Thailand: Notification on foreign ownership of insurance companies

The Insurance Commission (IC) has issued a Notification prescribing its rules, procedures and conditions for exercising the IC's power to approve foreigners holding up to 49% of the voting shares of an insurance company (foreigners are normally limited to 25%) and to foreigners comprising more than a quarter (which is the normal limit) but less than half of the total directors, of both life and non-life insurance companies. The Notification came into effect on 5 February 2016.

Criteria for an insurance company

Under the Notification, any Thai insurance company wishing to have one or more foreigners holding more than 25% (but no more than 49%) of its total voting shares may apply for approval by the IC if the company meets the following criteria:

■ has a capital adequacy ratio lower (or which may become lower) than the minimum ratio required by the IC; or

■ has adopted a plan to improve the management of its business in order to strengthen its business potential and competitiveness.

The applicant is also required to provide a business plan for at least 3 years and have a legitimate shareholding structure, in full compliance with current statutory restrictions. If the applicant also wishes to have foreigners comprise more than a quarter (but less than half) of its total directors, such request can be submitted at the same time, provided such foreign directors have

the qualifications imposed by the Office of the IC.

Criteria for a foreign shareholder

The Notification now adopts an explicit definition of "Non-Thai national" by referring to the definition of "Foreigner" in the Thai Foreign Business Act B.E. 2542 (1999). However, the IC further states that any foreign national who wishes to hold more than 10% of the voting shares in an insurance company must have the following qualifications:

■ be an insurance company, or a company in a group in the insurance business or a financial business related to insurance;

■ have a stable financial status and operations;

■ have expertise and experience in the insurance business;

■ have creditability and an operational network at an international standard; and

■ have a clear business plan, know-how transfer process and expertise in order to support the

insurance company's business expansion and operational potential.

Any person approved by the IC above can acquire up to 49% of the voting shares without the need to require additional approval.

Any foreign shareholder holding more than 10% of the voting shares prior to the effective date of this Notification is 'grandfathered' and may maintain its current shareholding. However, if such shareholder wishes to increase its shareholding, the IC's approval must be obtained.

If you require any further advice on any of the issues raised in this briefing, please contact the authors at the contact details below.

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