[Translation]

Notification of the Insurance Commission

Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Non-life Insurance Companies' Capital Requirements B.E. 2562 (2019)

By virtue of Section 27 of the Non-life Insurance Act B.E. 2535 (1992), which was amended by the Non-life Insurance Act (No. 2) B.E. 2551 (2008), together with the resolutions of the Insurance Commission's Meeting No. 10/2019 on 30 September 2019, and No. 12/2019 on 23 November 2019, the Insurance Commission prescribes this Notification as follows:

Clause 1 This Notification shall be called the "Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Non-life Insurance Companies' Capital Requirements B.E. 2562 (2019)."

Clause 2 This Notification shall take effect from 31 December 2019 onwards.

Clause 3 The following notifications shall be repealed:

(1) Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Non-life Insurance Companies' Capital Requirements B.E. 2558 (2015) dated 30 March 2015;

(2) Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Non-life Insurance Companies' Capital Requirements (No. 2) B.E. 2558 (2015) dated 21 December 2015;

(3) Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Non-life Insurance Companies' Capital Requirements (No. 3) B.E. 2561 (2018) dated 12 November 2018.

Clause 4 In this Notification:

"Company" means a company that has been granted a non-life insurance business license under the law on non-life insurance, and shall include a foreign non-life insurance company's branch that has been granted a license to operate a non-life insurance business in the Kingdom of Thailand under the law on non-life insurance;

"Subsidiary" means a subsidiary defined according to the generally-accepted accounting standards of the Federation of Accounting Professions;

"Affiliate" means an affiliated company defined according to the generally-accepted accounting standards of the Federation of Accounting Professions.

Clause 5 A Company's assets and liabilities shall be valuated in accordance with the Notification of the Insurance Commission on valuation of non-life insurance companies' assets and liabilities.

Clause 6 The capital legally required to be maintained by a Company must not be less than an aggregate sum of the capital for all risks under Clause 8, provided that it shall not be less than thirty million Baht, taking into consideration the capital adequacy ratio as determined by dividing the capital amount under Clause 7 by the capital amount for all risks under Clause 8, and provided that the capital adequacy ratio must not be lower than one hundred percent.

For any Company having a capital adequacy ratio lower than the following rates, the Registrar may prescribe necessary measures to regulate the financial position of that Company.

(1) From the date on which this Notification takes effect to 31 December 2021, at the rate of one hundred and twenty percent;

(2) From 1 January 2022 onwards, at the rate of one hundred and forty percent.

Clause 7 A Company's capital must consist of an aggregate sum of tier 1 capital under Clause 9, and that of tier 2 capital under Clause 10.

Clause 8 A Company must compute the capital for the following risks:

(1) Insurance risk;

(2) Market risk;

(3) Credit risk;

(4) Concentration risk;

(5) Operational risk.

The criteria, procedures, and conditions for the computation of capital requirements for each risk pursuant to the paragraph one shall be in accordance with Appendix 1, Appendix 2, Appendix 3, Appendix 4, and Appendix 5 to this Notification. In this regard, the results of risk diversification between asset risk and insurance risk shall be in accordance with Appendix 6 to this Notification.

In this regard, the Company is not required to compute the capital requirements for risk associated with non-capital assets.

Clause 9 Tier 1 capital consists of an aggregate sum of common equity tier 1 capital (CET 1) and that of additional tier 1 capital as follows:

(1) Common equity tier 1 capital is equivalent to the items countable as common equity tier 1 capital, minus deductions from the common equity tier 1 capital, in accordance with the following conditions:

(a) Items countable as common equity tier 1 capital include:

1) Paid-up capital from all issued ordinary shares, or capital received from the head office in the case of a foreign insurance company's branch;

2) Share premium (share discount shall be shown in a negative figure);

3) Retained earnings (accumulated loss shall be shown in a negative figure);

4) Increment or decrement value (decrement value shall be shown in a negative figure) when comparison is made between the price under Clause 5 and the investment assets' acquisition cost under the Notification of the Insurance Commission regarding non-life insurance companies' investments in other businesses, but excluding immovable property;

5) Increment or decrement value (decrement value shall be shown in a negative figure) when comparison is made between the price under Clause 5 and the cost of immovable property being used as the Company's business premises;

6) Other reserve in the shareholders' equity.

(b) Deductions from common equity tier 1 capital are:

1) Payments made by the Company for the repurchase of shares under the law on public limited companies;

2) Goodwill that is accounted for as an asset in the financial statements;

3) Intangible assets (with the exception of computer programs owned by the Company);

4) Encumbered assets, with the exception of any collateral placed by the Company with the Registrar, and any assets allocated by the Company for liabilities and obligations under insurance contracts in accordance with the law on non-life insurance;

5) Value of assets acquired or maintained by the Company in violation of the provisions of law that are accounted for as common equity tier 1 capital, with the exception of immovable property for which an impairment loss is recognized;

6) Value of equity instruments invested by the Company in any other company, or any corporate grantee of a license to operate life insurance business under the law on life insurance, which shall be deducted in accordance with the following conditions:

a) From the date on which this Notification takes effect to 30 June 2020, twenty-five percent of such equity instruments' value shall be deducted;

b) From 1 July 2020 to 31 December 2020, fifty percent of such equity instruments' value shall be deducted;

c) From 1 January 2021 to 30 June 2021, seventy-five percent of such equity instruments' value shall be deducted;

d) From 1 July 2021 onwards, one hundred percent of such equity instruments' value shall be deducted.

In this regard, the Company is not required to deduct the value of equity instruments in any other company, or any corporate grantee of a license to operate life insurance business under the law on life insurance; in the case of holding such equity instruments for the said company's financial resurrection, or in the case of the said company's debt restructuring, after which the Company shall not become the said company's Subsidiary or Affiliate, or in the case of holding equity instruments of Road Accident Victims Protection Co., Ltd, or in other cases as prescribed and notified by the Registrar.

7) Value of equity instruments invested by the Company in its Subsidiaries and Affiliates.

8) Value of equity instruments reciprocal cross-holding between another juristic persons and the Company, where said juristic person has the objective of holding the equity instruments for the purpose of the Company's capital increase pursuant to Appendix 7.

(2) Tier 1 capital that is a financial instrument is equivalent to the items countable as tier 1 capital that is financial instruments minus the deductions from tier 1 capital that are financial instruments, in accordance with the following conditions:

(a) Items countable as tier 1 capital that are financial instruments include:

1) Proceeds from issuing non-cumulative, non-redeemable preference shares;

2) Proceeds from issuing debt instruments that are subordinated to creditors being entitled to receive payment of debts incurred in relation to insurance,

general creditors, and all types of subordinated creditors as listed in Appendix 8, as well as creditors from issuing the instruments under Clause 10 (1) (c). In this regard, the issuance of such instruments must be done out of necessity and with prior permission obtained from the Registrar.

(b) Deductions from tier 1 capital that are financial instruments include:

1) Payments made by the Company for the repurchase of non-cumulative, non-redeemable preference shares;

2) Payments made by the Company for the repurchase of additional tier 1 capital that are financial instruments.

In this regard, the Company's tier 1 capital must be greater than eighty percent of an aggregate sum of capital requirements for all risks under Clause 8, and the Company's tier 1 capital must consist of common equity tier 1 capital amounting to more than sixty-five percent of the aggregate sum of capital for all risks under Clause 8.

Clause 10 Tier 2 capital is equivalent to the items countable as tier 2 capital minus the deductions from tier 2 capital, in accordance with the following conditions:

(1) The items countable as tier 2 capital include:

(a) Proceeds from issuing cumulative, non-redeemable preference shares;

(b) Increment or decrement value (decrement value shall be shown in a negative figure) when comparison is made between the price under Clause 5 and acquisition cost of immovable property, including operating assets, but excluding the Company's business premises;

(c) Proceeds from issuing debt instruments subordinated to creditors being entitled to receive payment of debts incurred in relation to insurance, and general creditors under Appendix 9. In this regard, the issuance of such instruments must be done out of necessity and with prior permission obtained from the Registrar.

(2) Deductions from tier 2 capital include:

(a) Payments made by the Company for the repurchase of cumulative, non-redeemable preference shares;

(b) Payments made by the Company for the repurchase of financial instruments countable as tier 2 capital;

(c) Assets countable as tier 2 capital that are encumbered, except for collateral placed by the Company with the Registrar, and assets allocated by the Company for liabilities and obligations under insurance contracts, in accordance with the law on non-life insurance.

Notified on this 27th day of December B.E. 2562

Prasong Poontaneat

Permanent Secretary, Ministry of Finance

Chairman of the Insurance Commission