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## **Notification of the Insurance Commission**

### **Re: Investment in Other Businesses of Non-Life Insurance Companies (No. 2)**

**B.E. 2558 (2015)**

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By virtue of section 28 of the Non-Life Insurance Act, B.E. 2535 (1992) and section 3 (1) of the Insurance Commission Act, B.E. 2550 (2007), together with the resolution of the Insurance Commission's meeting No. 11/2557, held on 31 October 2014, the Insurance Commission hereby issues the notification as follows:

Clause 1. This notification shall be called the "Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies (No. 2), B.E. 2558 (2015)."

Clause 2. This Notification shall come into force from the day following its publication in the Government Gazette.

Clause 3. Provisions in clause 15 (2) (b) of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by provisions as follows:

"(b) the person shall not possess the prohibited characteristics described in section 34 of Non-Life Insurance Act, B.E. 2535 (1992), as amended by Non-Life Insurance Act (No. 2), B.E. 2551 (2008) ."

Clause 4. Provisions in clause 27 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the following provisions:

"Clause 27 Calculation of issuer or counter party limit shall include value of investment in the securities which each contractual party issues, certifies, avals, endorses or guarantees, deposits in excess of the amount protected under the law governing deposit protection, loans, vehicle hire-purchase, obligation created by issuing letters of guarantee, claims arising from execution of derivatives in excess of the value of collateral received from the counterparty, structured notes, and other claims and obligations arising from investment that the company has against a particular counterparty, not exceeding the limit as specified by type of issuer or counterparty, as follows:

(1) the Thai government, Bank of Thailand, Ministry of Finance, Financial Institution Development Fund; no limit;

(2) each financial institution, not exceeding 30 percent of the company's capital assets;

(3) organizations or state enterprises established by a specific law, limited companies under securitization projects which use the entire fund in a government project, limited companies listed on domestic and international exchanges, limited companies under the process of free float allocation under the regulation of the Stock Exchange of Thailand with an issue rating not lower than investment grade; not exceeding 15 percent of the company's investment assets each;

(4) a limited company issuing debt instruments with an issue rating not lower than investment grade: not exceeding 15 percent of the company's investment assets for each company and in the case of investment other than debt instruments, the proportion of each company shall not exceed 5 percent of the company's investment assets;

(5) international organization: not exceeding 15 percent of the company's investment assets;

(6) a real estate investment trust or any trust announced by the registrar, or infrastructure fund: not exceeding 10 percent of the company's investment assets;

(7) other counterparty: not exceeding 5 percent of the company's investment assets per party.

The provisions in the first paragraph shall not be applicable to a subscription of newly issued shares or other equity instruments for the purpose of increasing capital in proportion held by the company and the following conditions shall apply:

(1) from the date on which the company receives the subscription letter, the company shall not make any investment which will cause the investment limit to be incompliant with this notification after subscribing for newly issued shares of a limited company;

(2) after subscribing for the newly issued shares, the investment limit in such shares shall be calculated with other investment assets. If it causes the investment limit to exceed the limit hereunder, the company may not make any further investment in such type of investment.

Calculation of counterparty limit under paragraph one shall not include:

(1) investment in investment units other than investment trusts described in item (6) of paragraph one;

(2) staff loans."

Clause 5. Provisions in clause 29 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the following provisions:

"Clause 29 The company may invest in local debt instruments issued, drawn, certified, avaled or guaranteed by a financial institution, or debt instruments issued by a limited company, an organization or a state enterprise without guarantee by the Ministry of Finance, debt instruments issued by a real estate investment trust or other trust announced by the registrar, hybrid instruments issued by a limited company, and structured notes, in an aggregate proportion not exceeding 60 percent of the company's investment assets."

Clause 6. Provisions in clause 38 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the provisions as follows:

"Clause 38 The company may invest in each type of debt instruments, in the proportion of not exceeding the ratios referred to below:

(1) debt instruments issued, drawn, certified, avaled or guaranteed by a financial institution, or debt instruments issued by a limited company, an organization or a state enterprise not guaranteed by the Ministry of Finance, or structured notes, including hybrid instruments, issued by the same limited company, in a proportion of not exceeding 15 percent of the company's investment assets;

(2) debt instruments issued by a real estate investment trust or other trust announced by the registrar, at the ratio not exceeding 10 percent of the company's investment assets; and

(3) debt instruments issued or guaranteed by a foreign entity, at the ratio not exceeding 5 percent of the company's investment assets.

Clause 7. Provisions in clause 41 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the provisions as follows:

"Clause 41 The company may invest by providing lending, vehicle hire-purchasing, and issuing letters of guarantee as performance bond for projects to any particular person, the total investment limit of which shall not exceed 5 percent of the company's investment assets, with the exception of any of the following activities

(1) providing staff loans; or

(2) providing lending not exceeding 10 percent of the company's investment assets to a real estate investment trust or an infrastructure trust.

Clause 8. Provisions in clause 44 (2) of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the provisions as follows:

(2) with regard to debt instruments issued, drawn, certified, avaled or guaranteed by a financial institution, or debt instruments issued by a limited company, an organization or a state enterprise, debt instruments issued by a real estate investment trust or other trust prescribed by the registrar, which shall be subject to the requirements as follows:

(a) be the debt instrument with issue rating or guarantor rating not lower than investment grade, except for debt instruments issued, drawn, certified, avaled, or guaranteed by a bank established by a specific law, or debt instruments issued by an organization or a state enterprise established by a specific law, or debt instruments avaled by the company;

(b) if such debt instruments are promissory notes or bills of exchange, there must not be any limitation of liability; and

(c) debt instruments issued by a real estate investment trust or other trust announced by the registrar, such trust must be listed on a domestic exchange, with a fund size not less than one billion five hundred million baht."

Clause 9. Provisions in clause 54 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the provisions as follows:

"Clause 54. With respect to a loan with mortgaged or pledged assets as collateral, the company may provide the loan under the following conditions:

(1) The mortgaged or pledged assets as collateral shall be any one of the following types of property:

(a) debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance, or Financial Institution Development Fund in accordance with clause 44 (1);

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(b) debt instruments issued, drawn, certified, avaled, or guaranteed by a financial institution, a debt instrument issued by a limited company, organization or state enterprise, or a debt instrument issued by a real estate investment trust or other trust announced by the registrar under clause 44 (2);

(c) equity instruments listed on the domestic exchange under clause 47;

(d) investment units of a mutual fund in accordance with clause 49; or

(e) immovable property located in Thailand.

(2) The company shall provide loans within the Kingdom in Thai Baht only.

(3) The repayment of principal together with interest must be made in installments no less than once a year, unless the company's lending policy specifies a grace period for the principal and interest payment, and such period shall not exceed one-fourth of the loan term.

(4) A loan shall be provided to each borrower at a ratio not exceeding the ratios stated herein:

(a) if the borrower is a natural person, not exceeding 90 percent of the appraisal value of the assets or the price of the housing estate project which the borrower mortgages or pledges to the company as collateral; and

(b) if the borrower is a juristic person, a real estate investment trust or an infrastructure trust, not exceeding 70 percent of the appraisal value of the property which the borrower mortgages or pledges to the company as collateral.

Provided always that a real estate investment trust or an infrastructure trust referred to in (b) shall be listed on the domestic securities exchange and having a fund size not less than one billion five hundred million baht.

(5) In the case of a mortgage of immovable property which is a building, non-life insurance must be taken out for such building, and the company shall be the beneficiary under the insurance policy throughout the term of the loan agreement.

(6) Lending with equity instruments listed on the domestic exchange or investment units of a mutual fund pledged to the company as collateral requires written approval from the registrar who may also prescribe any conditions to be complied with."

Clause 10. Provisions in clause 57 of Notification of the Insurance Commission re: Investment in Other Businesses of Non-Life Insurance Companies, B.E. 2556 (2013) shall be repealed and replaced by the provisions as follows:

"Clause 57 The company may issue letters of guarantee as performance bond for projects to any person under the following conditions:

(1) Any of the following assets is mortgaged or pledged as collateral

(a) debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance, or Financial Institution Development Fund in accordance with clause 44 (1);

(b) debt instruments issued, drawn, certified, avaled, or guaranteed by a financial institution or debt instruments issued by a limited company, organization or state enterprise, or a debt instrument issued by a real estate investment trust or other trust announced by the registrar in accordance with clause 44 (2);

(c) equity instruments listed on the domestic exchange in accordance with clause 47;

(d) investment units of a mutual fund in accordance with clause 49; and/or

(e) real estate located in Thailand.

(2) The credit limit for issuance of a letter of guarantee for each person shall not exceed 70 percent of the appraisal value of the assets mortgaged or pledged as collateral.

(3) Issuance of a letter of guarantee as performance bond for projects with equity instruments listed on the domestic exchange or investment units of mutual funds pledged as collateral requires written approval of the registrar who may also prescribe any conditions to be complied with.

Notified on 12 February 2015  
Rungson Sriworasat  
Permanent Secretary, the Ministry of Finance  
Chairman of the Insurance Commission