

Thailand: Relaxation of Foreign Shareholding Limit for Non-life Insurance Companies

The Ministry of Finance has issued a notification which relaxes the foreign shareholding limit for non-life insurance companies. Under the notification, which took effect on 10 March 2016, foreigners may be permitted to hold up to 75 percent of the voting shares and foreign directors may comprise up to three-fourths of the directors. In addition the Finance Minister has the power to fix different limits for the foreign shareholding and directors in cases where damage may be caused to the insured or the public. This briefing provides an outline of the conditions under the notification.

Non-life insurance companies must meet the following criteria

- the status or business operations of the Company are such that it may cause damage to insured parties or the public, in the following circumstances:
 - (a) The Company has been ordered by the Insurance Commission (IC) to rectify its status or business operation, increase or decrease its share capital, or stop issuing insurance policies; or
 - (b) There is an extensive adverse event that results in the Company being obliged to pay a significant amount of compensation to insured parties or the public and which has a material impact on its capital adequacy ratio.
- The existing shareholders cannot contribute further share capital; or

- The Company cannot find Thai investor(s) to inject money so that the Company can continue its business in a steady and efficient manner.

The application for approval must be submitted by the insurance company through the Office of the IC for the Finance Minister's approval.

Qualifications of Foreign Shareholders and Foreign Director

The notification states that a foreign national, as defined under the Foreign Business Act B.E. 2542 (1999), who wishes to hold shares 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 at least 10 years expertise and experience in the insurance business;
- have a stable financial status and operations;

- have a credit rating (or its parent's credit rating) assessed by an acceptable credit rating agency at no lower than 'A' and have a global operational network;
- have a clear business plan, know-how transfer process and expertise in order to support the insurance company's business expansion and operational potential; and
- be able to inject at least THB 500 million to increase the share capital of the Company so that it can operate a stable and efficient business and have a capital adequacy ratio of more than 250 percent.

The foreign directors of the Company must have the qualifications imposed by the Office of the IC.

Time Limit

The above relaxation will not last for more than 10 years and during that period, the foreign shareholders are not allowed to sell or transfer their shares to other foreign nationals. After the relaxation period expires, the Company must reduce the aggregate foreign shareholding to 49 percent or less of the voting shares and the foreign directors must not constitute more than one-half of the total directors within 1 year.

Other Key Issues

Any non-compliance may result in the termination of the relaxation so the Company would then be required to reduce its foreign shareholding and directors to be the same ratio as prior to the approval.

An official of the IC has indicated that a further notification to lift the foreign shareholding limit and foreign director threshold to increase the stability of both life and non-life insurance companies in normal circumstances is being considered by the Ministry of Finance. This could be enacted within 2016. A further update will be provided if this is the case.

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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[Thailand: Notification on foreign ownership of insurance companies effective 5 February 2016](#)

[Thailand: Notification on foreign ownership of insurance companies](#) (January 2016)

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