Insurance Outlook 2021 - 2022

14th Edition

Insurance Outlook

2021 - 2022

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Editorial note

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Despite the COVID pandemic, in 2021 Thailand's life insurance industry grew by 2.32%, and the non-life insurance industry grew by 5.2%, from 2020. For many reasons, public awareness of insurance has increased significantly. The pandemic also posed new and significant challenges, reinforcing the need to expand new technologies and distribution channels.

The irresistible rise of insurtech, and new technologies, products, and distribution channels, skyrocketed online distribution rates for non-life insurance in 2020, strengthening and driving the Thai insurance industry forward. In addition, the Fourth Insurance Development Plan from the Office of the Insurance Commission (OIC) is a significant step toward fully digitizing Thailand's insurance industry. It intends to promote digital insurance and use technology tools for risk management.

By researching digital transformation and the industry's preparedness, the OIC hopes to assist the Thai insurance sector's digitization, in line with the Fourth Insurance Development Plan. Offshore players' technology contributions might be one of the main enabling elements, also giving them the chance to invest more in Thai insurers than is now permitted by law.

A larger range of new trends, such as EV automobiles and compliance ESG, are seeing significant swings. While these are still relatively new to the Thai insurance market, insurers should stay involved and aware, as there may be new business prospects.

The OIC has provided assistance for insurtech by implementing new rules pertaining to insurance sandboxes, product innovation, and customized sandboxes. We are certain that the OIC will have a clearer understanding of the functions that new technologies may play within the insurance value chain as a result of the digital transformation project. The insurance value chain and ecosystem are changing faster than ever, and only those who pay attention will be able to benefit from the changes.

We hope you find our publication useful. If you have any comments on this edition of our Insurance Outlook, or would like to discuss any matter in more detail, we are here to help.

Our Asia Pacific Insurance Blog and toolkits

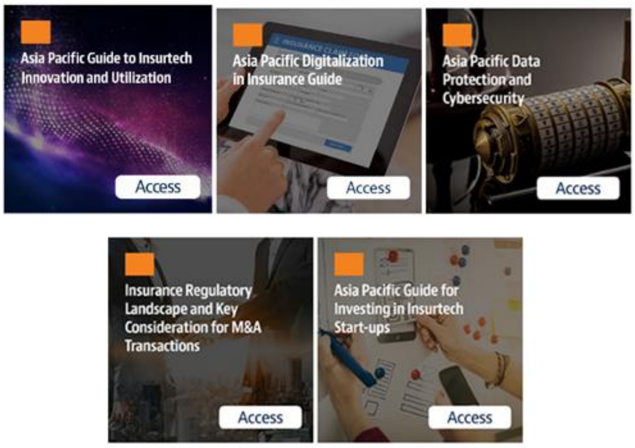
Our Asia Pacific Insurance Blog and toolkits

Our tailored, multi-jurisdiction products

At Baker McKenzie, we understand that businesses are increasingly international. Our fully integrated worldwide Firm has been working across borders for more than 60 years, benefiting clients with our truly global approach. Our experience enables us to take a broad view of your legal and commercial needs. We identify and address potential issues early, to increase certainty in your transactions and to ensure that the best quality work is delivered in a timely manner.

We also realize that the insurance industry is undergoing change at an accelerated pace, given Asia's fast-growing economies and regulatory developments, and so we have invested resources into putting together a range of online tools and kits, across an extensive range of topics, to help you keep track of developments. Our Baker McKenzie AP Insurance Toolkit can be found at: https://apinsurance.bakermckenzie.com/ap-insurance. In the kit, you can do simple comparison searches between jurisdictions, or find more detailed answers to specific questions. Here are some of the featured products under the "Asia-Pacific Insurance" tab.

(Baker McKenzie's Asia Pacific Insurance Blog)



In the "**Insight**" tab, you will find insurance news publications for all jurisdictions, produced and publicized by our local Baker McKenzie offices throughout the region. Our Asia-Pacific Insurance Newsletter is published regularly to keep you up to date with the latest changes. If you wish to contact any of our local offices, please refer to the "**People**" tab, where you will find key contacts for each jurisdiction, or simply contact our Bangkok office so that we can refer you to the appropriate Baker McKenzie team.

Available on the iPhone App Store

Covid-19 pandemic

Covid-19 pandemic

Introduction

As the world continued its battle against COVID, the Thai insurance industry, especially the non-life sector, faced an unprecedented challenge. In particular, the second and third waves of COVID in Thailand caused a handful of non-life insurers to face financial difficulties, due to the huge number of claims under COVID insurance policies (whereby insurers had to pay claims upon the insured producing a positive test result). In fact, the inability of some insurers to pay claims to all customers led to the revocation of insurance licenses by the OIC.

Challenges arising as a result of the COVID situation

It was reported that some insurers exercised their contractual right to terminate COVID-19 insurance policies, during Thailand's most severe outbreak. Those decisions were especially controversial. As the number of new infections rose, policyholders sought to rely on the policies they bought during the first and second waves of the pandemic.

The OIC then issued an order to remove the insurers' right to terminate, from all COVID-19 policies, to protect the interests of policyholders. This created a deadlock for insurers selling high volumes of those policies. The OIC recognized the potential financial distress for a number of non-life insurers, and issued a notification prescribing relief measures, which included:

- exemption from including COVID-19 claim reserves as an insurance risk factor for the purpose of the capital fund;
- consideration of qualified subordinated debt as tier-2 capital for the company; and
- relief from fully complying with the common equity tier-1 and tier-1 ratios.

The relief measures were intended to prevent the public from being affected by the solvency status of non-life insurers, and to provide flexibility for non-life insurers, to restore their financial status to normal, so as to prevent possible damage to customers and confidence in the insurance industry overall.

Despite the relief measures, Asia Insurance was the first company to have its insurance licence revoked by the Ministry of Finance, due to its distressed financial standing, which included having more liabilities than assets, and insufficient liquidity, leading to delays in paying claims, and causing damage to policyholders.

In November 2021, One Insurance announced that it was temporarily closing its business for two weeks, to rectify its liquidity status, without the OIC's prior approval. On 1 December 2021, the OIC issued an order requiring One Insurance to rectify its financial status and temporarily cease underwriting insurance. On 13 December 2021, the Ministry of Finance revoked One Insurance's licence.

Impact

The lump-sum COVID-19 policies promised to pay fixed compensation if the insured got COVID. These policies did not compensate the insured for actual loss. This led to a moral hazard, with some insureds willingly contracting COVID in order to get a payout under the policy. At the height of the pandemic in Thailand, insurers realized that they would not be able to cover claims, and sought to terminate the policies. However, the OIC's order has now made this impossible.

- First, four non-life insurance companies have had their license revoked.

- Second, other customers of insurers in financial distress are also affected. They only have the right to get a return of uncovered premium.
- Third, the Non-life Insurance Fund, set up for the purpose of paying out to policyholders if insurers cannot do so, had to bear this obligation for all non-life insurance companies. The Non-life Insurance Fund only has THB 5 billion in funds, while the total liabilities of the four non-life insurance companies in question are over THB 20 billion.
- Finally, contractual parties of insurers (for example, hospitals and garages), and other stakeholders, have not been compensated. This affects trust and confidence in the insurance sector.

Recent developments

The following are developments to date:

- Southeast and Thai Insurance, under Thai Group Holding, were among the insurance companies that suffered from COVID claims. It tried to voluntarily surrender its license, proposing to transfer its non- COVID portfolio to Indara Insurance (an affiliate) and return full premiums to the COVID policyholders. While successful at transferring the non-COVID portfolio to other insurers, they eventually had their licenses revoked by the OIC.
- Syn Mun Kong (SMK) is currently under the rehabilitation process. The Bankruptcy Court recently appointed SMK itself as its own rehabilitation plan preparer, which is an early stage of the process. So far, SMK has not had its license revoked as the rehabilitation law prevents so by giving protection to companies that enter the rehabilitation process.
- As revocation of licenses will cause financial trouble for the Non-Life Insurance Fund, the OIC has issued a regulation to allow insurers to go to rehabilitation or Chapter 11. This is the first time a Thai insurer ever able to seek a court approval for rehabilitation purpose.
- It remains to be seen whether the OIC will be more open to granting special exemption to allow foreign investors to hold up to 100% of the shares in Thai insurance companies – subject to Ministry of Finance approval to attract foreign investment and alleviate the industry's financial distress.

Rehabilitation

Some insurers have decided to file for rehabilitation, which is unprecedented in this sector. These companies faced bankruptcy, after having sold low-cost COVID policies. The rehabilitation petitions were filed with a view to restructure massive debts through various means, including acquiring more investment funds, payout deadline extensions, and the conversion of debt to equity or shares. These restructuring plans are projected to facilitate insurers' payment of outstanding COVID claims and other insurance products.

Conclusion

The pandemic has severely affected the economy and caused widespread disruption. In response to this crisis, each insurer has had to find its own solutions. However, the pandemic has also given insurers and the local regulator a chance to review decision-making. For insurers, risk calculation and allocation is paramount. To address the risks that flow from COVID-19, insurers could consider arranging for outward reinsurance to provide some risk transfer, and could seek the expert opinions of medical professionals to comprehensively assess risks under their COVID policies.

Industry overview

Industry overview

Overview of the life insurance industry in 2021

In 2021, Thailand's life insurance industry grew by 2.32% from 2020, with total collected premiums of THB 614,115.50 million in 2021, compared to THB 600,206.48 million in 2020. This was mainly caused by an increase in the interest rate, inflation, and public awareness of long-term health issues. The COVID situation was also a factor in attracting more consumers to life insurance policies with health policy riders.

Unit-linked policies were the most attractive products in 2021, with an increase in direct premiums at 82.38% compared to that in 2020. This is due to the nature of unit-linked products, which can be beneficial to insured people of all ages in terms of both investment and risk management.

While the main sales channels are still offering life insurance products through agents and bancassurance, sales through brokers have dropped since 2019. Most leading life insurers have launched mobile applications, or partnered with corporate brokers to sell products online. Some major players have invested in developing insurtech and digital technologies.

Overview of the non-life insurance industry in 2021

In 2021, Thailand's non-life insurance industry grew by 5.2% from 2020, with total collected premiums of THB 265,849 million in 2021, compared to THB 252,789 million in 2020. Overall, direct premiums for most types of non-life insurance products increased in 2021. The significant growth in direct premiums can be seen due to COVID and increased public awareness of long-term health issues.

Due to high competition in the non-life insurance market, together with the adverse effects from the COVID upheaval in 2020 and 2021, many non-life insurers faced financial difficulties, and some had to surrender their non-life insurance licenses and cease operations. Others found an opportunity to merge with other non-life insurers, to strenghten their financial status and market position.

During the COVID outbreak, sales of non-life insurance policies via the Internet skyrocketted by almost 200%, while sales via traditional channels such as bancassurance and walk-in dropped noticeably. Despite the continued upheaval and increase in health awareness, it remains to be seen whether health insurance products and sales through online channels will increase.

Many more insurance companies have adopted smart devices and IT to facilitate sales. The market can expect AI and data analytics to play a part in the near future.

Insurance

Insurance

Performance of life insurance companies in 2021

Market share of direct premiums: Life insurance sector

- AIA remains the market leader for life insurance.
- FWD Life Insurance is a new company created from the amalgamation of FWD Life Insurance and SCB Life Assurance. As a result, FWD Life Insurance became one of the top-three market leaders.
- Southeast Life Insurance's direct premiums grew 30.51% and it became one of the top-ten market leaders in 2021.

		(Unit: THB million)				
		2021		2020		Growth rate (%)
Rank	Company	Direct premiums	Market share (%)	Direct premiums	Market share (%)	
1	AIA	157,446.31	25.64	145,845.91	24.30	7.95
2	Thai Life Insurance	90,564.11	14.75	91,292.38	15.21	(0.80)
3	FWD Life Insurance	81,055.55	13.20	80,348.04	13.39	0.88
4	Muang Thai Life Assurance	72,976.73	11.88	75,327.29	12.55	(3.12)
5	Krungthai AXA Life	50,021.09	8.15	54,651.00	9.11	(8.47)
6	Bangkok Life Assurance	35,761.73	5.82	34,744.64	5.79	2.93
7	Allianz Ayudhya Assurance	32,068.44	5.22	31,452.10	5.24	1.96
8	Prudential Life Assurance	26,806.39	4.37	24,312.45	4.05	10.26
9	Ocean Life Insurance	14,711.75	2.40	14,619.93	2.44	0.63
10	Southeast Life Insurance	10,890.94	1.77	8,344.79	1.439	30.51

Source: The Thai Life Assurance Association's website (2022).

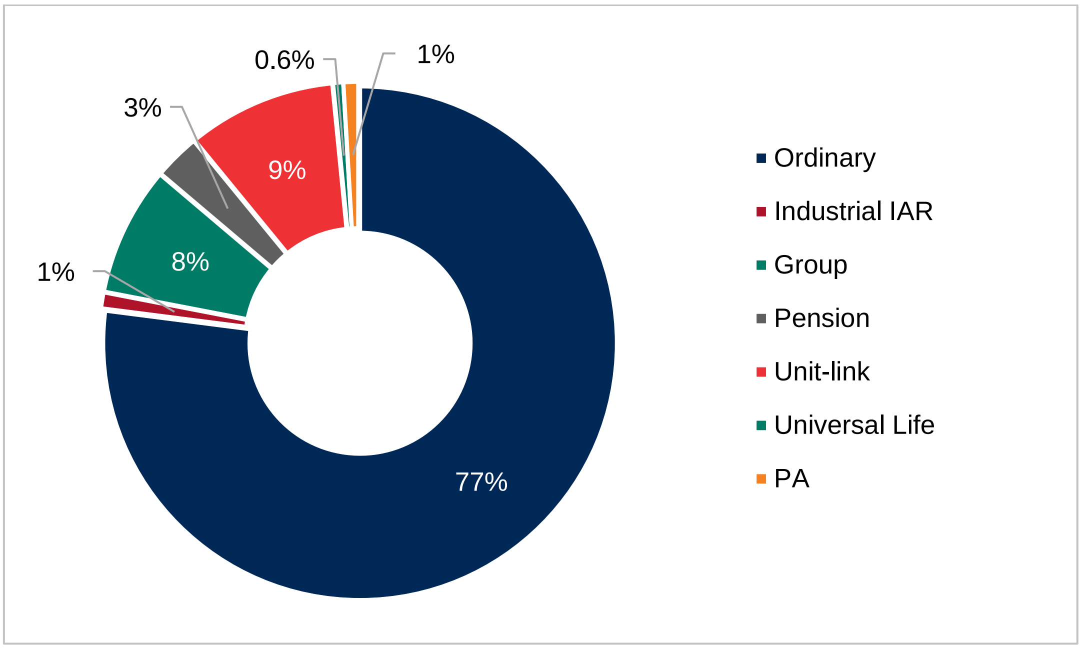
Direct premiums based on type of insurance and rider

- A significant portion of premiums were from ordinary life insurance.
- Total direct premiums for life insurance policies slightly increased (1.18%) from 2020.
- Direct premiums from ordinary insurance, industrial insurance, and group and personal accident insurance continue to decrease.

Type of insurance		Direct premium for main life insurance policy (Unit: THB million)				
		2021	2020	2019	Increase/ (decrease) (%) (2020-2021)	Increase/ (decrease) (%) (2019-2020)
1	Ordinary	378,887	394,000	411,720	(3.84)	(4.30)
2	Industrial	4,946	5,410	5,805	(8.58)	(6.81)
3	Group	40,092	40,702	44,816	(1.50)	(9.18)
4	Pension	14,235	13,770	11,777	3.38	16.92
5	Unit-link	46,059	25,255	24,774	82.38	1.94
6	Universal Life	3,108	2,083	1,617	49.16	28.81
7	Personal Accident	4,567	4,891	4,919	(6.62)	(0.56)
Grand total		**491,894**	**486,111**	**505,429**	**1.18**	**(3.80)**

Source: The OIC's website (2022). "Direct Premiums of Main Policy and Riders of Life Insurance Business – Summary of Life Insurance Business Q4/2021."

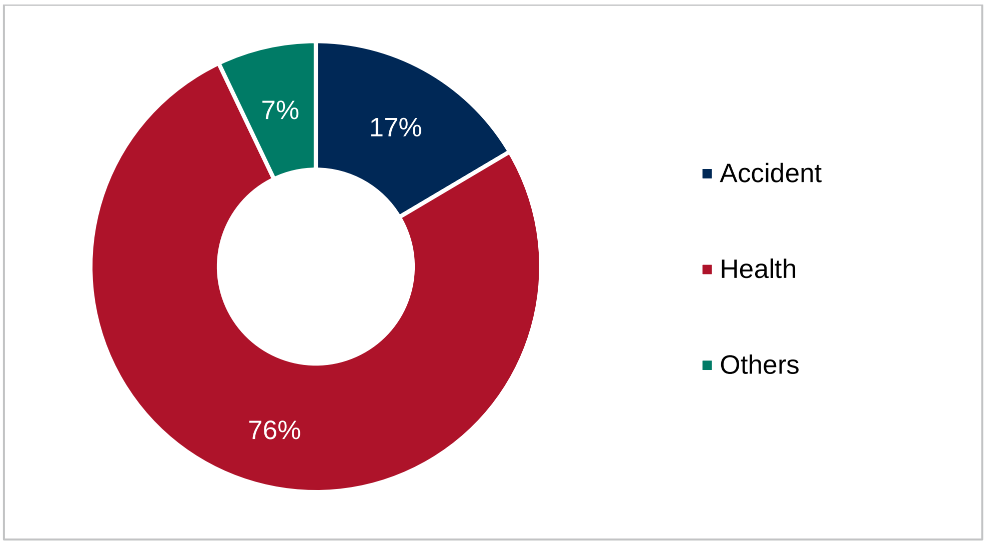
Direct life insurance premiums collected in 2021 by type



Type of rider		Direct premium for life insurance policy rider (Unit: THB million)				
		2021	2020	2019	Increase/ (decrease) (%) (2020-2021)	Increase/ (decrease) (%) (2019-2020)
1	Accident	20,104	16,679	14,989	20.54	11.27
2	Health	93,165	85,580	80,476	8.86	6.34
3	Others	8,650	11,439	9,663	(24.38)	(1.76)
Grand total		**121,919**	**113,698**	**105,128**	**7.23**	**8.15**

Source: The OIC's website (2022). "Direct Premiums of Main Policy and Riders of Life Insurance Business – Summary of Life Insurance Business Q4/2021."

Direct premiums from life insurance riders in 2021, by type



Performance of non-life insurance companies in 2020 and 2021:

Market share by direct premiums

- Viriyah Insurance, Dhipaya Insurance, and Bangkok Insurance remain the top three market leaders, with an aggregate market share by premium of 34.1%.
- Tokio Marine Safety Insurance is a new company created from the amalgamation of Tokio Marine Insurance and Safety Insurance. As a result, Tokio Marine Safety Insurance became one of the top-four market leaders.
- The top 10 non-life insurers in 2020 remained the top 10 insurers in 2021, albeit with some shuffling of order.

		(Unit: THB million)				
		2021		2020		Growth rate (%)
Rank	Company	Direct premiums	Market share (%)	Direct premiums	Market share (%)	
1	Viriyah Insurance	38,766.60	14.6	38,154.70	15.1	1.60
2	Dhipaya Insurance	28,996.95	10.9	25,205.57	10.0	15.04
3	Bangkok Insurance	22,952.52	8.6	21,546.50	8.5	6.53
4	Tokio Marine Safety Insurance	17,946.77	6.8	17,454.86	6.9	2.82

		(Unit: THB million)				
		2021		2020		Growth rate (%)
Rank	Company	Direct premiums	Market share (%)	Direct premiums	Market share (%)	
5	Muang Thai Insurance	15,829.61	6.0	14,776.39	5.8	7.13
6*	Southeast Insurance	11,730.76	4.4	10,495.87	4.2	11.77
7	Syn Mun Kong Insurance	10,170.69	3.8	9,714.70	3.8	4.69
8	Chubb Samaggi Insurance	9,820.11	3.7	10,151.24	4.0	(3.26)
9	LMG Insurance	8,565.34	3.2	8,114.02	3.2	5.56
10	Thanachart Insurance	8,334.07	3.1	8,421.97	3.3	(1.04)

Source: The Insurance Premium Rating Bureau: "Insurance Industry Flash Report as at Yearly 2021."

* Its license has been revoked in 2022.

Direct premiums: All non-life insurance sectors, by type of insurance

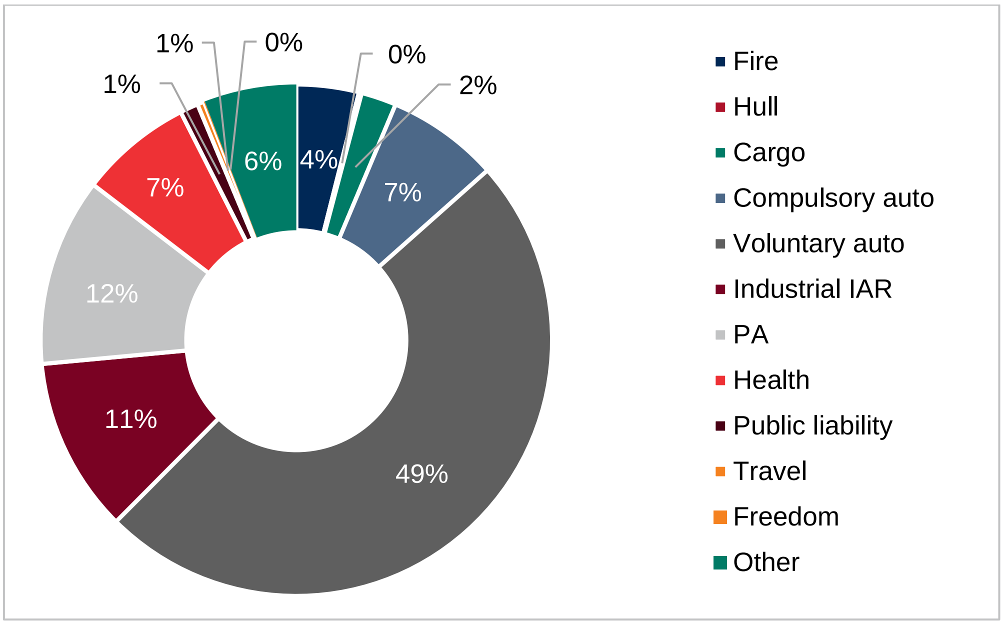
- The automobile insurance sector continues to grow steadily, with the highest direct premiums collected from auto insurance, among all sectors of non-life insurance. Almost all non-life insurance sectors (except bail bond insurance) grew in 2021, especially travel insurance, which bounced back from 2020 with a two-digit growth rate of 31.39%.

Type of insurance		Direct premiums (Unit: THB million)				
		2021	2020	2019	Increase/ (decrease) (%) (2020-2021)	Increase/ (decrease) (%) (2019-2020)
1	Fire	10,355	10,167	10,118	1.84	3.51
2	Marine and transportation	6,318	5,290	5,468	19.43	(3.25)
3	Automobile	147,407	146,017	144,024	0.95	1.37

Type of insurance		Direct premiums (Unit: THB million)				
		2021	2020	2019	Increase/ (decrease) (%) (2020-2021)	Increase/ (decrease) (%) (2019-2020)
4	Miscellaneous	98,669	91,145	84,440	8.25	7.94
4.1	Industrial all-risks and property	29,084	26,676	24,262	9.03	9.95
4.2	Personal accident	31,234	30,954	30,640	0.90	1.03
4.3	Health	18,738	15,632	10,983	19.87	42.32
4.4	Public liability	3,021	2,793	2,696	8.16	3.58
4.5	Travel	1,130	860	2,257	31.39	(61.92)
4.6	Freedom	157	159	173	(1.60)	(7.85)
4.7	Other	15,305	14,071	13,452	8.77	4.76
Grand total		**262,746**	**252,618**	**244,050**	**4.01**	**3.51**

Source: The OIC's website (2022).

Direct insurance premiums collected in 2021, by type


1%
0%
0%
1%
2%
6%
4%
7%
7%
12%
11%
49%
Fire
Hull
Cargo
Compulsory auto
Voluntary auto
Industrial IAR
PA
Health
Public liability
Travel
Freedom
Other

Distribution channels outlook

Distribution channels outlook

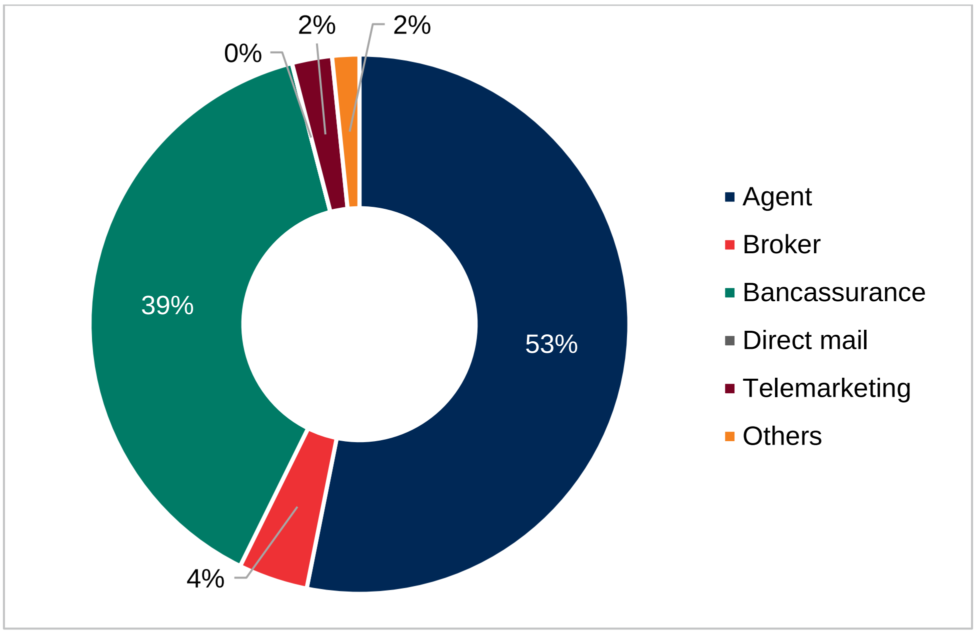
Distribution channels – life insurance

- Life insurance continues to be mainly distributed through agents and bancassurance, at 52.39% and 39.64% of the total collected premiums, respectively.

Distribution channel	Direct premiums received from different distribution channels (Unit: THB 1,000)				
	2021	2020	2019	Increase/ (decrease) (%) (from 2020 - 2021)	Increase/ (decrease) (%) (from 2019 - 2020)
Agent	324,033,191	316,415,096	316,468,905	2.41	(0.02)
Bancassurance	245,194,756	230,302,923	246,052,133	6.47	(6.40)
Broker	23,755,906	24,726,492	27,986,565	(3.93)	(11.65)
Direct mail	40,139	44,837	54,932	(10.48)	(18.38)
Telemarketing	14,500,793	14,283,187	13,898,471	1.52	2.77
Others	10,975,412	9,681,146	8,886,318	13.37	8.94
Grand total	**618,500,197**	**595,453,681**	**613,347,324**	**3.87**	**(2.92)**

Source: The OIC's website (2022). "Report on Life Insurance Underwriting for Each Type of Distribution Channel."

Life insurance distribution channels in 2021, by direct premiums



Distribution channels – non-life insurance

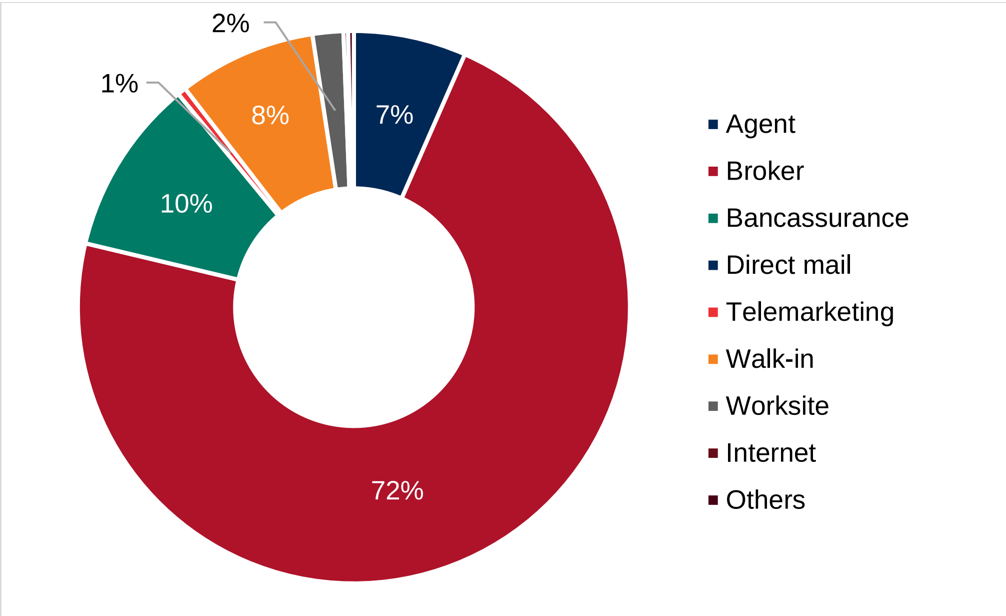
- Non-life insurance sales through brokerage, agencies, and bancassurance remain the top three distribution channels, at 72%, 7%, and 10% of the total collected direct premiums, respectively.
- Broker channel becomes more and more popular non-life insurance distribution channel — distribution proportion of the broker channel has grown from 59% in 2020 to 72% in 2021.

Distribution channel	Direct premiums by distribution channels (Unit: THB 1,000)				
	2021	2020	2019	Increase/ (decrease) (%) (from 2020-2021)	Increase/ (decrease) (%) (from 2019-2020)
Broker	183,386,889	151,118,615	144,440,170	21.35	4.62
Agent	16,757,383	34,304,063	33,825,044	(51.15)	1.42
Bancassurance	26,227,434	29,121,915	31,031,406	(9.94)	(6.15)
Direct mail	300	0	0	-	-
Telemarketing	1,278,580	8,941,716	8,540,184	(85.70)	4.70
Walk-in	20,498,377	13,619,090	14,301,108	50.51	(4.77)

Distribution channel	Direct premiums by distribution channels (Unit: THB 1,000)				
	2021	2020	2019	Increase/ (decrease) (%) (from 2020-2021)	Increase/ (decrease) (%) (from 2019-2020)
Worksite	4,585,954	15,056,997	13,019,613	(69.54)	15.65
Internet	682,900	1,011,653	342,921	(32.50)	195.01
Others	850,781	0	812	-	-
Grand total	**254,268,599**	**253,174,049**	**245,501,258**	**0.43**	**3.13**

Source: The OIC's website (2022). "Report on Non-Life Insurance Underwriting for Each Type of Distribution Channel."

Non-life insurance distribution channels, by direct premiums, in 2021



Key market update

Key market update

OIC digital transformation project

The OIC is considering implementing a more detailed guideline to be used when determining whether an insurance company can qualify to increase its foreign shareholding ratio. While current insurance legislation caps the total available shares that can be held by foreigners at 25%, the new guideline may allow insurance companies to have more clarity when requesting to increase their foreign shareholding percentage.

A key driving force behind this move is the OIC's wider aim to promote the digitalization of the insurance industry in Thailand. By allowing additional foreign involvement, the OIC hopes this will introduce new technological advancements and encourage widespread integration of technology throughout the industry.

An initial guideline has been drafted to clarify the criteria set forth in the notifications of the MOF and the OIC regarding the increase of foreign shareholding percentage. The guideline will provide an overview of required documents when submitting for a waiver.

Market consolidation

Currently, there are almost 60 non-life insurance companies in the industry. The OIC, with supervision from the MOF, aims to promote market consolidation, and to encourage M&As. Thus, we expect to see more mergers in the non-life insurance sector.

For example, a recent deal was the global acquisition of Cigna by Chubb. From the Thai regulatory perspective, it is possible to see integration between Chubb and Cigna after the acquisition, whereby either company will surrender its license to the OIC.

Trends in compliance with environmental, social, and governance practices

Following the COVID pandemic, insurance companies have accelerated their emphasis on environmental, social, and governance (ESG) practices. Given the growing ESG agenda and the fact that the insurance sector holds major stakes in global assets, it follows that insurers are among the most affected by increasing regulations for ESG considerations.

As ESG investment opportunities continue to gain traction, there is increasing pressure on insurers to incorporate ESG strategies and prioritise ESG concerns in their operating models. Given the insurance sector's unique position to promote ESG practices, there has been a shift in focus toward sustainability, with many insurers heavily reducing their association with poor ESG-performing businesses.

With further emphasis on ESG considerations, many companies stand to enhance their reputation and credentials. While there are risks and burdens with the incorporation of ESG factors, insurers should strive to align themselves with positive ESG practices, to ensure success in the long run.

Electric vehicles

A gradual shift to electric vehicles (EVs) is underway and, driven by consumer demand and regulations regarding climate change, this transition is expected to accelerate. Recently, the Government has stated that it aims to support manufacturing of EVs to be at least 30% of the total manufacturing amount by 2030. Likewise, in a global context, the EV insurance market is growing in parallel and this area can be a potential new area for the insurers in Thailand to explore and maximize opportunity.

As a new motor vehicle landscape is ushered in, insurance companies must ensure that they stay abreast of automotive evolution. This alone is a challenge as, despite EVs employing much of the same technology and designs as conventional vehicles, the integration of newer technologies means new implications regarding defects and performance issues. Although many insurance companies have already begun adjusting to the growth of EVs, more risks may emerge as empirical research is carried out.

One such risk typically found in certain jurisdictions would be that of EV fires occurring while charging, or arising from battery faults. The question arises as to whether insurance coverage be provided for such incidents. An examination of the insurance market in various jurisdictions reveals that these incidents are not covered by compulsory motor insurance plans, general motor insurance plans, or even general insurance plans that are specific to EVs. It is thus crucial that vehicle owners are prudent when purchasing insurance for their vehicles, and to purchase additional maintenance packages to cover such incidents, if they so prefer. In Thai insurance regulatory context, there is no specific regulations governing Evs to date. Therefore, whether the coverage will extend to cover cirtain circumstances occured to Evs would be subject to each insurers' insurance policies.

While there is already a growing trend within EV insurance of creating stand-alone EV-specific policies, to address the unique characteristics and needs associated with these vehicles, the insurance industry may need to account for newfound risk data, and redefine its policies accordingly.

Insurance Development Plan No. 4

The OIC has announced Insurance Development Plan (No. 4) (2021–2025) ("**Fourth Development Plan**"). This is the fourth such plan the OIC has issued since 2006.

Under the Fourth Development Plan, the OIC aims to support the Thai insurance industry in utilizing technological resources to efficiently manage risks. The plan will also be aligned with the Thai financial institution system and capital market development plans, so that the Thai financial sector can be a driver of government policies.

The Fourth Development Plan will focus on the protection of customers' rights and benefits, and the promotion of the Thai insurance industry to compete on a global scale. Particularly, the plan aims to facilitate insurance players in expanding their investment base worldwide, while ensuring that Thai residents have access to insurance. The OIC believes that the attainment of these objectives will lead to sustainable growth of the insurance industry.

Future Health Insurance Act

Thailand already has specific laws addressing life insurance, non-life insurance, and motor vehicle accident victim protection. However, the country still lacks health insurance legislation.

The OIC aims to increase consumer protection, and its supervisory authority in the health insurance sector. Given the aging society, the OIC also aims to encourage quality improvement in public health. In doing so, the OIC is considering proposing a draft act on health insurance, for the cabinet and the parliamentary approval. The act is expected address a number of issues from consumer protection to national health services. Currently, research and studies on this matter are being conducted.

New business models

New business models have recently been introduced as the insurance industry continues adapting to the needs of today's society. Among these are insurtech innovations that have become increasingly prominent given their increased efficiency and efficacy in providing insurance services to customers. As a combination of insurance and technology, these new developments could greatly affect the accessibility and range of insurance products, and help transform the traditional insurance industy into a more consumer-friendly one.

A notable example is the "InsurVerse Capsule By Dhipaya Insurance," which offers a new customer experience in the form of kiosks. The aim here is to provide convenient access to a range of insurance offerings, with the availability of a real-time video conference service, with staff for consultation.

M&A movements and the opportunity to increase foreign shareholding

M&A movements and the opportunity to increase foreign shareholding

M&A and deals updates

The Thai market is still attractive due to the low penetration rate. In addition, in the absence of an OIC policy of issuing new licenses, we expect international players to enter the Thai non-life insurance market by partnering with Thai shareholders or purchasing a company outright. Some notable M&A and business collaboration transactions:

- AIG Group completed its reorganization process to integrate its businesses in Thailand, AIG Insurance (Thailand) Public Company Limited (AIGT), and New Hampshire Insurance Company, Thailand Branch (NHIT). Given the highly competitive nature of the Thai non-life insurance industry, the business integration of AIGT and NHIT leverages their non-life insurance business operational capacity, and benefit the development of standards in the non-life insurance industry. With this integration, AIG Group was granted permission by the MOF for up to 100% of its shares to be held by foreigners. This was one of the first times the MOF exercised its authority to relax the foreign shareholding conditions since the law allowing this came into effect.
- Muang Thai Life Assurance Public Company Limited (MTL) entered into a ten-year bancassurance agreement with KasikornBank Public Company Limited (KBank). The agreement provides a collaborative framework for MTL to distribute its products to customers in Thailand through KBank's network. The new partnership is intended to expand from a product distribution arrangement into a broader scheme of strategic collaboration.
- MTL has successfully launched and sold offshore tier-2 subordinated bonds. The capital from this debt financing will be spent on expanding MTL's business opportunities, including distribution channels. This transaction was the first offshore tier-2 subordinated bonds issuance and offering by an insurance company in Thailand, and created a new financing opportunity for Thai insurers.
- Allianz Ayudhya Capital PCL (AYUD) has annouced the acquisition of 100% of shares of Aetna Thailand, a prominent player in the Thai health insurance market. The acquisition reaffirms AYUD’s commitment to further invest and expand its health insurance business to benefit customers in Thailand.
- Cigna Corporation completed the sale of its accidental and health (A&H) businesses in Thailand and the other five markets across the Asia-Pacific region, to Chubb, in an approximately USD 5.4 billion transaction. The jurisdictions include Thailand, Hong Kong, Korea, Taiwan, Indonesia and New Zealand.
- Dhipaya Group Holdings Public Company Limited (TIPH) annouced that its subsidiary, TIP IB Co., Ltd, entered into an agreement to acquire approximately 80% of the total shares in Erawan Insurance Public Company Limited. The investment is expected to expand TIPH's opportunities and business, to be able to meet customers' needs for using services on digital platforms, being a new aspect of the insurance business, with potential for substantial growth.

Opportunity to increase foreign shareholding

One of the ideas addressed in the Fourth Insurance Development Plan is encouragement of foreign investment, to make available alternative sources of funding for insurance companies, to facilitate knowledge transfer, and to increase in financial stability and security.

Under the current Non-Life Insurance Act and Life Insurance Act, insurance companies in Thailand can request approval to increase their foreign shareholding to more than 25%, subject to OIC or MOF approval. The OIC is considering more detailed guidelines to determine whether an applicant will qualify to increase its foreign shareholding. This initiative is expected to be considered as part of the OIC's wider aim to promote digital technology for the insurance business in Thailand. This would provide more clarity and opportunities for foreign investors who wish to increase their investment in Thailand.

	Foreign shareholding of more than 25% but not exceeding 49%, and the number of foreign directors to equal one-quarter but less than half of the total number of directors	Foreign shareholding of more than 49% and up to 100%, and the number of foreign directors to be more than half of the total number of directors
Key concept	If an insurer wishes to have more than 25% of the shares, but not exceeding 49 percent of the total voting shares sold, held by foreigners, approval from the OIC would be required.	If an insurer wishes to have more than 49% of the total voting shares sold held by foreigners, approval from the MOF would be required.
Competent authority	OIC	MOF
Basis for request for approval	The basis for requesting this approval must be one of the following: 1. a capital adequacy ratio that is lower than, or that is likely to be lower than, the ratio required under the OIC Notification on the calculation of the fund of non-life insurance; or 2. a plan to improve the management to enhance potential in the operation and competition.	The basis to request this approval must be one of the following: 1. doing so would improve the company's standing or operations, where the company exists in a state that may cause damage to the policyholders or the public; 2. doing so would strengthen the stability of the company; or 3. doing so would enhance the stability of the non-life insurance industry in Thailand as a whole.
Process	The insurance company must submit the application to the OIC. The OIC may request further clarification or additional documents.	The insurance company must submit the application for MOF approval, together with supporting documents, through the OIC. The OIC board will consider the application. and pass it to the MOF within 90 days from the date it receives the complete documents.

	Foreign shareholding of more than 25% but not exceeding 49%, and the number of foreign directors to equal one-quarter but less than half of the total number of directors	Foreign shareholding of more than 49% and up to 100%, and the number of foreign directors to be more than half of the total number of directors
		Then, the MOF, on the recommendation of the OIC, will consider and notify the insurance company of its decision within 90 days from the date it has received the completed application with all required documents.

Competition law and insurance merger control

Competition law and insurance merger control

Overview

Thailand's competition regulator recently changed its official English name to the Trade Competition Commission of Thailand (TCCT). In another change, the TCCT has issued a new post-merger notification form. Effective from 1 February 2022, the updated post-closing merger notification form requires substantially more information from parties, though the statutory period for submission remain unchanged. Finally, amid continued enforcement, the TCCT has also been conducting a law review and focus-group surveys, to assess the efficiency and enforcement of the competition law, the first such mandated assessment since the law came into effect in 2017.

Thai competition authority rebrands from OTCC to TCCT

The Office of Trade Competition Commission recently changed its official English name to the Trade Competition Commission of Thailand, as noted above. The TCCT's logo and website have also been changed to correspond with its new official English name. This is mainly to incorporate "Thailand" into the name for easier reference, especially in the international community. The changes became effective on 1 January 2022.

TCCT updates post-closing mergers notification form

Effective on 1 February 2022, the updated post-closing merger notification form requires substantially more details about the merger transaction, the merger parties, and the markets. However, the supporting documents required as part of the submission, and the statutory period for submission, at seven calendar days from the date of closing, remain unchanged. This statutory period does not take into account public holidays or weekends.

The previous form had been in place since Thailand's merger control regulations came into effect in 2018. This form was relatively short and less detailed, and filing could be prepared relatively quickly. The new form requires information such as market definition; market shares of the merger parties; their competitors in the market; details of group companies of the merger parties; and the turnover structure of the merger parties and their group companies.

With this updated form, preparation well ahead of closing is highly recommended. Failure to submit a post-closing filing in time can result in a one-time fine of up to THB 200,000, and up to THB 10,000 for each day of delay.

Continued enforcement by the TCCT, and law review

The TCCT reports that since the Trade Competition Act came into effect in 2017, it has considered 134 complaints. In 2021, complaints considered by the TCCT increased almost three times over the number for 2020. The complaints pertain to allegations of abuse of dominance (40 claims), unfair trade practices (28 claims), and cartels (four claims). While there are no published decisions regarding the insurance sector, we have seen players in the insurance industry file merger notifications with the TCCT.

The TCCT has been conducting a law review and focus-group surveys to assess the efficiency and enforcement of the Trade Competition Act. It is mandated to do so at least every five years. This review is the first assessment since the law came into effect in 2017.

The survey discusses various aspects of the Trade Competition Act, including the scope of exemptions for enterprises (such as state enterprises); the appropriateness of criminal and administrative penalties currently imposed; the potential introduction of a leniency program; and extraterritorial enforcement.

Corporate governance

Corporate governance

As a reminder to all insurers, with the enactment of the new Corporate Governance Notification in early 2020, insurers now have a guide to the corporate governance structure requirements.

The notifications of the OIC on good corporate governance for life and non-life insurance companies were published in the Government Gazette in February 2019, and became effective on 26 August 2019, except for certain provisions that came into effect on 1 January 2020.

The corporate governance notifications prescribe the structure, composition, qualifications, duties, and responsibilities of the board of directors of an insurance company. They spell out how directors should supervise, monitor, and direct the work of each function in an insurance company, as well as particular rules or in-house regulations that directors must enforce in the company.

Insurers are now required to have independent directors as board members, not just members of their audit committees. The law also requires insurers to have a certain number of specific internal departments and positions. The table below gives an overview of key requirements for the internal corporate governance structure, which is also subject to other detailed requirements on the reporting and preparation of relevant documentation.

Board of directors

Composition

The board of directors must have at least five directors, at least half of whom must be domiciled in Thailand.

Foreign limit

No more than **25%** of the directors may be foreign (unless permitted by the authority).

Chairman

The chairman of the board of directors must be an independent director or a non-executive director (unless permitted by the authority).

Executive directors

No more than **one-third** of the directors can be executive directors.

Independent directors

At least **one-quarter** of the directors must be independent directors.

Committees

Audit committee

- The committee must have at least **three** members.
- At least **two-thirds** of the members must be independent members.
- The chairman of the committee must be an independent director of the board of directors.

- At least **one** member must have sufficient knowledge and experience in accounting or finance.

Risk management committee

- The committee must have at least **five** members.
- At least **one** member must be a member of the board of directors. Others must be company managers or experts in operational risk.

Investment committee

- The committee must have at least **three** members.
- The members must consist of directors, managers, or experts (either directors, managers, or other individuals) with at least three years' experience in investment, risk management, or security analysis.

Nomination committee; remuneration committee; information technology committee

- These committees are not compulsory by law, but are recommended.

Departments

Legal compliance department

This department will supervise the legal compliance of the company. It must directly report to the board of directors or the audit committee.

Risk management department

This department will monitor the risk management of the company

Internal audit department

This department will monitor and assess the internal functions of the company, to ensure compliance with the company's risk management framework and policy.

Investment department

This department will be responsible for the company's investments.

Staff

Head of the legal department; head of the risk management department; head of the investment department

- The heads of these departments must be appointed.
- The OIC must be notified about all appointments to or resignations from these posts.

InsurTech

InsurTech

Innovation and the new insurance development plan

New technology, products, and distribution channels are driving the Thai insurance industry forward, and the central theme of the OIC's Fourth Insurance Development Plan is promoting digital insurance and strengthening the Thai insurance industry by enhancing the insurance ecosystem and relaxing certain regulatory matters to facilitate business competition and expansion.

This development plan marks a significant step in Thailand's move toward full digitization of the insurance business.

Under the Fourth Insurance Development Plan, the OIC aims to support the Thai insurance industry in using technological resources to efficiently manage risks. The plan focuses on three main issues:

- Ensuring sustainable development by supporting and developing every sector of the insurance economy, from the insured and insurers to insurance agents and brokers.
- Creating balance by only issuing regulations as necessary to promote the insurance industry, in accordance with changes in technology, laws and regulations, and economic and social development, to increase the industry's competitiveness and flexibility.
- Supporting the use of data and technology by promoting a central insurance industry database, and using technology to make products that meet the expectations of customers, the economy, society, laws, and culture (which all change over time), and to mitigate the risks and costs of operations.

General insurtech developments and usages

The pandemic has forced insurance players to adapt and explore the use of new technologies to accommodate customers. The shift from physical to online operations started with front-end functions such as sales and customer service. There is now a need on the part of the regulator and insurance players to use technology and new solutions for back-end functions in the insurance value chain. This is one of the key drivers for a technology-focused initiative under the new insurance development plan.

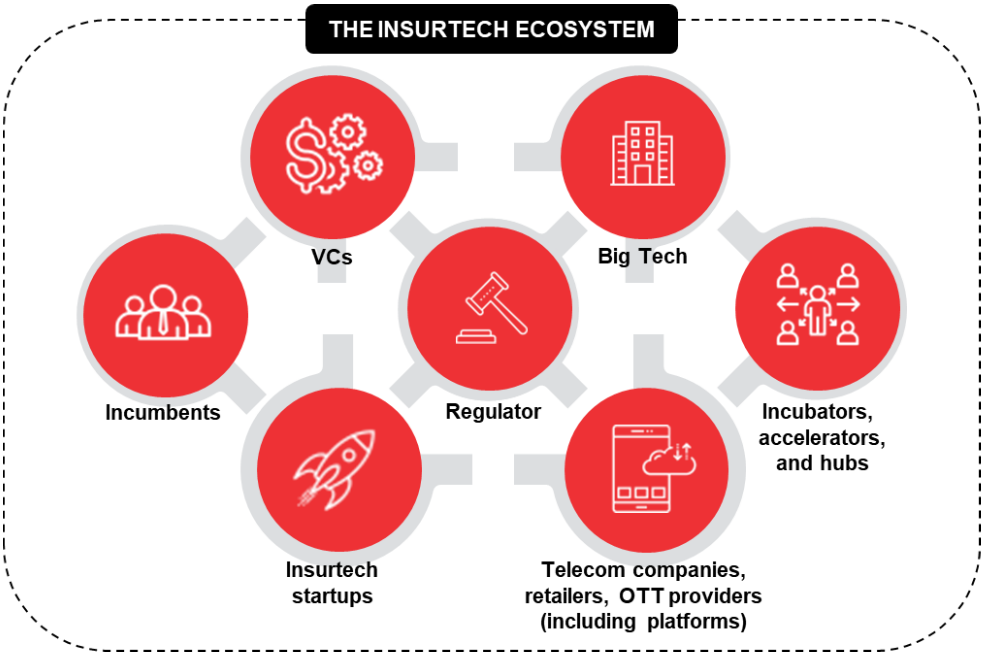
The OIC has expressly mentioned that digital transformation will be a key focus in coming years. The potential exists for insurers employing new technologies to be recognized by the OIC, giving them the opportunity to push for more flexible foreign shareholding rules. The OIC first launched a regulatory sandbox in July 2017, to enable insurers, brokers, and fintech and insurtech players to test their innovations. The sandbox process has been updated regularly, with the most recent setup put in place in 2021. Insurers have been keen on taking part in the scheme, but actual participation is overwhelmingly by the top insurance companies, due to resource limitations.

The OIC also tries to leverage the industry's big data players under its control, in an effort to protect consumers. Below are some key movements from the OIC and the industry:

- The introduction of the official platform that allows consumers to check the status of all insurance policies is an example of these efforts.
- Many insurance players have brought new innovations to the market, particularly within automotive and health insurance.
- Insurance products have been developed to fit into daily lives.
- New motor insurance products can be activated and deactivated at the customer's will.

- Health insurance products that monitor customer behavior constantly (and make lifestyle suggestions) are also a new addition.
- Further innovation is inevitable due to changes in working environment and lifestyle.
- Insurance product offers, price comparisons between insurance products and policy underwriting, and claims management services are all areas with potential.

Insurtech and innovation may alter the existing insurance model's use of labour, which is a fixed operational cost. Physical offices and branches will continue to lose foot traffic, while insurers employing insurtech will be better positioned to spot investment opportunities. Insurtech will help improve the customers' experience, an important point of note for the regulator.



Regulatory approaches

Regulators have been positive in encouraging insurtech innovation, but need input and support from the business side. In recent years, the OIC has implemented and updated regulations to support Thailand's insurtech development, including the insurance regulatory sandbox and online market conduct regulation.

The updated regulations also address consumer protection mechanisms such as the requirement for insurers or corporate brokers wishing to conduct online sales to submit a detailed flow chart showing the sales process from beginning to end. This is to ensure that consumers' rights are well protected and that IT systems are up to standards.

While the regulators do not proactively monitor non-compliance, they normally take appropriate action following consumer complaints. Fines are enforced, with publication of non-compliance in the official journal, if players are found guilty.

Players in the Thai market are quite responsive to regulatory developments, to mitigate both regulatory and reputational risk, and to maintain competitiveness.

The Insurance Regulatory Sandbox 2021

The OIC published an "Insurance Regulatory Sandbox" regulation on 25 March 2021, with immediate effect, repealing the sandbox regulation of 2019. This new regulation takes a principle-based approach, and detailed mechanisms prescribed in the previous regulation have been removed, such as the OIC's consideration period, the "own sandbox" concept, the channel for an applicant to request exemption from legal restrictions, and the exit mechanism. The OIC will address these issues in the sub-regulations.

Key points in the regulation

- While the previous regulation allows the OIC to determine the test period as it deems appropriate, the regulation limits the period to one year. At the participant's request, and on the condition that the project has made good progress, the OIC may grant an extension of up to one year (the previous regulation did not limit the extension period).
- In addition to informing policyholders that the project is in the regulatory sandbox, participants must also inform policyholders about the scope of the project.
- Participants must seek policyholders' consent for disclosure of any information regarding the sandbox, on top of the consent for participation in the sandbox.
- Commencement of the project must be reported to the OIC. The OIC can also impose an obligation to subsequently report to the OIC within a specified period.
- If the OIC considers that the project is successful, beneficial to the industry and consumers, and that it is necessary to issue regulations or amend existing regulations, the OIC will make proposals for further consideration.

Under the regulation, projects already approved by the OIC and under testing before the effective date of this regulation can continue to be tested until the end of the testing period.

OIC sub-regulation on the insurance regulatory sandbox

Following the issuance of the Insurance Regulatory Sandbox 2021, the OIC published a sub-regulation, providing greater details and procedural practices on the rules under the regulation. Key additional issues of the sub-regulation are set out below.

(a) Application procedures

After submission of the application, the applicant must propose its project plan to the OIC – including procedures, processes, expected key results, and exit plan. The OIC will announce the result of the project plan within 60 working days.

(b) Regulatory flexibility

In the interests of operational agility, an applicant can also apply to the OIC for exemption from insignificant regulatory requirements or prohibitions that affect the project being tested. This exemption will become effective after the OIC has properly announced it, either by notification or by order for a specific applicant.

(c) Exit from the Sandbox

The sub-regulation provides additional exit grounds to the regulation, such as: when the project achieves the proposed key results; when the applicant cannot rectify complaints or defects regarding a product, operational procedures, or IT system; or if the applicant fails, during the project term, to comply with the conditions as agreed with the OIC. Post-exit operations are also required, such as ceasing to provide additional service to the existing insured, and notifying the insured of service termination.

(d) Reporting obligation

As a part of the OIC's supervisory power, the applicant must submit a report every three months, depending on the type of project.

Product innovation and tailor-made sandbox

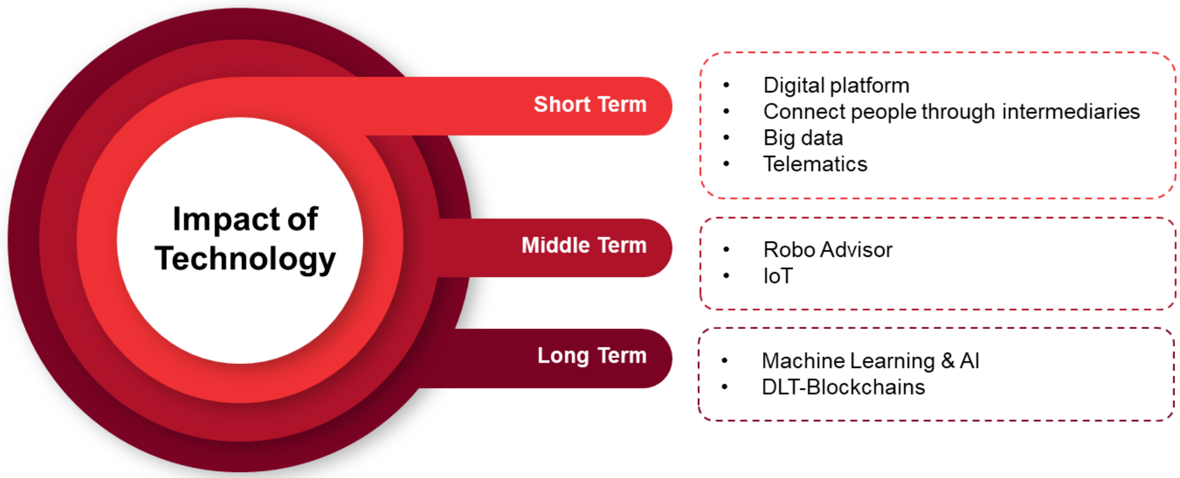
On 9 July 2021, the OIC issued the Notification re: Criteria, Procedures, and Guidance for Participation in the Product Innovation and Tailor-Made Sandbox. This sandbox aims to promote product innovation in the insurance industry, specifically in terms of coverage, offering, services, and factors considered in premium calculation. Innovative products are expected to meet the insureds' flexible needs and risks, which vary depending on social and economic conditions. The sandbox is open to insurance companies and brokers.

Products that can be tested in the sandbox must not be products eligible for the Insurance Regulatory Sandbox, and must have one of the following characteristics:

- Being a tailor-made product.
- Being a product that still lacks statistical data to use as a reference in premium rate determination, and lacks forms and terms to be set out in the insurance policy.
- Being a product with insurance risk, market risk, credit risk, operational risk, or other risk, which may occur due to several factors, the environment, or fluctuations in the economy and investment, and those risks have an effect on premium calculation.
- Being a product that is being considered in the ongoing process of issuing specific criteria or guidelines for the industry standard.

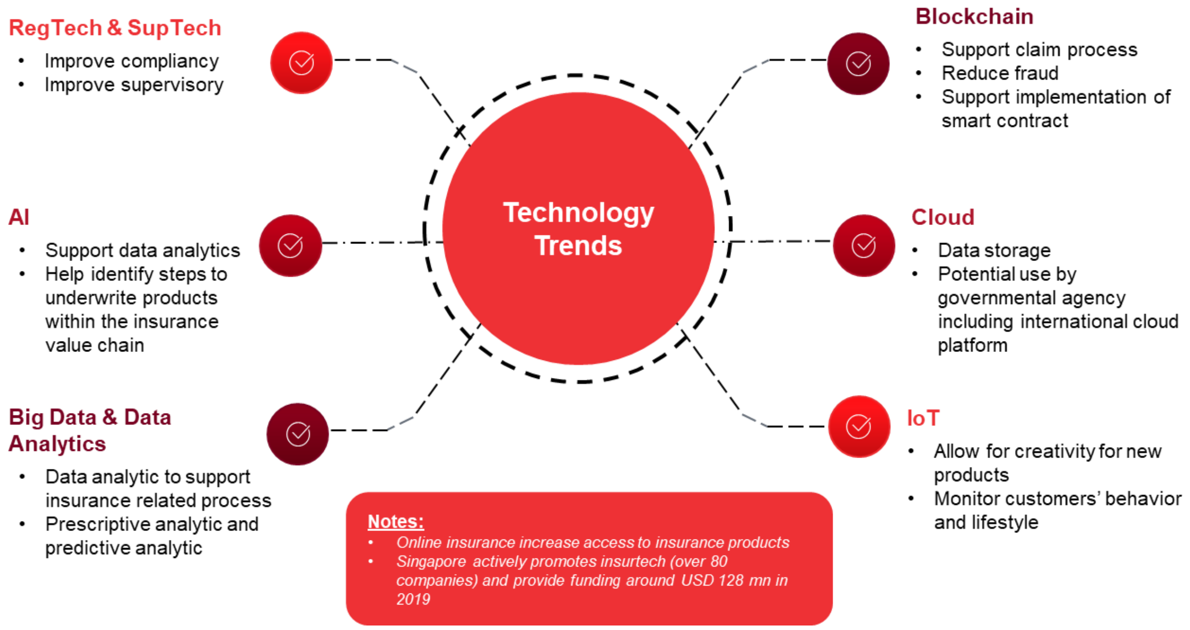
Impact of technology

In previous editions of our insurance outlook, we have discussed a number of key technology drivers. However, when implementing each of the key drivers in pracrtice, insurers tend to structure the implementation into phases. In the short term, it is more likely that digital tools and big data will be implemented so that insurers have a better understanding of customers' evolving needs and behavior. In the mid and long terms, more complex tools will be implemented to support business operations and to offer better customer service. Implementation will eventually lead to risk centralization, affordable products, new business models, and, most importantly, a new insurance industry landscape.



Technology trends and benefits

In the wider picture, the entire insurance industry is moving towards full digitalization. Insurers, reinsurers, intermediaries, and regulators have started implementing technology to support their roles and internal operations. The diagram below illustrates the benefit of each technology used in the insurance value chain.



Source: Time consulting.

The insurance value chain and business funaction are also evolving. With new technologies, insurers will see each of their internal functions differently. Marketing will be more than just general engagement with customers, but will focus more on customer data platforms and search engine optimization. The diagram below provides an overview of technologies that are key drivers in each internal function of insurers.

Marketing

- Customer Data Platform (CDP)
- Search Engine Optimization (SEO)
- Data Analytics Model
- Digital Marketing
- Hyper targeted marketing

Products Development

- Open API
- Big Data
- AI Model
- IoT
- BoT (behavior of things)

Distribution Channel

- e-KYC
- Market place
- Super app
- Agent / Broker
- Payment Gateway
- Mobile Banking
- e-Learning Platforms

Underwriting

- AI
- Image processing
- Data Analytic
- Process Automation
- Robotic process automation (RPA)

Claim Assessment

- Claim platform
- Mobile application
- Optical character recognition (OCR)
- Robotic process automation (RPA)
- GPS Image
- Work flow management

Customer Service

- Automatic answering
- Application
- Chatbot
- CRM Platform
- IVR system
- OCR / RPA
- Telephone system

Claims

- Big Data / FB / LINE
- AI Fraud Detection
- PDPA management system
- Image & Workflow
- OCR / RPA
- TPA Smart Contract
- Blockchain

Customer Retention

- Data management platform (DMP)
- Customers management platform (CMP)
- CR
- Data analytic
- Privilege platform
- Mobile application

Marketing

- Reg Tech
- OCR / RPA
- HR development platform
- E-tax submission platform
- Digital payroll
- IT management
- TFRS17

Big data

Thailand has now published the Personal Data Protection Act, B.E. 2562 (2019). Data controllers must arrange for personal data security measures, encompassing administrative safeguards, technical safeguards, physical safeguards, and access control under the Notification of the Ministry of Digital Economy and Society re: Standards of Personal Data Security, B.E. 2563 (2020).

Data controllers are also obliged to notify personnel, employees, and associated persons, of the security measures. They must also raise awareness of the importance of personal data protection for these groups and ensure strict confidentiality.

There are several key obligations that data controllers must comply with, such as informing the data subject of required information relating to the collection, use, and disclosure of personal data; to identify the necessary purposes and legal basis for collection, use, or disclosure of personal data; to provide appropriate security measures for preventing unauthorized or unlawful loss, access to, use, alteration, correction, or disclosure of personal data; to examine the system for erasure or destruction of personal data; to take action to prevent any person or legal person to whom data is provided to from using or disclosing that personal data unlawfully or without authorization; to reports data breaches; to prepare records of processing activities; to appoint a representative in Thailand who is authorized to act on behalf of a data controller who is not established in Thailand, and a data protection officer (DPO) (if required); and to comply with data subjects' exercise of their rights, among other things.

The Personal Data Protection Act imposes various obligations on insurtech operators:

- An organization (including an insurance company) acting as a data controller must ensure that personal data in its possession and control is protected from unauthorized access and use, and must implement appropriate security measures.
- Cross-border transfer of personal data will also be subject to certain requirements and restrictions.

- An organization (including an insurance company) acting as a data controller should cease to retain personal data as soon as consent is revoked by the owner of the data (unless there is any restriction on revoking consent), after the retention period ends, or when the personal data is no longer relevant or is in excess of necessity.

Artificial intelligence

Consolidated regulation governing the use of artificial intelligence (AI) does not exist yet in Thailand. However, controllers and operators of AI do have full obligations and liabilities, and they are subject to enforceable legislation including the Civil and Commercial Code, the Penal Code, the Consumer Protection Act, the IT laws, and industry specific regulations such as the insurance regulations.

Laws and regulations update

Laws and regulations update

Fifth Amendment to the investment regulations: Wider investment opportunities on non-investment grade

Following revisions to the life and non-life insurance investment regulations in April 2021, the OIC published a fifth amendment to the regulations, which came into effect on 5 April 2021.

Significantly, the Fifth Amendment removes restrictions on insurance companies' investment in non-investment grade debt instruments.

Change to insurers' investment in debt instruments

Formerly, insurers could only invest in investment-grade debt instruments. If a debt instrument was later downgraded to non-investment grade, the insurer had to dispose of the instrument. The Fifth Amendment now allows insurers to maintain their investments in downgraded instruments. However, non-investment-grade debt instruments will have to be calculated with other assets prescribed by the regulations, such as foreign unlisted equity ("**Categorized Assets**"). These assets can constitute up to 5% of an insurer's total investment assets.

Mutual fund's investment in non-investment-grade debt instruments

Under the previous investment regulation, insurers could only invest in mutual funds that invest only in investment-grade debt instruments. The regulation allows insurers to also invest in mutual funds that invest in non-investment-grade or unrated debt instruments, on two conditions: (1) the mutual fund's investment in non-investment-grade or unrated debt instruments does not exceed 10 percent of the mutual fund's net asset value; and (2) these instruments must be calculated as Categorized Assets.

The regulation is expected to support insurers' investment risk management if the debt instruments are downgraded and provide insurers with an opportunity to undertake a more diversified investment strategy, in accordance with current economic conditions.

2022 OIC Guideline on the Sale of Life Insurance Products

The OIC has issued a new guideline to provide the following details on requirements set out in the latest version of the 2020 Sale Notification:

Quality of sale control system

To ensure a quality selection process for sellers, the guideline suggests several features, depending on the nature of the seller. A corporate broker, for instance, should be financially creditable, regularly provide training to its personnel on the rules for sale and of products, and have in place procedures to ensure it has quality personnel.

Seller's general conduct

The guideline sets out examples of a seller's conduct, to clarify the regulation's principle-based requirements. Examples are set out below.

- Sales should take place during appropriate hours (i.e. Monday to Saturday, from 8:30 am to 7:00 pm), unless otherwise agreed with the client.
- The seller should disclose to the client any conflict of interest with its insurer.
- The seller must provide necessary information about premium payments, including: premium amount; coverage period; premium payment period; and any obligations or consequences if the client fails to pay premiums. If insurance products are offered together with other financial

products, insurance premiums must be separately identified from the other financial product fees.

Seller's conduct in particular types of sales

Examples of a seller's conduct in certain types of sales:

- In a direct sale, a seller can assist the client to fill in the application form, and should read the document with the client before the client signs.

- An insurer's payment receipt, or a payment receipt approved by the insurer, should be provided if the payment is made through a seller.

Minimum details on sales documents

The guideline suggests minimum details that should appear in sales documents. For example, the sales document should indicate that collection of premiums by an agent or broker is only a service, and that the insured is still directly responsible for paying premiums.

Disclosure and marketing

Insurers and sellers should be particularly cautious in contacting certain types of clients, such as elderly or inexperienced clients. The insurer and seller should also provide, in advertisements, clear disclaimers regarding customers' careful decision-making. There should also be verbal disclaimers and sufficient descriptions in audio-only advertisements.

OIC Guideline on Approval for Establishing Data Operating Centers, Document Retention Centers, and Training Centers for Insurance Companies

On 14 January 2022, the OIC published a guideline on approval for establishing data operating centers, document retention centers, and training centers.

The establishment of data operating centers, document retention centers, and training centers, while not considered as branches of insurance companies, must still be approved by the OIC.

This guideline sets out the definitions of these places, and the qualifications and procedures for obtaining an approval. Key points of the guideline are described below.

Definitions

- Data operating center is defined as a place where a company conducts IT operations, or a place of the same nature as a data center. Full outsourcing and use of third-party management for cloud computing service are not considered as a data operating center.

- Data center is defined as a place where a company installs a server, database or storage system, and other IT equipment for providing services to clients via a network.

- Document retention center is defined as a place where a company keeps documents, whether currently required for the company's operations, not required for current operations, not required for current operations but will be required in the future, or waiting to be destroyed. Documents include electronic media.

- Training center is defined as a place where a company holds training sessions, meetings, or seminars for employees or persons related to the company, for providing knowledge and skills development.

Key requirements

- The applicant must have a CAR ratio not less than that prescribed by law.
- Data operating centers, document retention centers, and training centers must have specifically dedicated areas, suitable equipment for operations, and security and fire protection systems. These places must also have a sign indicating the name of the company and its operations (data operating center, document retention center, or training center).
- The company cannot use a data operating center, document retention center, or training center for other purposes.
- The company cannot use a data operating center, document retention center, or training center as an office for insurance agents, brokers, or members of staff, except for staff responsible for the operations of these places. The company cannot use these places for contacting the insureds or the public.

If the company has already obtained OIC approval to operate a data operating center, document retention center, or training center before the effective date of this guideline, it can continue to operate them without having to obtain new approval. However, the company must comply with the requirements stipulated in the guideline within one year from the effective date.

OIC Guideline re: Application for Approval to Have the Objective to Conduct an Insurance Brokerage Business, B.E. 2564 (2021)

On 1 September 2021, the OIC issued the Guideline re: Application for Approval to have the Objective to Conduct an Insurance Brokerage Business, B.E. 2564 (2021), which applies to both life and non-life insurance. The guideline covers existing companies applying to add the new objective, as well as companies to be newly incorporated.

The sale of insurance products by insurance brokers is also subject to the 2020 Sale Notification, which provide more or less the same requirements as those for insurance agents. Please see the Sale Notification for further information.

OIC notifications on insurance fraud reporting

The OIC has promulgated notifications obliging insurance companies to submit the following reports regarding insurance fraud to the OIC.

1. An insurance company must submit a report on detected insurance fraud within 30 days from the last date of each quarter.
2. An insurance company must submit a report on suspicious activities possibly constituting insurance fraud within 30 days from the last day of each quarter. However, if a suspicious activity is considered crucial and may significantly affect the insurance industry or the general public, the report must be sent immediately to the OIC.
3. Behavior considered suspicious activity is prescribed in the Registrar Notification published in January 2021.

OIC Notification re: Criteria, Procedures, and Conditions for Obtaining Rehabilitating Consent

In the case of rehabilitation of an insurance company, the Thai Bankruptcy Act stipulates that the consent of the regulator or the OIC must be obtained. Therefore, the OIC has announced the following criteria for considering providing consent.

Company qualification

1. The company becomes insolvent and is indebted to one creditor or several creditors altogether in a definite amount of not less than THB 10 million.

2. There is reasonable cause and prospects for rehabilitation of the business.

3. The court has not issued an absolute receivership order against the company.

4. The court or the OIC has not issued an order for the dissolution or revocation of the company's registration, or registration has been made for dissolution or the company must be dissolved on any other grounds regardless of the completion of the liquidation.

5. A court has dismissed a petition to cancel the business rehabilitation order, has cancelled the business rehabilitation order or business rehabilitation within six months before the filing of petition.

6. There must be a business rehabilitation plan indicating the names and qualifications of the planner and plan administrator; a letter of consent for the planner and plan administrator; liquidity management guideline; liquidity source during the rehabilitation process; a set period of rehabilitation; a mechanism to protect the benefits of the insured and the public; a plan for acquiring additional capital; and a plan for resuming operations, including repayment possibilities.

After receiving the application, the OIC will report the result of its consideration within 15 days from the date of receipt of the application, and the company must file a petition for rehabilitation within five working day from the date of receipt of the consideration result.

OIC Draft Guideline re: Approval for Purchasing or Owning Real Estate

On 5 May 2022, the OIC published a draft guideline on approval for purchasing or owning real estate, for public hearing.

Current legal principle

Section 33 (9) of the Life Insurance Act and section 31 (10) of the Non-Life Insurance Act prohibit an insurance company from purchasing or owning real estate unless with OIC approval, and the real estate is for use as the company's business premises, is for the welfare of employees of the company, is for use in investment in other businesses as prescribed by the OIC, or is acquired by the company as a result of debt settlement or enforcement of mortgage.

Key points in the guideline

The guideline sets up criteria for approval based on two grounds: for the business of the company, or for the welfare of the employees of the company; or if acquired by the company as a result of debt settlement or enforcement of mortgage.

1. Criteria for using real estate for business operations or as welfare for employee

- The company must have a CAR ratio of not less than that prescribed by law, have a liquidity ratio more or equal to 100%, and allocate assets for the reserved fund, debt, and obligations under insurance contracts, as specified by law.
- The value of real estate to be used as business premises or for the welfare of employees, for use in investment in other businesses as prescribed by the OIC, or acquired by the company as a result of debt settlement or enforcement of mortgage, must not be more than 15% of the company's total assets.
- The company must submit documents including the purpose, reason, and necessity; the effect on the company's financial status; details of the real state; and the board of directors' resolution.
- If the value of the real estate is less than THB 50 million, the company must submit a price valuation report conducted by a business valuation company. If the value of the real estate is at least THB 50 million , the company must submit a price valuation report conducted by at least two business valuation companies, conducted within the previous six months before the application. The business valuation companies must not be related to the directors of the company, as prescribed in the applicable OIC notification. If the real estate acquired is a new project and publicly offered, the company may use documents relating to the offer instead of the price valuation report.
- If there is a construction or building on the real estate, the company must submit the details, construction plan, and expected completion period.

2. Criteria for using real estate acquired from repayment or compulsory mortgage

    - The company must submit documents including the reason or necessity and plan for utilizing the real estate, details of the real state, the board of directors' resolution, and the policy and process for debt settlement or enforcement of mortgage.
    - The company must show that it has proposed a good and proper solution that reduces the burden of the debtor, but the debtor is still not capable of making repayment, and that debt settlement is better for the company than establishing a case in court.
    - The price of the real estate must not be more than 70% of the market price and the Treasury Department's cost estimate. If the price of the real estate is higher than the debt, the company must not pay for the part exceeding the debt, and the company must use its discretion in recovering damages from the debtor, such as by transferring the real estate fee stipulated in regulations, and compensation for opportunity cost.
    - If the value of the real estate is less than THB 50 million, the company must submit a price valuation report conducted by one business valuation company. If the value of the real estate is at least THB 50 million, the company must submit a price valuation report conducted by at least two business valuation companies, conducted within the previous six months before the application. The business valuation companies must not be related to the directors of the company, as prescribed in the applicable OIC notification.

Statement of capability

Statement of capability

For many years, our Insurance Practice Group has been a key participant in the Thai insurance industry, and has acted as legal advisor to organizations in various parts of the industry network, including domestic insurance companies, international investors, and insurance brokers. Our experience in this field enables us to play an active role in assisting international investors from more mature insurance and reinsurance markets, who are eager to participate in an existing domestic operation or enter a joint venture with an existing local insurance entity.

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