

Notification of the Insurance Commission

Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for the
Computation of Non-life Insurance Companies' Capital Requirements (No.2)
B.E. 2563 (2020)

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 resolution of the Insurance Commission's Meeting No. 4/2020 on 27 March 2020, 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 the Computation of Non-life Insurance Companies's Capital Requirements (No.2) B.E. 2563 (2020)."

Clause 2 This Notification shall take effect as from the date on which the Corporate Bond Liquidity Stabilization Fund is established onwards.

Clause 3 The provision of paragraph 7 of Appendix 2: Criteria, Procedures, and Conditions for the Computation of Capital Requirements for Market Risk, to the Notification of the Insurance Commission Re: Classification and Type of Capital as well as Criteria, Procedures, and Conditions for the Computation of Non-life Insurance Companies' Capital Requirements B.E. 2562 (2019) dated 27 December 2019 shall be repealed and replaced by the following provision:

"7. The capital requirements for market risk associated with the price of investment units are equivalent to the product of multiplying the values in paragraphs 7.1, 7.2, and 7.3 pertaining to each asset class:

7.1 Net Asset Value (NAV) as at the valuation date;

7.2 The proportion of asset classes, according to the report of the most recent accounting period, or the report of the previous six months, that has been published no more than six months before the valuation date. If the report is not available, the proportion of asset classes as appears in the most recent fund fact sheet, classified into equity instruments, immovable properties, commodities, deposits, debt instruments, and others, shall apply;

7.3 Risk capital charge by investment class:

7.3.1 Equity instrument: the risk capital charge pursuant to Table 2.1 shall apply. If there are different levels of risk capital charge, the weighted average of investment proportion shall apply. In the case where the classification is impracticable, the risk capital charge at the rate of 50 percent shall apply;

7.3.2 Immovable properties: the risk capital charge pursuant to Table 2.3 shall apply. If there are different levels of risk capital charge, the weighted average of investment proportion shall apply. In the case where the classification is impracticable, the risk capital charge at the rate of 19 percent shall apply;

7.3.3 Commodities: the risk capital charge at the rate of 50 percent shall apply;

7.3.4 Others, apart from those in paragraph 7.3.1, 7.3.2, and 7.3.3, that are not deposits and debt instruments: the risk capital charge at the rate of 50 percent shall apply.

In this regard, in the computation of capital requirements for market risk associated with the price of investment units, the following issues must be taken into consideration:

1) The Net Asset Value with respect to investment in debt instruments, deposits with financial institutions, deposit receipts, and certificates of deposits shall be separately included in the computation of capital requirements for the market risk associated with the interest rate pursuant to paragraph 5, and in the computation of capital requirements for credit risk. In this regards, the cash-flow period of such assets is equivalent to the time to maturity of investment units;

2) In the case that the Company invests in the Corporate Bond Liquidity Stabilization Fund and the Fund has invested in debt instruments, the investment in debt instruments shall be separately included in the computation of capital requirements for the market risk associated with the interest rate pursuant to paragraph 5, where the specific risk capital charge due to factors related to individual issuers (specific risk) of investment in debt instruments pursuant to Table 2.7.1 shall apply, and in the computation of capital requirements for the credit risk, where the credit risk capital charge from investment in debt instruments pursuant to Table 2.7.2 shall apply.

Table 2.7.1: Specific risk capital charge due to factors related to individual issuers (specific risk) of investments in debt instruments of the Corporate Bond Liquidity Stabilization Fund

Time to Maturity (TTM)	Risk Grade					
	1	2	3	4	5	6
No more than 6 months	0.15%	0.18%	0.20%	0.23%	0.23%	0.23%
More than 6 months	0.33%	0.35%	0.38%	0.40%	0.40%	0.40%

Table 2.7.2: Credit risk capital charge in relation to investment in debt instruments in the Corporate Bond Liquidity Stabilization Fund

Risk Grade	1	2	3	4	5	6
Risk Capital Charge	0.01%	0.18%	0.20%	0.75%	0.75%	0.75%

3) In the case that any investment units have invested in foreign currency denominated assets, in addition to the computation of capital requirements under 7.3.1, 7.3.2, 7.3.3, and 7.3.4, as the case may be, the value of those assets shall be included in the computation of capital requirements for market risk associated with exchange rates pursuant to paragraph 6;

4) In the case that investment units have invested in investment units whereby the risks cannot be classified, the risk capital charge at the rate of 50 percent shall apply.

Clause 4 In the computation of the excess portion of assets from the limit specified in Table 4.1 of Attachment 4: Criteria, Procedure, and Conditions for the Computation of Capital Requirements for Concentration Risk, to 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) dated 27 December 2019, the Company shall be exempt from including the investment value in the Corporate Bond Liquidity Stabilization Fund in the computation of capital requirements for concentration risk from investment in securities that are investment units.

Notified on this 1st day of April B.E. 2563. Prasong Poontaneat
 Permanent Secretary, Ministry of Finance
 Chairman of the Insurance Commission