

# Thailand: Insurance Update

The Insurance Commission recently announced new requirements of importance to the life and non-life insurance industries in Thailand. The notifications require insurance companies to, amongst other things, set up an audit committee and to issue guidelines on payments and receipt of payments. This briefing provides an outline of the key new requirements which will become effective from 17 September 2014.

## Requirement to set up an Audit Committee

To ensure good governance in the insurance sector, insurance companies must set up an audit committee. The requirements for the audit committee include the following:

- the audit committee must consist of at least 3 directors.
- at least two-thirds of the total number of the Audit Committee members must comprise of independent directors.
- the members of the Audit Committee, including the independent directors, must have and maintain the qualifications specified in the notifications.
- in the event that any Audit Committee member resigns or is removed before the expiration of their term of office (i.e. 4 years), the insurance company must report and specify the reasons of such resignation or removal to the OIC in writing within 15 business days from the date of such vacancy.

## Role of the Audit Committee

The role of the Audit Committee is to audit and assess, amongst other

things, the accuracy and completeness of:

- the financial statements
- internal risk management
- internal control systems
- legal compliance by the company.

## Guidelines on payments and receipt of payments

The recent notifications specifically require life and non life insurance companies to prepare guidelines on payments and receipt of payments.

The guidelines:

- must later be approved by the company's board of directors
- be sent to the Office of the Insurance Commission (the "OIC") upon its request.

## Maintenance of records

In addition, an insurance company is also required to retain the relevant information and evidence in respect of payments and receipt of payments for at least for 5 years from the date of the payment or receipt of payment.

However, if such information and evidence are required to be recorded in the mandatory accounts or registers of the insurance company, the retention period will be further

extended in accordance with the requirements set out in the notifications.

## Key Issues

- All insurance companies will need to review their internal compliance and reporting processes.
- Investors in this sector need to be aware of whether these notifications have been complied with.

## Non-compliance

An insurance company failing to comply with these notifications will be subject to penalties under Thai insurance laws.

While some insurance companies may be in partial compliance, with audit committees already in place others, still need to comply. These measures will ensure consistency of standards across the whole sector.

If you would like further information on any of the issues raised in this briefing or related issues please contact the authors below.

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