

## Notification of the Insurance Commission

### Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control (No. 2)

B.E. 2563 (2020)

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By virtue of Section 38 (11) of the Life Insurance Act B.E. 2535 (1992), which was amended by the Life Insurance Act (No. 2) B.E. 2551 (2008), together with the resolutions of the Insurance Commission Meetings No. 4/2020 on 27 March 2020 and No. 8/2020 on 24 July 2020, the Insurance Commission prescribes as follows:

Clause 1 This Notification shall be called the “Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control (No. 2) B.E. 2563 (2020).”

Clause 2 This Notification shall take effect from 1 January 2021 onwards.

Clause 3 The definition of “Director Participating in Management” in Clause 3 of the Notification of the Insurance Commission re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed.

Clause 4: The definition of “Executive Director” as described below shall be added between the definitions of “Related Person” and “Executive” in Clause 3 of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014):

““Executive Director” means a director holding an Executive position, a director having the duty and responsibility for undertaking any act in the same manner as an Executive, and shall include a director being authorized to sign with binding effect on a Company, unless it can be demonstrated that such signing is made in a transaction approved by the Company's Board of Directors' resolutions and is made jointly with other directors.”

Clause 5: The provision of Clause 5 of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“Clause 5: A Company shall maintain a set of regulations on receiving and making of payments that has been approved by the Company’s Board of Directors or any other subcommittee as delegated by the Company’s Board of Directors, and ensure that its audit and internal control are conducted in accordance with the criteria, procedures, and conditions prescribed in this Notification.

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

Clause 6: The provision of Clause 17 of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies’ Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“Clause 17: The Companies shall establish an audit committee that comprises at least three members as suitable for the size, nature, and complexity of the Companies’ activities, in accordance with the following criteria:

(1) The members of the audit committee must be appointed by a resolution adopted at the Companies’ Board of Directors’ or shareholders’ meeting;

(2) At least two-thirds of the members of the audit committee must be independent directors;

(3) The chairman of the audit committee must be an independent director who is a member of the Companies’ Board of Directors.”

Clause 7: The provision of Clause 19 (2) of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies’ Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“(2) not being, nor having been, in the position of an Executive, or an employee, a staff member, a regularly salaried advisor, or a Controlling Person of the Company, its parent company, subsidiaries, associated companies, same-tier subsidiaries, a Major Shareholder, or a Controlling Person of the aforesaid companies, unless the foregoing status ended no less than two years prior to taking the position [of independent director]. Such prohibited characteristics shall not apply in the case where a candidate independent director used to serve as a government officer or an advisor of a government agency that is a Major Shareholder or Controlling Person of the Company.”

Clause 8 The provision of Clause 19 (8) of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“(8) not operating a business of a similar nature to, or that is in competition with the Company or its subsidiaries; nor being a significant partner in any partnership, an Executive Director, an employee, a staff member, a regularly salaried advisor, or a holder of over one percent of the total shares with voting rights of any other juristic persons being engaged in any business of a similar nature to or in competition with that of the Company or its subsidiaries.”

Clause 9: The provision of Clause 28 (6) of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“(6) To carry out an audit, assessment of risk and management guidelines for fraud, errors, omissions, and other irregularities. In this regard, the Company may delegate any other internal unit of the Company that is independent and impartial to perform this duty.”

Clause 10 The provision of Clause 29 of the Notification of the Insurance Commission re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and the Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“Clause 29 A Company shall maintain a regulatory compliance unit or another equivalent unit that is impartial and directly reports to the Company's Board of Directors, or impartial subcommittee that has the duty to monitor the operations of business units. The regulatory compliance unit shall be tasked with responsibilities for ensuring the Company's due compliance with the law on life insurance, the requirements set forth by the Office, and other laws applicable to the business of the Company; in this regard, the balance of power and conflict of interest that may arise from such unit's organizational structure must be taken into consideration.

In this regard, the Company must designate a person heading its regulatory compliance unit to act on its behalf in coordinating with the Office. The Company shall keep its board of directors or impartial subcommittee tasked with the duty to monitor the operation of its business units and the Office, notified of such designation and termination thereof within fifteen business days from the date of the designation or termination, as the case may be. In

the case of notifying the termination of designation, the Company must specify relevant causes of such termination.”

Clause 11 The provision of Clause 30 (2) of the Notification of the Insurance Commission Re: Criteria, Procedures and Conditions for Life Insurance Companies’ Receiving and Making of Payment, Audit and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“(2) To develop a regulatory compliance risk management system by identifying and assessing risks, imposing risk management methods, monitoring and reporting the results of the assessment of changes in compliance risks, which entail the causes of such non-compliance, solution guidelines, and resolved issues, to the Company’s Executive, impartial subcommittee tasked with the duty to monitor the operations of its business units, or Board of Directors.”

Clause 12 The provision of Clause 30 (4) of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014), shall be repealed and replaced by the following provision:

“(4) To monitor and ensure regulatory compliance, and submit to the Company’s Board of Directors , or impartial subcommittee tasked with the duty to monitor the operations of its business units, an annual report on such regulatory compliance including any violation of law and investigation of any Executive, as well as any fines imposed or legal actions taken by the Office or other relevant government agencies.”

Clause 13 The provision of Clause 33 of the Notification of the Insurance Commission Re: Criteria, Procedures, and Conditions for Life Insurance Companies' Receiving and Making of Payments, Audit, and Internal Control B.E. 2557 (2014) shall be repealed and replaced by the following provision:

“Clause 33 The Company must maintain a written operations handbook entailing its core operating processes, and defining the authority, duties, responsibilities, targets, and objectives of the operation.”

Notified on this 10<sup>th</sup> day of September B.E. 2563.

(Mr. Prasong Poontaneat)

Permanent Secretary, Ministry of Finance  
Chairman of the Insurance Commission