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(OIC Emblem)

Notification of the Insurance Commission

Re: Corporate Governance of Life Insurance Companies, B.E. 2562 (2019)

The insurance business is dependent on mutual trust and good faith, as it has a duty and responsibility towards the insured and members of the general public. In order to continuously grow a stable business with a high degree of resilience in today's ever-changing business environment, insurance companies need to establish compliance systems that foster checks and balances to ensure ethical business practices, in compliance with the provisions of the law, along with systematic enterprise risk management. These undertakings cannot be effectively implemented and sustained without strong leadership by their board of directors. A board of directors plays key roles in determining the company's affairs, giving direction, formulating key policies and business strategies, as well as overseeing the entire business operations, such as by putting in place efficient compliance and risk management systems. Corporate governance is vitally important to the insurance industry, allowing a board of directors to establish processes or guidelines for corporate governance that are clearly-defined, reliable, transparent and responsible to the insured and stakeholders, leading to the sustainability of the company's business. The determining factors of sound corporate governance consist of the leadership role of the board of directors in the performance of its duties and responsibilities, and clear separation of the compliance unit and the management to ensure transparency and accountability. Committees, such as the audit committee, risk management committee, and investment committee, appointed by the board of directors, will act as a mechanism that support the board of directors in performing its duties by monitoring and vetting the company's key activities. Clear description of tasks and responsibilities, and systematic monitoring of the management's performance are also important. It is advisable that insurance companies focus on changes in information technology that may affect their business environment and operations, along with disruptive technology and cyber-risks.

By virtue of the provisions under section 12 (1) and (2) of the Insurance Commission Act, B.E. 2550 (2007), sections 35 and 38 (11) and (13) of the Insurance Act, B.E. 2535 (1992), as amended by

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the Insurance Act (No. 2), B.E. 2551 (2008), along with resolutions passed at the Insurance Commission Meetings Nos. _/2561, held on _ 2018 and _/2561, held on _2018, the Insurance Commission hereby issues notification as follows.

Clause 1. This Notification is called the “Notification of the Insurance Commission re: Corporate Governance of Life Insurance Companies, B.E. 2561 (2018).”

Clause 2. This Notification shall come into force upon the expiration of 180 days from the date of its publication in the *Government Gazette*, except clause 8, paragraph two, and clause 15 (7) hereof, which shall become effective on 1 January 2020.

Clause 3. The Notification of the Insurance Commission re: Guidelines, Structure, Qualification and Best Practices of Board of Directors of Life Insurance Companies and Non-Life Insurance Companies, B.E. 2557 (2014), dated 31 July 2014, shall be repealed.

Clause 4 In this Notification:

“corporate governance framework” means a code of practice for a board of directors to ensure that the board of directors recognizes and understands its roles, duties and responsibilities as a leader of the organization, which must maintain corporate governance by which a company is directed in order to generate long-term positive operating results, ensure reliability, and create sustainable value for the company. The code of practice consists of developing business strategies, directions, and policies for the company, establishing an efficient checks-and-balances mechanism, and monitoring corporate compliance of the company on a regular basis;

“board of directors” means a board of directors under the law governing life insurance companies, whereby this definition also includes an executive board of a branch office of a foreign life insurance company obtaining a life insurance business license under laws on life insurance, which the branch manager must be a member of;

“director” means any person who is a member of the company's board of directors;

“executive director” means a director holding an executive position, or a director having duties and responsibilities to execute any specific activity as an executive, including a director

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authorized to sign documents, unless the signature is given for any transaction previously approved by the board of directors, and this signature is to be jointly given with those of another directors;

“manager” means a person nominated by a board of directors to supervise the company's operations, regardless of his or her title;

"executive" means the managers or persons holding the first four executive positions below the managers, and all persons whose positions are equivalent to the fourth executive rank, including all executive officers in charge of accounting or finance at the rank of department manager or higher, or equivalent.

"juristic person" means any limited company, public limited company, limited partnership, ordinary partnership, or other juristic entity incorporated under any specific law or foreign law, excluding companies under the law on life insurance and the law on non-life insurance;

"company" means any public limited company obtaining a life insurance business license under the laws on life insurance, including any branch office of foreign life insurance companies obtaining a life insurance business license in the Kingdom under the laws on life insurance;

"parent company" means:

- (1) a juristic person that controls the business operations of a company;
- (2) a juristic person that control the business operations of a juristic person under (1); or
- (3) a juristic person that controls the business operations of a juristic person under (2) through one or more intermediaries, starting from its control over the business operations of a juristic person under (2);

"subsidiary" means:

- (1) a juristic person that is controlled by a company;
- (2) a juristic person that is controlled by a juristic person under (1); or
- (3) a juristic person that is controlled by a juristic person under (2) through one or more intermediaries, starting from being controlled by a juristic person under (2);

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"fellow subsidiary" means at least two subsidiaries of a parent company, regardless of the tier of these subsidiaries;

"associate company" means a juristic person over which a company or subsidiary has influence in making decisions on its financial policy and business policy, but not to a degree that they have control over that policy, and which is not considered a subsidiary or a joint venture

(in the event that a company or a subsidiary directly or indirectly holds shares in total representing twenty percent but not exceeding fifty percent of the total voting rights of a company, it shall be presumed that that company or subsidiary has the influence to participate in making decisions under the foregoing paragraph unless proven otherwise);

"major shareholder" means any shareholder who holds more than 10 percent of the total voting shares of a company, whereby this shareholding shall cover shares held by any related persons;

"control" means any of the following relationships:

(1) the holding of shares with voting rights in a company or juristic person in an amount exceeding 50 percent of the total vote of that company or juristic person;

(2) having the power to directly or indirectly control the majority of vote at a shareholders meeting of a company or juristic persons, or for any reason; or

(3) having the power to directly or indirectly control the appointment or removal of half or more of all directors;

"person with significant control" means any shareholder or person who, according to the circumstances, has a significant influence over the establishment of policies, the management, or the operations of a company or a juristic person, whether by reason of being a shareholder, authority conferred by an agreement, or otherwise, particularly a person who meets any of the following criteria:

(1) a person whose direct or indirect voting rights represent more than 25 percent of the total voting shares of the company or the juristic person;

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(2) a person who, according to the circumstances, is able to control the appointment or removal of directors of the company or the juristic person;

(3) a person who, according to the circumstances, is able to direct the persons in charge of the establishment of policies, the management, or the operations of the company or the juristic person to comply with his or her orders in the establishment of policies, the management, or the operations of the company or juristic person; or

(4) a person who, according to the circumstances, operates or is in charge of the operations of a company as if he or she were a director or executive, including any person holding a position with the same control and duties as that person in such company or juristic person;

“related person” means a person who has any relationship with another person that meets the following criteria:

(1) being the spouse of that person;

(2) being a minor child of that person;

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

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

(5) a limited company or a public limited company in which that person or the person described in (1) or (2) above, or any partnership described in (3) or (4) above, holds more than 30 percent of the total subscribed shares of that limited company or public limited company;

(6) a limited company or a public limited company in which that person or the person described in (1) or (2) above, or any partnership described in (3) or (4) above, or a company described in (5) above, holds shares than 30 percent of the total subscribed shares of that limited company or public limited company; or

(7) a juristic person over which that person has the power to manage in capacity as its representative.

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“key shareholder” means shareholders who hold shares in total amount to over 10 percent of the total voting shares in any corporation, whereby this shareholding shall include shares held by related persons;

“the Office” means the Office of the Insurance Commission.

Clause 5. The Office may issue exhaustive guidelines for compliance with this Notification, and if the guidelines have been compiled with, the company shall be deemed to have complied with the relevant matters described this Notification.

Chapter I

Corporate Governance Framework

Clause 6. Each company must develop its corporate governance framework in writing with the approval of its board of directors, and have the framework reviewed at least once a year to keep up with any change of circumstances.

Each company must deliver its corporate governance framework to the Office within 30 days from the date this Notification comes into force, and within one month from the date its board of directors has approved any material change thereof.

Chapter II

Structure, compositions, duties and responsibilities of the board of directors and directors

Clause 7. Each company must establish its board structure and composition, and create an appropriate number of members for its board of directors, taking into account the description, size, and complexity of the company, with proper checks and balances, while also taking the competencies of directors who work together into account, and keeping in compliance with the laws governing life insurance and public limited companies.

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Clause 8. Directors must have sufficient knowledge, competence, and experience, understand their attributes, duties, and responsibilities, and have various experiences or skills commensurate with the description, size, complexity, and risks of the company.

The board of directors under the foregoing paragraph shall be composed of:

(1) directors who are executives, totaling no more than one-third of the total number of directors;

(2) independent directors, totaling no more than one-quarter of the total number of directors; and

(3) a chairman of the board of directors, who is an independent or non-executive director, unless otherwise approved on a case-by-case basis by the Office as part of a problem-solving arrangement in any specific timeframe.

Clause 9. Each director must have the qualifications and suitability and have no disqualifications as referred to in the laws governing life insurance.

Clause 10. An independent director described in clause 8 (2) must meet the following criteria:

(1) holding shares representing no more than one percent of all voting shares of a company, its parent company, subsidiary, affiliate company, major shareholder, or person who controls the company, including shares held by a related person of that independent director;

(2) not being and not having been a director who is an executive, contractor, employee, consultant who earns regular salaries, or person with the power to control a company, its parent company, subsidiary, affiliate company, fellow subsidiary, major shareholder or person with power to control that company, unless this status ended for at least two years before the director assumes his or her position, provided that these disqualifications do not include the event that such independent director had served as government official or consultant to any government agency, which is a major shareholder or to any government agency with the power to control that company;

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(3) not being a person with a blood relationship or officially-registered relationship as father, mother, spouse, sibling or child, including a spouse of the child of another director, executive, major shareholder, person with significant control, or person to be nominated as director, executive, or a person with significant control of that company or its subsidiaries;

(4) not having and not having had any business relationship with a company, its parent company, subsidiary, affiliate company, major shareholder, or person with significant control of a person who has business relationship with that company, its parent company, subsidiary, affiliate company, major shareholder, or a person with significant control of that company, unless the relationship has ended at least two years before the director assumes his or her position

(a "business relationship" as described in the foregoing paragraph includes trading transactions executed in a normal course of business conduct, real estate rental or leasing, transactions related to assets or services, or giving or taking financial aid through borrowing or lending, loan guarantees, hypothecation, or other similar conduct that results in the company or the other party to the agreement to bear debt payable to the other party at the rate of three percent of the net tangible assets of the company, or Baht 20 million or greater, whichever is lower);

(5) is not or was not an auditor of a company, its parent company, subsidiary, affiliate company, major shareholder, or person with significant control of that company, and is not a key shareholder, person with significant control or partner of an audit firm that retains an auditor of that company, its parent company, subsidiary, affiliate company, major shareholder, or a person with significant control of that company, unless the status has terminated at least two years before that director assumes his or her position;

(6) not having and having not been a person providing any professional service, including providing services as a legal advisor or financial advisor receiving, service fees of more than Baht 2 million per year from that company, its parent company, subsidiary, associate company, major shareholder, or person with significant control of that company, and not being a key shareholder, a person with significant control, or partner of the provider of such professional services, unless this status ended at least two years before that director assumes his or her position.;

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(7) not being a director appointed as a representative of directors of that company, major shareholders, or shareholders who are related to major shareholders;

(8) not engaging in a business similar to and in significant competition with any business conducted by the company, or its subsidiary, and not being a key partner in a partnership or a director who is an executive, contractor, employee, advisers member of staff, adviser earning salary on a regular basis, or holds more than one percent of the total voting shares of another juristic person which engages in a business similar to and in significant competition with any business of the company or its subsidiary; and

(9) not possessing other characteristics that may impede him or her in exercising their independent judgment regarding the company's business operations

Following his or her appointment as an independent director that meets the criteria described in the foregoing paragraph, an independent director may be entrusted by the board of directors to make decisions on the business operations of the company, its parent company, subsidiary, associate company, fellow subsidiary, major shareholder, or a person with significant control of the company, whereby this decision may be made by a panel.

For the purpose of (5) and (6), "partner" includes any person entrusted by an audit firm or a professional service provider to sign an auditor's report or professional service report, as applicable, for and on behalf of that juristic person.

Clause 11 In the event that a person appointed by the company as independent director has or had a business relationship, or provides professional service receiving fees exceeding the amount specified in clause 10 (4) or (6), the company will be exempted from the prohibition with respect to past or present relationships or provision of professional service if the company has presented its board of directors' opinion stating that the appointment of that person will not affect his or her independent performance and opinions. The following information must be disclosed in a letter of invitation to the shareholders' meeting in the agenda pertaining to the appointment of independent directors:

(1) a business relationship or provision of professional services that may make that person fail to meet the required criteria;

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(2) the rationale and necessity for appointing that person as independent director; and

(3) the opinion of the board of directors on nominating that person as an independent director.

Clause 12. A board of directors has the duty and responsibility to establish a corporate governance framework and key strategies and policies, to keep the company be equipped with efficient mechanisms to control, regulate, and monitor the company's operations on a continuing basis, so as to ensure that the company carries out its business in a fair and transparent manner, is accountable to stakeholders under corporate governance principles, and to create long-term value for the company by:

(1) establishing and developing directions, policies and strategies of the company that must include at least:

(a) establishing the overall direction and strategic goals of the company, approving policies and business strategies of the company, and providing oversight to ensure the company adheres to sustainable business operations and avoids any risk that exceeds its risk appetite;

(b) ensuring that the company puts a policy in place to safeguard against conflict of interest, to prevent any action that leads to the personal gain or interests of associates, and to avoid conflict of interest issues without regard to the company's major risks;

(c) ensuring that the company puts a whistleblowing policy and procedures in place to monitor and report on actions that may be illegal, or may violate policies, rules, corporate processes and business ethics;

(d) ensuring that the company formulates an appropriate remuneration policy in writing that at least covers remuneration of directors, executives, key personnel in compliance units, and major risk-taking staff that reflects the objectives and risks of each unit, taking into account the long-term stability of the company, while at the same time not motivating any execution of transactions that may impose excessive risks at the expense of the company's stability and interests of the insured; and

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(e) providing requirements on business ethics and morality and ethical standards for its directors, executives, and employees to observe as its corporate code of conduct;

(2) ensuring that the company has put efficient control, surveillance, and inspection procedures and mechanisms in place that must at least include:

(a) establishing a company structure that clearly divides compliance duties from management duties, and defines the roles, duties, and responsibilities of the board of directors, executives, and key personnel of compliance units to ensure appropriate corporate governance;

(b) ensuring that the company puts risk management and compliance systems required by law in place which reflect the description, size, and complexity of its business operations, and furthermore, the board of directors must ensure that the company puts efficient risk management systems in place that are capable of handling major risks, keeping risks within the company's risk appetite; and ensuring that the company puts in place efficient corporate compliance systems and audit systems;

(c) appointing committees that fit the business' description, size, and complexity in order to support the board of directors in performing its tasks, and reviewing any change to the composition of and any material changes to the performance of committees

(these appointments must at least include the appointment of an audit committee, risk management committee, and investment committee, and other committees, such as a nominating committee, an information technology supervisory committee may be appointed if and when necessary);

(d) overseeing the company's audit-related matters, including:

1) appointing an independent person to serve as the company's auditor, and fixing the remuneration for the auditor;

2) instructing the auditor to prepare a management letter and opinions of senior executives of the company to submit to the board of directors; and

3) holding joint meetings between the board of directors or the audit committee and the company's auditor at least once a year without participation of executives

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(the appointment of an auditor must at least be based on his or her knowledge and understanding of insurance companies, the valuation of insurance reserves and insurance business operations, and the auditor so appointed must be in a list of auditors approved by the Securities and Exchange Commission;

(e) causing the performance of the board of directors to be assessed on a yearly basis to make sure that the board of directors maintains efficient performance in accordance with the roles, duties and responsibilities entrusted to it. The assessment may be conducted to gauge the performance of the entire directors, or any individual director;

(f) ensuring that the company discloses its corporate governance information to the public; and

(g) ensuring that the company puts accurate and reliable financial reporting in place that discloses key data accurately, adequately, and in a timely fashion to the public and regulatory authorities in accordance with the applicable law and standards; and

(3) monitoring the company's operations on a continuous basis by at least:

(a) making sure that the company complies with laws, rules, and regulations relating to the business operations of the company;

(b) supervising and monitoring the performance of executives to be in line with the pre-determined strategies and policies in an efficient and effective manner;

(c) ensuring that the company maintains stable and adequate capital to run current and future business operations, monitoring capital status on a regular basis, and ensuring that the company has access to processes or tools to maintain capital adequacy at a stable level;

(d) ensuring that executives report major events of the company and establish reporting procedures to enable the board of directors to access adequate information to exercise its full power and perform its duties and responsibilities; and

(e) ensuring that the company treats its customers fairly by establishing clearly-defined processes or procedures for insurance offers and payouts to avoid misleading customers or exploitation of customers' misinformation.

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Clause 13. The directors and branch manager of a foreign life insurance company must:

(1) comply with the law governing life insurance and other applicable laws;

(2) perform their duties responsibly, honestly, and diligently, taking the interests of the company and the insured into account, not abusing their authority to seek personal gains or cause damage to the company, and complying with the objectives, requirements, resolutions of the board of directors and resolutions passed at the meeting of shareholders;

(3) understanding their roles, duties, and responsibilities, and participating in giving opinions and suggestions that are beneficial to the meeting, performing their duties with their best efforts, and attending all board of directors meetings, unless their absence is necessary;

(4) exercising their judgment independently, rationally, and based on adequate information for decision-making in order to prevent any conflict of interest issues, whereby in the event of a meeting of directors in which there is a matter that any director may directly or indirectly have interest in, that director must notify the board of directors and must not participate or be involved in the making a decision or vote on that matter.

Clause 14. The provisions in clauses 7, 8 (paragraph two), 9, 10, and 11 shall not apply to a company which is a branch of a foreign life insurance company obtaining a life insurance business license under the law governing life insurance.

Chapter III

Duties and responsibilities of executives

Clause 15. Executives have duties and responsibilities to run the operations in accordance with the strategies and policies set out by the board of directors so that the company will achieve its objectives and business goals. Those duties and responsibilities consist of at least the following:

(1) implementing business strategies and policies established by the board of directors efficiently, taking the long-term value and sustainable business of the company into account;

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(2) ensuring that the company puts efficient risk management activities and corporate audit systems in place, complies with the applicable law, and treats the insured fairly, and promoting and supporting these activities;

(3) submitting accurate, adequate and timely reports on key information related to the company's operating results, the risk profiles of the company, and the performance of executives to the board of directors to allow the directors to supervise, regulate, and monitor the performance and results efficiently;

(4) establishing a proper chain of command or reporting structure, and clearly determining the duties and responsibilities of each division under that chain of command in the way that will be conducive to efficient risk management, compliance, and control;

(5) fostering the company's risk management culture, supervising and controlling the company's risks to be within its risk appetite as determined by the board of directors, and communicating the company's risk management policy to all employees for their understanding and realization of the importance thereof;

(6) causing the performance of executives to be assessed on a yearly basis, compared to the objectives set out by the board of directors, whereby the assessment outcome will be submitted to the board of directors; and

(7) not serving as a full-time employee of another corporation unless the board of directors is of the view that the full-time employment does not affect their efficiency in performing their duties for the company.

Issued this 10 January 2019

(Mr. Prasong Poontaneat)

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Chairman of the Insurance Commission

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