(Translation)

Notification of the Insurance Commission
Re: Valuation of Assets and Liabilities of Non-life Insurance Companies, B.E. 2554 (2011)

……………………….

By virtue of section 37(2) and section 49 of the Non-life Insurance Act, B.E. 2535 (1992), as amended by the Non-life Insurance Act (No. 2), B.E. 2551 (2008), and the resolution of Insurance Commission Meeting No. 12/2010 on 17 November 2010, the Insurance Commission hereby issues the following notification.

Clause 1 This notification is called the "Notification of the Insurance Commission Re: Valuation of Assets and Liabilities of Non-life Insurance Companies, B.E. 2554 (2011)."

Clause 2 This notification shall come into force on and from 1 September 2011.

Clause 3 The following shall be repealed:

(1) The Notification of the Insurance Commission Re: Valuation of Assets and Liabilities of Non-life Insurance Companies, B.E. 2552 (2009), dated 11 January 2009.

(2) The Notification of the Insurance Commission Re: Valuation of Assets and Liabilities of Non-life Insurance Companies (No. 2), B.E. 2554 (2011), dated 10 June 2011.

Chapter 1
Definitions

Clause 4 In this notification,

"Commission" means the Insurance Commission.

"Office" means the Office of Insurance Commission.

"company" means a company that is licensed to undertake the non-life insurance business under the non-life insurance law, and shall include the branch of a foreign non-life insurance company that is licensed to undertake the non-life insurance business in the Kingdom under the non-life insurance law.

"financial institution" means a financial institution under the law governing financial institution businesses.

"debt instrument" means an instrument evidencing that the issuer is obligated, either directly or indirectly, to pay cash or other asset to a holder of that instrument according to the amount and conditions explicitly or implicitly prescribed, such as bonds, treasury bills, debentures, convertible debentures, promissory notes, bills of exchange, debt instruments with embedded derivatives, or other kinds of debt instruments as prescribed by the registrar.

"equity instrument" means an instrument evidencing that the holder has ownership in residual interest in the invested business, such as ordinary shares, preference shares, share warrants, non-voting depository receipts (NVDRs), depository receipts (DRs), investment units, or other kinds of equity instruments as prescribed by the registrar.

"derivatives instrument" means a financial instrument of which the value and return are dependent upon the value of an underlying asset, and shall include derivatives under the law on derivatives.

"savings lottery" means a savings mobilizing lottery issued by a bank established under a specific law, with payment of benefit in the form of interest upon its maturity as well as the right to win prizes from time to time.

"BEX" means the bond exchange under the supervision of the Securities and Exchange of Thailand (the "SET").

"SET" means to include the Market for Alternative Investment (the "MAI").

"foreign exchange" means an overseas stock exchange under the supervision of a securities and exchange regulatory body that is an ordinary member of the International Organization of Securities Commissions (IOSCO), or a member of the World Federation of Exchanges (WFE).

"ThaiBMA" means the Thai Bond Market Association licensed to be established as an association related to securities business under the law on securities and exchange.

"valuation company" means a valuation company on the list approved by the Office of the Securities and Exchange Commission (the "Office of the SEC") under the Notification of the Office of the SEC re: Approval of Valuation Companies and Principal Valuers for Public Purposes.

"certified public accountant" means a certified public accountant under the law on accounting profession.

"GAAP" means the accounting standards, financial reporting standards, and accounting practices prescribed by the Federation of Accounting Professions.

"weighted-average duration of a debt instrument" or "duration" means the number of years during which a holder will receive interest and principal repayment, weight averaged by the present value of cash flow received in each period.

Clause 5 The meanings or definitions of the items of assets and liabilities other than those ascribed in this chapter shall be in accordance with the GAAP or, in the absence of the relevant definitions under the GAAP, the Notification of the Insurance Commission re: Investment in other Businesses by Non-life Insurance Companies.

Chapter 2
Valuation of Assets

Clause 6 Debt instruments shall be valued according to the methods and conditions prescribed below.

(1) For debt instruments listed in Thailand with high liquidity, the prices at the end of the valuation date published by the designated agencies shall apply as follows:

(a) in the case of debt instruments listed with the ThaiBMA, the price exclusive of accrued interest (clean price) published by the ThaiBMA or an agency recognized by the Office of the SEC;

(b) in the case of debt instruments listed on the BEX, the current bid prices published by the BEX.

In the case of listed debt instruments under (a) and (b), the prices under (a) shall apply.

(2) For debt instruments listed in Thailand which are inactive during the preceding fifteen business days, the fair value valuation technique using the pricing models as described below shall be adopted.

(a) The debt instruments shall be discounted by a rate appropriate to the risks associated with them, using any of the following rules on a consistent basis:

1) to estimate the value by making comparison with the yield from trading on the ThaiBMX or the BEX, or the bid yield from the market maker during the most recent valuation period which is not earlier than fifteen business days, for debt instruments of the same or similar type, credit rating or duration to the debt instruments to be estimated for the fair value (comparative bond method), and taking into account the liquidity of these debt instruments;

2) to estimate the value by making comparison with the reference yield published by the Thai BMX, which is of the same or similar duration to the debt instruments to be estimated for the fair value (reference yield curve method); or

3) to estimate the value using a discount rate which is an interest rate of zero-coupon Thai government bonds, as published by the ThaiBMA, plus an appropriate credit risk premium.

A company may change the method adopted by it only after the production of evidence to satisfy the Office that the value estimated according to the existing rules does not best represent the fair value of the relevant debt instruments.

(b) The fair value of debt instruments which have or may have problems with respect to financial condition, including debt instruments subject to temporary suspension of principal or interest payment or debt restructuring, shall be estimated at book value, adjusted to reflect the market price of assets and liabilities (adjusted book value method), or at liquidation value.

(c) Debt instruments under which principal payment is due and dishonored, or of which the issuer dissolves its business or is subject to a dissolution order, shall not be valued.

(3) Debt instruments listed on a foreign exchange shall be valued at the prices published by Bloomberg, Reuters, Telerate, or Euroclear.

(4) Debt instruments other than those under (1), (2) and (3) shall be valued using any of the following methods on a consistent basis:

(a) the fair value valuation technique based on the model under (2); or

(b) the amortized cost using effective interest rate less allowance for impairment method.

If the maturity of these debt instruments does not exceed one year from the issuance date, they shall be valued at cost *mutatis mutandis*.

Clause 7 Equity instruments shall be valued according to the methods and conditions prescribed below.

(1) For equity instruments listed on the SET which are active on the valuation date, the bid price at the end of the valuation date published by the SET shall apply.

(2) For equity instruments listed on the SET which are inactive on the valuation date, the bid price which is most recent, but no earlier than the preceding fifteen business days, shall apply.

(3) For equity instruments listed on the SET which are inactive during the preceding fifteen business days, any of the following fair value valuation techniques shall be adopted on a consistent basis:

(a) the discounted cash flow method, by projecting cash flow from the value anticipated from selling equity instruments, or from the dividend or other return anticipated by shareholders, and applying a discount rate which is the interest rate of zero-coupon Thai government bonds, as published by the ThaiBMA, plus an appropriate risk premiums;

(b) the comparison with any of the following ratios of equity instruments of the same type, category, and features:

1) price/earnings ratio;

2) enterprise value/earnings before interest, tax, depreciation and amortization ratio;

3) price/book value ratio; or

4) price/net asset value ratio;

(c) the average of the latest, written bid prices on the valuation date from at least three securities companies; or

(d) the comparison with the change in price during the same period of equity instruments of the same type, category, and features which are listed on the SET, or with the price index of the same industrial sector of the SET.

A company may change the method adopted by it only after the production of evidence to satisfy the Office that the value estimated according to the existing method does not best represent the fair value of the relevant equity instruments.

(4) Equity instruments which have been approved by the Office of the SEC, but are pending the application for listing on the SET, shall be valued at the initial public offering (IPO) prices.

(5) Equity instruments listed on a foreign exchange shall be valued at the bid prices at the end of the valuation date as published by the foreign exchange.

(6) For equity instruments listed on a foreign exchange which are inactive during the preceding fifteen business days, the fair value valuation technique under (3) shall apply *mutatis mutandis*.

(7) For equity instruments which are not listed on the SET or a foreign exchange, the fair value valuation technique under (3) shall apply *mutatis mutandis,* provided that:

(a) equity instruments which are investment units shall be valued at the net asset value (NAV) of the mutual fund at the end of the valuation date, or, if the NAV at the end of the valuation date is not available, the latest NAV before the valuation date;

(b) equity instruments which are warrants not listed on the SET shall be valued using any of the following methods on a consistent basis:

1) the prices of securities to be received from the exercise of right, according to the valuation rules prescribed in (1), (2), (3), (4), (5), (6) and (7), less the strike prices, provided that the prices of the warrants calculated according to this method are not less than zero; or

2) the fair value valuation technique generally adopted in the market, which has been proven to provide reliable prices based on actual trading price therein, and is recognized by the Office.

(c) equity instruments which are ordinary shares of the Road Accident Victims Protection Co., Ltd. shall be valued at book value *mutatis mutandis.*

Clause 8 Savings lotteries shall be valued according to the discounted cash flow technique, without taking into account the contingent prizes, or at face value *mutatis mutandis*.

Clause 9 Loans, investment in hire purchase on car, investment in finance leases, outstanding premiums, accrued investment income, and other receivables shall be valued as prescribed below:

(1) Loans shall be valued according to the amortized cost using effective interest rate less allowance for impairment method, or the fair value valuation technique with a discounted cash flow. Either method, when selected, shall be adopted on a consistent basis.

(2) Investment in hire purchase on car, investment in finance leases, outstanding premiums, accrued investment income, and other receivables shall be valued at the prices assessed according to the measurement method prescribed in the GAAP, less allowance for impairment.

(3) The allowance for impairment under (1) and (2) shall be determined according to the methods prescribed below.

(a) The items or groups of items of loans, investment in hire purchase on car, investment in finance leases, outstanding premiums, accrued investment income, and other receivables will be impaired and suffer an impairment loss when there is evidence of a decrease in the projected future cash flows of those items or groups of items which can be reliably estimated.

(b) If the items are material, impairment shall be determined on an item-by-item basis. If the items are immaterial, impairment may be determined on an item-by-item or a group basis.

(c) After considering both the material and immaterial items, if the company is of the view that there is no decrease in the projected future cash flow, the impairment of assets shall be assessed on a group basis. Items with the same credit risk shall be combined for further assessment of an overall impairment.

(d) The items of loans, investment in hire purchase on car, investment in finance leases, outstanding premiums, accrued investment income, and other receivables in respect of which impairment has been assessed on an item-by-item basis, and impairment loss has been recognized shall not be included in the assessment of impairment on a group basis.

(e) After determining the impairment according to the methods under (a), (b), (c) and (d), the values of the items under (1) and (2) must not exceed the limits as prescribed below.

1) Loans secured by mortgage of immovable property

a) If a debtor fails to pay principal or interest according to the terms of a loan agreement for a period in excess of three months but not exceeding six months from the due date of payment, the total amount of outstanding loan inclusive of overdue interest, after deduction of allowance for impairment, shall not be valued in excess of 80 percent of the appraisal price of collateral property, provided that this sum does not exceed the value of the outstanding loan inclusive of overdue interest.

b) If a debtor fails to pay principal or interest according to the terms of a loan agreement for a period in excess of six months from the due date of payment, the total amount of outstanding loan inclusive of overdue interest, after deduction of allowance for impairment, shall not be valued in excess of 50 percent of the appraisal price of collateral property, provided that this sum does not exceed the value of the outstanding loan inclusive of overdue interest.

c) If there is a compromise agreement and the debtor has made at least six consecutive payments thereunder in full, or has already paid a total amount of at least 10 percent of the outstanding principal and interest thereunder, the impairment shall be determined according to the methods in (a), (b), (c) and (d). If the debtor fails to pay principal or interest under the compromise agreement for a period in excess of two months from the due date of payment, the outstanding loan inclusive of overdue interest shall be valued according to 1) b).

d) The appraisal price of collateral property under 1) a), 1) b), or 1) c) shall be the value that has been appraised by a valuation company within the previous 36 months, less accumulated depreciation, and less allowance for impairment. That valuation company must not be related to the company in the same way as a person is related to a director under the Notification of the Commission re: Persons related to directors of the companies. If no condition is met, it shall be deemed that the appraised price of the collateral property is not available.

2) Loans secured by securities

a) If a debtor fails to pay principal or interest according to the terms of a loan agreement for a period in excess of three months but not exceeding 12 months from the due date of payment, the total amount of outstanding loan inclusive of overdue interest, after deduction of allowance for impairment, shall not be valued in excess of 90 percent of the value of security on the valuation date, which is appraised according to the rules under clause 6 or clause 7, depending on the type of security, provided that this sum does not exceed the value of the outstanding loan inclusive of overdue interest.

b) If a debtor fails to pay principal or interest according to the terms of a loan agreement for a period in excess of 12 months from the due date of payment, the total amount of outstanding loan inclusive of overdue interest shall be fully impaired.

3) Investment in hire purchase on car and investment in finance leases

a) If a hire purchaser or lessee is in default for a period in excess of three months but bot exceeding six months from the due date of payment, the investment after deduction of allowance for impairment shall not be valued in excess of 90 percent of the outstanding investment value.

b) If a hire purchaser or lessee is in default for a period in excess of six months from the due date of payment, the investment shall be impaired in full.

4) Loans other than those under 1), 2) and 3), with the exception of loans secured by insurance policies, in respect of which debtors fail to pay principal or interest according to the terms of the loan agreements for a period in excess of three months from the due date of payment, shall be impaired in full.

5) Upon occurrence of any of the following cases, accrued interest from bonds, notes, and convertible debentures shall be fully impaired:

a) interest payment is overdue in excess of three months from the due date of payment;

b) principal payment is due but dishonored; and

c) the issuer dissolves its business or is subject to a dissolution order.

6) Accrued interest other than that under 5), and other accrued investment income which are accrued in excess of three months from the due date of payment shall be fully impaired.

7) Receivables from the sale of debt instruments, equity instruments, and savings lotteries in respect of which payment is not received by the due date of payment shall be fully impaired.

8) Outstanding premiums from automobile insurance

a) If a company is unable to collect premiums for a period in excess of 30 days but not exceeding 60 days from the due date of payment under the Notification of the Insurance Commission re: Collection of premiums for automobile insurance, the remaining outstanding premiums after deduction of allowance for impairment shall not be valued in excess of 50 percent of the outstanding premiums before deduction of allowance for impairment.

b) If a company is unable to collect premiums for a period in excess of 60 days but not exceeding 90 days from due date of payment under the Notification of the Insurance Commission re: Collection of premiums for automobile insurance, the remaining outstanding premiums after deduction of allowance for impairment shall not be valued in excess of 25 percent of the outstanding premiums before deduction of allowance for impairment.

c) If a company is unable to collect premiums for a period in excess of 90 days from the due date of payment under the Notification of the Insurance Commission re: Collection of premiums for automobile insurance, the outstanding premiums shall be fully impaired.

9) Outstanding premiums from insurance of the types other than automobile insurance, except for marine insurance and insurance contracts made with government agencies, state enterprises, or international organizations

a) If a company is unable to collect premiums for a period in excess of 30 days but not exceeding 60 days from the due date of payment under the notification of the registrar regarding collection of insurance premiums, the remaining outstanding premiums after deduction of allowance for impairment shall not be valued in excess of 80 percent of the outstanding premiums before deduction of allowance for impairment.

b) If a company is unable to collect premiums for a period in excess of 60 days but not exceeding 90 days from the due date of payment under the notification of the registrar regarding collection of insurance premiums, the remaining outstanding premiums after deduction of allowance for impairment shall not be valued in excess of 60 percent of the outstanding premiums before deduction of allowance for impairment.

c) If a company is unable to collect premiums for a period in excess of 90 days from the due date of payment under the notification of the registrar regarding collection of insurance premiums, the remaining outstanding premiums after deduction of allowance for impairment shall not be valued in excess of 20 percent of the outstanding premiums before deduction of allowance for impairment.

Clause 10 Fair value of derivatives instruments, including derivatives instruments embedded in debt instruments or equity instruments, shall be determined at market price. If no market price is available, the fair value shall be determined using the valuation technique generally adopted in the market, which has been proven to provide reliable prices based on actual trading therein, and is recognized by the Office.

Clause 11 Cash, deposits at financial institutions, deposit receipts, and negotiable certificates of deposit

(1) Cash shall be valued at the existing amount.

(2) Deposits at financial institutions and certificates of deposit shall be valued at the deposited amount. Certificates of deposit shall be valued at the amortized cost.

Clause 12 Land, building and condominium unit used as business premises, immovable property awaiting for sale, including investment in immovable property, shall be valued at the price appraised by a valuation company within the previous 36 months, less accumulated depreciation, and less allowance for impairment. That valuation company must not be related to the company in the same way as a person is related to a director under the Notification of the Commission re: Persons related to directors of the companies. If no condition is met, it shall be deemed that the appraised price is not available.

Clause 13 Immovable property which a company fails to dispose of within the period prescribed under section 33, paragraph two of the Non-life Insurance Act, B.E. 2535 (1992), as amended by the Non-life Insurance Act (No. 2), B.E. 2551 (2008) shall be valued at the price appraised by a valuation company within the previous 36 months, less accumulated depreciation, and less allowance for impairment. That valuation company must not be related to the company in the same way as a person is related to a director under the Notification of the Commission re: Persons related to directors of the companies. If no condition is met, it shall be deemed that the appraised price is not available.

The deduction of allowance for impairment under paragraph one shall be as prescribed below.

(1) If a company is unable to dispose of immovable property until the expiration of one year but not exceeding two years from the end of a relaxation period granted by the registrar under section33, paragraph two, the allowance for impairment shall be deducted at the rate of 20 percent of the value from the assessment in clause 13, after deduction of accumulated depreciation.

(2) If a company is unable to dispose of immovable property until the expiration of two years but not exceeding three years from the end of a relaxation period granted by the registrar under section 33, paragraph two, the allowance for impairment shall be deducted at the rate of 40 percent of the value from the assessment in clause 13, after deduction of accumulated depreciation.

(3) If a company is unable to dispose of immovable property until the expiration of three years but not exceeding four years from the end of a relaxation period granted by the registrar under section 33, paragraph two, the allowance for impairment shall be deducted at the rate of 50 percent of the value from the assessment in clause 13, after deduction of accumulated depreciation.

(4) If a company is unable to dispose of immovable property until the expiration of more than four years from the end of a relaxation period granted by the registrar under section 33, paragraph two, the allowance for impairment shall be deducted at the rate of 70 percent of the value from the assessment in clause 13, after deduction of accumulated depreciation.

Clause 14 Immovable property acquired or held by the company in contradiction with section 31(10) of the Non-life Insurance Act, B.E. 2535 (1992) shall be valued at the price appraised by a valuation company within the previous 36 months, less accumulated depreciation, and less allowance for impairment. That valuation company must not be related to the company in the same way as a person is related to a director under the Notification of the Commission re: Persons related to directors of the companies. If no condition is met, it shall be deemed that the appraised price is not available.

The deduction of allowance for impairment under paragraph one shall be as prescribed below.

(1) If a company is unable to dispose of immovable property until the expiration of one year but not exceeding two years from the date of acquisition, the allowance for impairment shall be deducted at the rate of 20 percent of the value from the assessment in clause 14, before deduction of accumulated depreciation.

(2) If a company is unable to dispose of immovable property until the expiration of two years but not exceeding three years from the date of acquisition, the allowance for impairment shall be deducted at the rate of 40 percent of the value from the assessment in clause 14, before deduction of accumulated depreciation.

(3) If a company is unable to dispose of immovable property until the expiration of three years but not exceeding four years from the date of acquisition, the allowance for impairment shall be deducted at the rate of 55 percent of the value from the assessment in clause 14, before deduction of accumulated depreciation.

(4) If a company is unable to dispose of immovable property until the expiration of more than four years from the date of acquisition, the allowance for impairment shall be deducted at the rate of 70 percent of the value from the assessment in clause 14, before deduction of accumulated depreciation.

Clause 15 Reinsurance assets shall be valued at the fair value in accordance with the rules and methods as prescribed below.

(1) Reinsurance recoveries on technical reserves shall be valued using the actuarial method in accordance with the rules and methods prescribed in chapter 3: valuation of liabilities.

(2) Reinsurance assets other than those under (1) shall be valued at the reinsurance contract value, less allowance for impairment.

(3) The allowance for impairment under (2) shall be determined from:

(a) explicit evidence that the company may not receive all amounts according to the conditions of contract; and

(b) impact that can be reliably measured in terms of money.

Clause 16 Any assets for which a valuation method is not specified herein shall be valued according to the recognition and measurement method specified in the GAAP, provided that:

(1) assets hedging against borrowers' failure to redeliver securities, which arise from securities borrowing transactions specifically where a company is a lender, shall not yet be valued as assets of a company;

(2) deferred tax assets shall not yet be valued as assets of a company;

(3) the claims to premiums transferred to a company by the insureds who took out insurance with a company that is bankrupt or is subject to revocation of the non-life insurance business license shall be valued according to the amount of premiums which the company, as the transferee, is entitled to receive from the liquidator, the official receiver, or the Non-life Insurance Fund, provided that the aggregate amount is not in excess of Baht 1 million per an insured.

Chapter 3
Valuation of Liabilities

Clause 17 Valuation of liabilities shall be in accordance with the rules prescribed in this chapter.

Clause 18 In valuing the premium reserves for insurance which provides critical illness, accident, or health coverage with a contractual term in excess of one year, or for contracts with guaranteed automatic renewal in respect of which a company cannot exercise termination right, increase or decrease premiums, and change any benefits throughout the term thereof, whereby the premium income from the insurance policies of this description represents more than 5 percent of the total premium income of a company on the valuation date, the rules and methods of valuation of premium reserves of life insurance companies under the Notification of the Insurance Commission re: Valuation of assets and liabilities of life insurance companies shall apply *mutatis mutandis*.

Clause 19 Valuation of reserves for insurance of the types other than that under clause 18 shall be in accordance with clauses 20, 21, 22, 23, 24, 25, and 26 of this notification.

Clause 20 The gross unearned reinsurance premium reserves shall be valued according to the rules and methods as prescribed below.

(1) The gross unearned premium reserves for single-trip transportation insurance as well as travel accident insurance with a coverage period of not exceeding six months shall be calculated at 100 percent of the premium income, commencing from the effective date of insurance policies, throughout the period during which the insureds remain protected by the company, less commissions for agents and brokers at the rate actually paid, but not exceeding that prescribed by law.

(2) The gross unearned premium reserves for bail bond insurance shall be calculated at 70 percent of the premium income, commencing from the effective date of insurance policies, throughout the period during which the insureds remain protected by the company, less commissions for agents and brokers at the rate actually paid, but not exceeding that prescribed by law.

(3) The gross unearned premium reserves for insurance of the types other than those under (1) and (2) shall be calculated according to the coverage period, using the 1/24th system or 1/365th system, less commissions for agents and brokers at the rate actually paid, but not exceeding that prescribed by law.

Clause 21 The unearned reinsurance recovery reserves shall be valued according to the rules and methods as prescribed below.

(1) The unearned reinsurance recovery reserves for single-trip transportation insurance as well as travel accident insurance with a coverage period of not exceeding six months shall be calculated at 100 percent of the reinsurance premiums, commencing from the effective date of coverage, throughout the period during which the insureds remain protected by the company, less reinsurance commissions at the rate actually received by the company, but not exceeding the rate of commissions for agents and brokers which is used for the calculation under clause 20(1).

(2) The unearned reinsurance recovery reserves for bail bond insurance shall be calculated at 70 percent of the reinsurance premiums, commencing from the effective date of coverage, throughout the period during which the insureds remain protected by the company, less reinsurance commissions at the rate actually received by the company, but not exceeding the rate of commissions for agents and brokers which is used for the calculation under clause 20(2).

(3) The unearned reinsurance recovery reserves for insurance of the types other than those under (1) and (2) shall be calculated according to the coverage period, using the 1/24th system or 1/365th system, less reinsurance commissions at the rate actually received by the company, but not exceeding the rate of commissions for agents and brokers which is used for the calculation under clause 20(3).

Clause 22 The net unearned premium reserves shall be calculated by deducting the unearned reinsurance recovery reserves from the gross unearned premium reserves as calculated under clauses 20 and 21.

Clause 23 The gross unexpired risk reserves and net unexpired risk reserves shall be calculated using the actuarial method, taking into account:

(1) the best estimate of the claims expected to arise during the remaining insurance period starting from the valuation date, inclusive of other expenses expected to be incurred from the management of insurance policies and handling of claims; and

(2) the provision for adverse deviations (PAD) of the unexpired risk, at the confidence level of 75 percent as prescribed in clause 27.

Clause 24 The unexpired risk reinsurance recovery reserves shall be calculated by deducting the net expired risk reserves from the gross unexpired risk reserves as calculated under clause 23.

Clause 25 The claim liability reserve shall be calculated based on the gross claim liability reserve and net claim liability reserve, using the actuarial methods such as Chain Ladder, Bornhuetter-Ferguson, etc. and taking into account:

(1) the best estimate of the claims expected to be paid to the insured in the future, on account of the reported and unreported losses arising before or on the valuation date (excluding the claims which have been paid before the valuation date), including expenses expected to be incurred from the handling of these claims; and

(2) the PAD of the claim liability reserve at the confidence level of 75 percent as prescribed in clause 27.

Clause 26 The claim liability reinsurance recovery reserves shall be calculated by deducting the net claim liability reserves from the gross claim liability reserves as calculated under clause 25.

Clause 27 The PAD at the confidence level of 75 percent for unexpired risk reserves and claim liability reserves represent the percentages of the best estimates of unexpired risk reserves and claim liability reserves as specified below.

Type of insurance		**PAD at the confidence level of 75 percent**
Fire		25 percent
Marine and transportation	Hull	30 percent
	Cargo	20 percent
Automobile	Compulsory (car)	15 percent
	Compulsory (motorcycle)	8 percent
	Voluntary	8 percent
Miscellaneous	Industrial all risks (IAR)	25 percent
	Liability	30 percent
	Engineering	20 percent
	Aviation	30 percent
	Personal accident and health	15 percent
	Property	20 percent
	Finance	30 percent
	Travel	15 percent
	Others	30 percent
Insurance which provides critical illness, accident, or health coverage with a contractual term in excess of one year, or for contracts with guaranteed automatic renewal in respect of which a company cannot exercise termination right, adjust premiums, and change any benefits under the insurance policy throughout the term thereof, whereby the premium income from the insurance policies of this description is less than or equal to 5 percent of the total premium income of a company on the valuation date.		15 percent

Clause 28 Any liabilities for which a valuation method is not specified herein shall be valued according to the recognition and measurement method specified in the GAAP, provided that:

(1) accrued commission expense payable out of accrued premium income which is not valued at the percentage prescribed herein shall not yet be valued as liabilities of a company at the same percentage;

(2) liabilities arising from securities borrowing transactions, specifically where a company is a lender, shall not yet be valued as liabilities of a company;

(3) deferred tax liability shall not yet be valued as a liability of a company.

Chapter 4
Miscellaneous

Clause 29 In the event that asset valuation techniques are used, a company must submit the methods used in valuing assets, as well as supporting information and assumptions, and must be able to specify the sources of information, whenever it makes reference to fair values using the valuation techniques for these assets.

Clause 30 If the registrar is of the view that a company fails to assess fair values of its assets according to the standards, the registrar is empowered to order that the company conduct a revaluation and submit the results within the period prescribed by the registrar. The registrar may also require changes in the assumptions, or replacement of a valuation company.

Clause 31 With respect to valuation of insurance reserves, the registrar is empowered to order that a company submit a relevant analysis report in the form and within the timeframe prescribed by the registrar.

Clause 32 If the registrar is of the view that a company fails to value its premium reserves according to the standards, the registrar is empowered to order that the company revalue its premium reserves by changing the assumptions or replacing an actuary who is licensed by the registrar to certify valuation results, and submit the valuation results within the period prescribed by the registrar.

Clause 33 In the event of fluctuation that may severely affect the increase in premium reserves to the extent that a company's financial condition is affected, the registrar is empowered to order that the company revalue its premium reserves by changing the assumptions as specifically designated by the registrar.

Clause 34 If a company fails to comply with any provisions or conditions hereunder, the registrar is empowered to order that company to make rectifications to correctly or completely comply therewith, or to value its assets or liabilities as prescribed by the registrar.

Chapter 5
Transitional Provisions

Clause 35 A loan under clause 9(1) which was extended by a company before 1 September 2011 shall be valued at its outstanding principal, less allowance for impairment under clause 9(3) *mutatis mutandis*.

Notified on 22 August 2011.

(Mr. Areepong Bhoocha-oom)
Permanent Secretary for Finance
Chairman of the Insurance Commission

Note: It is necessary to issue this notification because non-life insurance companies must value their assets and liabilities in accordance with the risk based capital principles.