its parent company, subsidiary company, associated company, same-level subsidiary companies, major shareholders, or controlling person, unless the foregoing status has ended not less than two years prior to the date of assumption of office. Such prohibited characteristics shall not include the case where the independent director used to be a government official or advisor of a government unit which is the major shareholder or controlling person of the company;

(3) not being a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of a child of other directors, executives, major shareholder, controlling person or a person to be nominated as executive or controlling person of the company or subsidiary company;

(4) neither having nor used to have a business relationship with the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person in the manner that may interfere with his independent judgment, and neither being nor used to be a significant shareholder or the controlling person of any person having a business relationship with the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of assumption of office.

The term "business relationship" under the first paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services, or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets collateral, and any similar actions, which result in the company or its counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the company or twenty million baht or more, whichever is lower;

(5) neither being nor used to be an auditor of the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person, and not being a significant shareholder, controlling person or partner of the audit firm which employs the auditor of the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of assumption of office;

(6) neither being nor used to be a provider of professional services, including those as legal advisor or financial advisor who receives service fees exceeding two million baht per year from the company, its parent company, subsidiary company, associated company, major shareholder, or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of the assumption of office;

(7) not being a director appointed as representative of directors of the company, major shareholder, or a shareholder who is related to the major shareholder;

(8) not undertaking any business in the same nature as and in competition to the business of the company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff or advisor who receives salary or holding shares exceeding one percent of the total shares with voting rights of another juristic person which undertakes business in the same nature as and in competition to the business of the company or subsidiary company; or

(9) not having any other characteristics which cause the inability to express independent opinions with regard to the company's business operations.

After being appointed as independent director with the qualifications under the first paragraph, the independent director may be assigned by the board of directors to take part in the business decision of the company, its parent company, subsidiary company, associated company, same-level subsidiary companies, major shareholder, or controlling person, provided that such decision shall be in the form of collective decision.

The provisions in (2), (4), (5) and (6) related to the consideration of qualifications of the company's independent director during the two-year period prior to the assumption of office shall be applied to any independent director assuming office from 1 July 2015.

For the purpose under (5) and (6), the term "partner" shall mean a person assigned by an audit firm or a provider of professional services to sign the audit report or the professional service report, as the case may be, on behalf of that juristic person.

Clause 20 In the case where the person appointed by the company as independent director has or used to have a business relationship or provided professional services exceeding the value specified under clause 19 (4) or (6), the company shall be granted an exemption from such prohibition only if the company has provided the opinion of its board of directors indicating that it has considered that the appointment of such person does not affect the performance of duties and expressing of independent opinions. The following information shall be disclosed in the notice calling the shareholders meeting under the agenda for the appointment of independent directors:

- (1) the business relationship or professional services which makes such person's qualifications not in compliance with the prescribed rules;
- (2) the reasons and necessity for maintaining or appointing such person as independent director; and
- (3) the opinion of the company's board of directors for proposing the appointment of such person as independent director.

Clause 21 The audit committee shall have the following powers and duties:

- (1) reviewing to ensure that the company has complete, accurate and credible financial reports which disclose significant information in full and meet the generally accepted accounting standards;
- (2) reviewing and assessing to ensure that the company has an internal control system, internal audit system and risk management system that are appropriate, effective and concise in accordance with the framework accepted as international standard, including determining power, duties and responsibility of the internal audit unit;
- (3) reviewing to ensure that the company complies with the law governing life insurance, requirements of the Office and other laws in relation to the company's business;
- (4) considering selecting and nominating for appointment a person who is independent to act as the company's auditor and proposing remuneration of such person, including attending a non-management meeting with the auditor at least once a year;
- (5) providing recommendations to the management for the purpose of supervising the operation to ensure that it is efficient and effective and reporting to the board of directors for rectification within the period as deemed appropriate by the audit committee. If the audit committee finds or suspects that there are any of the following transactions or acts:
  - (a) a transaction causing a conflict of interest;
  - (b) any fraud, irregularity, or significant deficiency in an internal control system; or
  - (c) violation of the law governing life insurance or other laws applicable to the company's business,

if the board of directors or executives fail to rectify such matter within the timeframe specified by the audit committee, the audit committee must report such matter to the Office without delay;

(6) providing opinions in support of the report on the result of the general assessment of the internal control system of the company to the board of directors; and

(7) performing other acts as assigned by the board of directors with the approval from the audit committee.

If necessary, the audit committee may seek advice from an external consultant or a professional expert in relation to the performance of audit, at the company's own expense.

In performing duties under the first paragraph, the audit committee is directly responsible to the board of directors and the board of directors is still responsible to third parties for the company's business operation.

In the case of change to the duties of the audit committee, the company shall report to the Office the resolution regarding the change to the duties and prepare the list of names and the scope of work of the audit committee that have been changed and submit the same to the Office within 15 business days from the date of such change.

Clause 22 The term of office of audit committee members shall be no more than four years from the date of their appointment. In the event that the company specifies the term of office of audit committee members before the effective date of this notification, the audit committee members shall remain in their office until the end of their original term but not exceeding four years from the date of their appointment.

Any audit committee member who vacates office because of expiration of his or her term may be re-appointed by the resolution of the board of directors or shareholders meeting.

If it is necessary to change, increase or reduce the number of audit committee members, it shall be in accordance with the resolution of the board of directors or shareholders meeting.

If any audit committee member resigns or has been removed before the end of his or her term, the company must report the reasons for such event to the Office in writing within 15 business days from the date such person is no longer an audit committee member. The provisions in paragraph three of clause 16 shall be applied to the appointment of a new audit committee member in replacement thereof, *mutatis mutandis*.

Clause 23 The audit committee shall organize a meeting at least every quarter in order to monitor the operation of the internal audit unit and the business operation of the company.

Clause 24 The company shall ensure that there is an internal audit unit which directly reports to the audit committee. The objectives, authority, duties and responsibility of the internal audit unit shall be as specified by the audit committee, with approval from the board of directors.

For the internal audit unit under the first paragraph, the company may hire a third party to conduct audit or may use the internal audit unit of the company's group, which shall directly report to the audit committee.

Clause 25 The internal audit unit shall be independent in performing its work and able to access and audit the records, reports or information of the company as necessary for use in the audit or review. It shall be able to report the facts discovered, provide recommendations and give opinions in the audit directly to the audit committee.

Clause 26 The internal audit unit must prepare an audit plan in writing which shall consist of objectives, scope and frequency of the audit, the resources that must be used, and the period of the audit, subject to the approval of the audit committee.

Clause 27 If the company hires a third party to conduct internal audit with the approval from the board of directors, the company shall execute a written engagement agreement specifying the objectives, scope of work, access to data on personnel, venue, and relevant data, applicable regulations, ownership, custody of working papers and confidentiality of data obtained during the performance of work.

The third party hired to conduct internal audit under the first paragraph shall not have any interest in or any benefit for the company and shall not perform any duty in relation to the audit of the company's annual financial statements.

The engagement of the third party to conduct internal audit under the first paragraph shall be deemed to be made by the company and shall be under the company's responsibility.

Clause 28 The internal audit unit shall at least have the following duties:

- (1) reviewing and reporting the accuracy and completion of accounting records in accordance with the financial and accounting policies;
- (2) conducting audit activity in order to ensure that the company's internal control system is sufficient and efficient to manage and maintain risks to be at a controllable level and in compliance with the good corporate governance process;
- (3) auditing the performance of work of the internal units of the company to ensure their compliance with the law governing life insurance, requirements of the Office and other laws in relation to the company's business;
- (4) examining the efficiency and effectiveness of the risk management system based on the consolidated risk management framework and policy approved by the board of directors;
- (5) assessing the method for safeguarding the assets of the company and the insured and examining the existence of assets;
- (6) investigating fraud, errors, omissions and other irregularities;
- (7) assessing the information system to ensure that it has sufficient internal control, and is efficient and comprehensive for all activities that use computers, including having a data backup system to accommodate the business continuity management;
- (8) assessing the reliability of the system of reporting to supervisors according to their hierarchy, confidentiality in the event that an employee reports a violation of rules and regulations, provision of protection from retaliatory actions, and monitoring of results as appropriate;

(9) preparing a report of the result of the assessment of the company's internal control that specifies material items found upon inspection, including recommendations and rectification of deficiency and submitting the report to the audit committee or the board of directors; and

(10) controlling and maintaining reports of audit results and working papers including keeping documents and evidence used in support of the audit.

Clause 29 The company shall set up a unit to oversee compliance with laws or another equivalent unit that is independent and reports directly to the board of directors or the audit committee, which shall ensure that the company complies with the law governing life insurance, requirements of the Office and other laws in relation to the business of the company.

The company must appoint a compliance officer who is the head of the compliance unit to coordinate with the Office on behalf of the company. The company shall notify the board of directors or the audit committee and the Office of the appointment and termination of appointment of the chief of the compliance unit within 15 business days from the date of appointment or the termination of the appointment, as the case may be. In case of reporting the termination of the appointment, the company shall specify the reasons for such termination.

Clause 30 The compliance unit shall at least have the following duties:

(1) to be a center providing recommendations and advice in relation to compliance with laws, prepare a written manual on compliance with laws and provide training to employees on a regular basis;

(2) to develop a risk management system with respect to compliance with laws by identifying the risks, assessing the risks, determining risk managing methods, monitoring the risks, and reporting the result of the assessment of the changes in compliance risks, specifying the cause for non-compliance with laws and the guidelines on rectification, including the problems which have been rectified, and submit such report to the management, the audit committee or the board of directors;

(3) to coordinate with relevant units in order to prepare and implement the compliance risk management plan on a yearly basis by specifying the timeframe and the responsible unit including rectification of problems which may prevent compliance with laws;

(4) to ensure compliance with laws and to report the annual result of compliance to the board of directors or the audit committee, including reporting the violation of laws and investigation of executives and reporting the fines imposed or legal action undertaken by the Office or other relevant government agencies; and

(5) to coordinate with the Office on behalf of the company and to perform specific duties such as tasks with respect to prevention and suppression of money laundering and combating the financing of terrorism.

Chapter 5

Internal control

Clause 31 The board of directors must be responsible for establishing an internal control policy that is consistent with the enterprise risk management policy. The company shall have an organizational structure and measures in relation to internal control that are suitable for the financial activities and core activities which consist of at least the following activities: product development, premium rating, underwriting, claims management, reinsurance, and investment in other business, receipt of money, and payment of money. The company must have an internal control system which must be reported to the board of directors.

Clause 32 The internal control system under clause 31 shall at least consist of the following elements:

(1) the control to ensure that the system for receipt and payment of monies will be in accordance with chapters 1, 2 and 3 herein, an information technology system, accounting system, financial reports and other reports submitted to the Office which shall be accurate, sufficient and up-to-date;

(2) the connection between internal control and the risk management system that is efficient, covers significant risks and is consistent with business operation strategies to support the determination of important business policies and decision making;

(3) the ability to ensure the company's complete and correct compliance with applicable laws, regulations and policies;

(4) clear segregation of duties and responsibility with respect to governance, assurance, and operations of each unit and having a written performance manual, and communication to and training for employees, particularly employees with high authority level or who are involved with the high-risk activities so that they will be aware of and understand the policies related to the company's internal control;

(5) determination of authority to act, authorized limits of funds, and appropriate relevant control systems with control in different levels that are efficient and in line with the same guidelines, including transaction level, business level, company level and group level (if any); and

(6) monitoring and assessing the adequacy of the internal control system on a regular basis.

Clause 33 The company must prepare a manual of performance for the company's work process, together with determining the powers, duties, responsibilities, targets and objectives of the performance, in writing.

Clause 34 The company must take rectification action if a deficiency is found or if there is an observation specified by the auditor, internal auditor, audit committee or the Office in the audit report.

Clause 35 The company must have an auditing and monitoring system to ensure strict compliance with the law governing prevention and suppression of money laundering and combating the financing of terrorism.

Clause 36 The company shall monitor and assess internal control and review the efficiency of internal control systems of its units periodically at least once a year, and shall report the result of the general assessment of the company's internal control to the board of directors. The audit committee shall provide its supporting opinion for every report.

The reporting made under the first paragraph shall not be less often than once a year and such reports of assessment results shall be kept at the company for inspection by the Office at any time.

In case the audit committee finds any fraud or act which seriously affects the company's financial position and operating results, the audit committee shall report such matter to the board of directors for rectification within the timeframe deemed appropriate by the audit committee.

If the board of directors or executives fail to cause rectification within the period specified by the audit committee, any audit committee member shall report such action to the Office.

Notified on 18 June 2014.

Rungson Sriworasat

Permanent Secretary, Ministry of Finance

Chairman of the Insurance Commission