

Notification of the Insurance Commission

Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of the Capital Amount required of Non-life Insurance Companies (No.4) B.E. 2564 (2021)

By virtue of Section 27 of the Non-life Insurance Act B.E. 2535 (1992), as amended by the Non-life Insurance Act (No. 2) B.E. 2551 (2008), together with the resolutions of the Insurance Commission Meetings No. 13/2020 on 25 December 2020 and No. 1/2021 on 29 January 2021, the Insurance Commission hereby prescribes this Notification as follows:

Clause 1 This Notification shall be called the “Notification of the Insurance Commission regarding Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of the Capital Amount required of Non-life Insurance Companies (No.4) B.E. 2564 (2021).”

Clause 2 This Notification shall take effect as from the date of its publication onwards.

Clause 3 The provision of paragraph 5.2.5 of Appendix 2: Criteria, Procedures, and Conditions for Computation of the Capital Requirements for Market Risk, of the Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for Computation of Capital Amount required of Non-life Insurance Companies (No.3) B.E. 2563 (2020) dated 28 September 2020, shall be repealed and replaced with the following provision:

“5.2.5 The capital requirements for a Specific Risk pertaining to an issuer of each type of debt instrument is equivalent to the value of such debt instrument multiplied by the Specific Risk pertaining to the issuer pursuant to the Notification of the Insurance Commission on a Non-life Insurance Companies’ Investments in other Businesses according to Table 2.6.1. In this regard, the risk grades must be considered in accordance with the credit rating criteria under paragraphs 5.2.1, 5.2.2, and 5.2.3 and the duration of debt instruments under paragraph 5.2.4.

If any investments in debt instruments are non-compliant with the Notification of the Insurance Commission on Non-life Insurance Companies’ Investments in other Businesses, the Specific Risk pertaining to the issuer as listed in Table 2.7 shall apply in the computation of capital requirement under paragraph one.

[Translation]

In this regard, if, in the case of debt instruments from investment units, a Company is unable to classify the sub-class of the debt instruments as listed in Tables 2.5 and 2.6, the risk grade at level 4 shall apply, where the time to maturity of that mutual fund, or the average term of the debt instruments in that mutual fund shall be taken into consideration. If the time to maturity or the average term is unknown, it is deemed that the time to maturity is more than five years.

Table 2.6.1: Specific Risk pertaining to an issuer of debt instruments, that are compliant with the Notification of the Insurance Commission on Non-life Insurance Companies' Investments in other Businesses:

Time to Maturity (TTM)	Risk Grade					
	1	2	3	4	5	6
Not more than 6 months	0.30%	0.35%	0.40%	0.45%	1.85%	2.45%
More than 6 months to 1 year	0.65%	0.70 %	0.75%	0.80%	3.65%	4.80%
More than 1 year to 3 years	1.30%	1.50%	1.75%	2.00%	10.60%	13.80%
More than 3 years to 5 years	2.55%	2.70%	3.70%	4.75%	17.05%	21.95%
More than 5 years	3.70%	4.00%	5.45%	7.30%	28.70%	36.90%

Table 2.7: Specific Risk pertaining to an issuer of debt instruments that are non-compliant with the Notification of the Insurance Commission on Non-life Insurance Companies' Investments in other Businesses:

Time to Maturity (TTM)	Risk Grade					
	1	2	3	4	5	6
Not more than 6 months	0.30%	0.35%	0.40%	0.45%	45.00%	68.00%
More than 6 months to 1 year	0.65%	0.70 %	0.75%	0.80%	45.00%	68.00%
More than 1 year to 3 years	1.30%	1.50%	1.75%	2.00%	45.00%	68.00%
More than 3 years to 5 years	2.55%	2.70%	3.70%	4.75%	45.00%	68.00%
More than 5 years	3.70%	4.00%	5.45%	7.30%	45.00%	68.00%

Clause 4 The provision of paragraph 3.1 of Appendix 3: Criteria, Procedures, and Conditions for Computation of Capital Requirement for Credit Risk, of the Notification of the Insurance Commission regarding Classification and Type of Capital as well as Criteria, Procedure, and Conditions for Computation of Capital Amount required of a Non-life Insurance Companies B.E. 2562 (2019) dated 27 December 2019 shall be repealed and replaced with the following provision:

“3.1 The credit rating of debt instruments shall be considered by the following order:

3.1.1 In the case of debt instruments issued in Thailand by issuers that are juristic persons incorporated in Thailand, the credit rating of debt instruments (issue rating) published by the credit rating agencies in Thailand shall apply. If the aforementioned is not available, that published by foreign credit rating agencies shall apply. If the issue rating is not available, the credit rating of the issuers (issuer rating) published by the credit rating agencies in Thailand shall apply. If the aforementioned is also not available, that published by foreign credit rating agencies shall apply, save for those issuers specified in Clause 3.2.

3.1.2 In the case of debt instruments issued in foreign countries by issuers that are juristic persons incorporated in Thailand, the applicable credit rating shall be in accordance with the order stated in 3.1.1. Alternatively, the credit rating of issuers (issuer rating) published by the credit rating agencies in Thailand may apply in the first instance regardless of such order.

3.1.3 In the case of issuers that are juristic persons incorporated in foreign countries, the credit rating of debt instruments (issue rating) published by foreign credit rating agencies shall apply. If the aforementioned is not available, that published by the credit rating agencies in Thailand shall apply. If the issue rating is not available, the credit rating of issuers (issuer rating) published by foreign credit rating agencies shall apply. If the aforementioned is not available, that published by the credit rating agencies in Thailand shall apply.

3.1.4 In the case where more than one credit rating is available, the second-best rating shall apply.”

Clause 5 In the case where the Companies makes additional investment in debt instruments issued in foreign countries by issuers that are juristic persons incorporated in Thailand on or after the effective date of this Notification until 25 March 2022, the Companies shall compute its capital requirements for a Specific Risk pertaining to such debt instruments

[Translation]

by taking into account the credit rating for debt instruments in accordance with paragraph 5.2.1.1 of Appendix 2 to the Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for computation of the Capital Amount required of Non-life Insurance Companies (No.3) B.E. 2563 (2020) dated 28 September 2020, or else the Companies shall apply the credit rating of issuers (issuer rating) published by the credit rating agencies in Thailand. In the case where more than one issuer rating is available, the second-best rating shall apply.

Clause 6 In the case where a Company makes additional investments in a foreign equity fund on or after the effective date of this Notification until 25 March 2022, and such foreign equity fund comprises an investment in equity instruments traded in stock exchanges of other indices as stated in Table 2.2 of the Appendix 2 to the Notification of the Insurance Commission regarding Classification and Type of Capital as well as Criteria, Procedures, and Conditions for the Computation of Capital Amount required of Non-life Insurance Companies (No.3) B.E. 2563 (2020) dated 28 September 2020, which accounts for 80 percent or more of its net asset value (NAV), the Company shall compute the capital for market risk based on the unit price of such foreign equity fund, by using one of two methods. The first method is to adopt the approach specified in paragraph 7 of the Appendix 2 to the Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for the Computation of Capital Amount required of Non-life Insurance Companies (No.3) B.E. 2563 (2020) dated 28 September 2020. The second method is to compute by multiplying the NAV as of the valuation date by the risk value of 25 percent. The foreign-currency-nominated value of assets in such a foreign equity fund shall be considered in the computation of capital requirements for currency risk. Once a method is chosen, it shall be consistently used.

Notified on this 26th day of March B.E. 2564 (2021).

[Signature]

(Mr. Kritsada Jinavijarana)

Permanent Secretary, Ministry of Finance

Chairman of the Insurance Commission

Remarks:- Reasons for promulgating this Notification: Given the present economic and investment slowdown as well as the uncertainties of various factors facing Thailand,

[Translation]

particularly the COVID-19 pandemic and long-standing low interest rates, it is deemed appropriate to adjust the criteria for maintaining capital according to risk level by issuing this Notification, in order to cope with the current situation, provide opportunities for domestic and foreign investment in the insurance industry, as well as promote investment in foreign countries and boost the diversification of the insurance businesses' investment risks. The Office of the Insurance Commission will monitor and evaluate the effect of the measures for promoting investment in foreign countries prior to the end of a one-year period of such investment promotion. This is for the purpose of reviewing the period term and methods for determining credit ratings of debt instruments issued in foreign countries by juristic persons incorporated in Thailand in the computation of capital requirements for specific risk, that are commensurate with the prevailing economic and investment situations.