

Prakas On Life Insurance Business

Hereby Decides

Section I: General Provision

Provision 1: Definition

The following words and phrases when used in this Prakas shall have the meaning given to them in this section unless the context clearly indicates otherwise.

- “This Prakas” means this Draft Prakas on Life Insurance Business.
- “Law” means the Insurance Law of the Kingdom of Cambodia adopted on 20 June 2000.
- “Insurance Sub-decree” means the Sub-decree on Insurance dated on 22 October 2001.
- “Life Insurance” refers to the commercial contract whereby an insured person, as contracted, pays the insurance premiums to the insurer, and the insurer bears a liability to indemnity when the insured or subject person sustains death, bodily injury, disability or sickness, or when the contract reaches the maturity being agreed by both parties as specified on the insurance schedule within the period, as determined by the contract agreed by the insurer, the insured person, and the insurance subject.
- “Life insurer” refers to the licensed entity who underwrites and sells life insurance contracts under this Prakas and the Law.
- “Insured Person” means a person who concludes insurance contract with an insurer and undertakes to pay the insurance premium as contracted.
- “Subject person” means a person whose death, bodily injury, disability and/or sickness become the subject of a life insurance contract

Provision 2: Application

The Prakas applies to all life insurance activities operated in the Kingdom of Cambodia in accordance with the Law on insurance and the sub-decree on insurance.

Section II: Products and Operation

Provision 3: Insurance Subject person

An insurance applicant can purchase life insurance whose insurance subject person is:

- (1) Himself (herself)
- (2) His (her) spouse, child, mother, and/or father
- (3) Brother, sister, and/or other relatives only when he(she) supports the lives of the insurance beneficiary(ies); or
- (4) Debtor, only in a case the insured person is the creditor of the debt provided to the debtor with the objective to protect the creditor’s assets upon loss of the debtor’s physical capacity, and maximum insurance benefit is limited to the amount of the debt.

Provision 4: Approval of Products

A life insurer must obtain approval on its insurance contract of a new insurance product from the MEF before selling the new product. Details of the approval criteria shall be determined by the MEF.

Provision 5: Rights and obligations of insurance buyer

An insurance buyer has the right to:

- (1) Choose a life insurance provider (Life insurer, agent, and/or broker) operating in the Kingdom of Cambodia to purchase life insurance;
- (2) Ask the life insurance provider to explain insurance conditions and terms, and /or to provide insurance certificates or documents; and
- (3) Unilaterally cancel a life insurance contract and receive compensation for losses when the life insurance provider intentionally provides wrongful information to secure a life insurance contract.

An insurance buyer has the obligation to:

- (1) Pay premium on time and substantially in the form agreed in the life insurance contract;
- (2) Provide a clear and sufficient statement of all the details associated with the relevant insurance contract according to the insurer's requirement.

Provision 6: Reporting

A life insurer shall be responsible for preparing and forwarding financial reports, statistical reports, and professional reports in accordance with current provision of the Law, sub-decree on insurance, this Prakas and the guideline of the MEF.

The MEF shall issue guidelines to establish the mortality table of the Kingdom of Cambodia by accumulating data.

Provision 7: Reporting to insured person

A life insurer must report by sending a written document via post mail for free of additional charge to its insured persons at least once a year about the items as listed below:

- (1) Major items of the contract including name(s) of insured person, insurance subject person, beneficiary(ies), contracted insurance benefit, terms and conditions, accumulated assets which could be withdraw upon cancellation of the contract, as well as other relevant items,
- (2) Financial statement of the life insurer including balance sheet, profit loss, and solvency margin ratio as well as other financial ratios,
- (3) Contract information of the life insurer including the address including street name and street number, city, and telephone number which is dedicated to respond to inquiries by insured persons, as well as other relevant items.

Provision 8: Exclusions

A life insurer does not have to pay insurance benefit in any of the following cases, unless otherwise agreed under the insurance contract:

- (1) The insurance subject person dies because of a suicide within two years from the insurance contract becomes effective;
- (2) The insurance subject person dies due to intentional actions by the insurance buyer or the insurance beneficiary; or

In case where one or several beneficiary intentionally cause the death or permanent injury to the insurance subject person, the insurer still has to pay the insurance benefit to other beneficiaries according to the executed contract.

Section III: Financial and Accounting

Provision 9: Appointment of actuary

A life insurer must use an appointed actuary to fulfill the following duties with reference to a professional standard of an association of Actuaries which is recognized by the MEF:

- (1) To sign, together with the general director (Director) of the life insurer, an application file for approval of an insurance product;
- (2) To establish mathematical reserves for insurance contract in accordance with applicable law and regulations;
- (3) To approve distribution of any annual surplus to the insured person on a fair and reasonable basis and in compliance with the applicable law and regulation;
- (4) To assess the financial capacity of the life insurer by checking its solvency at the end of each accounting period;
- (5) To provide quarterly and annual reports to the board of directors of the life insurer on the current financial status and future prospective financial status of such life insurer;
- (6) To promptly report in writing to the general director (directs) and board of directors of the life insurer on any irregular incidents which may mislead the financial status of such life insurer, and to propose remedial measures; and
- (7) To pass onto the MEF a copy of the above-mentioned report so that the MEF may deal with the matter, if a life insurer fails to apply the appropriate remedial measures within a reasonable time-limit as proposed by the appointed actuary to overcome financial difficulties.

Provision 10: Qualification of and restrictions to appointed actuary

An appointed actuary must satisfy all of the following standards:

- (1) Have undergone training as an actuary, and have at least 5 years' work experience as an actuary in the life insurance sector; and be a member of an association of actuaries which is recognized by the MEF;
- (2) Have good professional ethics, not have committed any breach of professional conduct of actuaries, and not be subject to criminal prosecution for any crime relating to his profession; and
- (3) Be a staff member of the insurer or of a company providing actuarial consultancy, or practice independently as an individual actuary.

An appointed actuary may not concurrently hold any one of the following position of the insurer;

- (1) General Director,
- (2) Chief accountant; or
- (3) Member of the board of directors.

The life insurer must register its appointed actuary with the MEF within ten (10) working days of the appointment, and shall notify MEF about any change in the appointment of actuary within ten (10) working days of the change of the appointment.

Provision 11: Solvency Margin

A life insurer shall maintain its solvency margin not less than the level of the minimum solvency margin set out by the MEF.

Provision 12: Reserves

A life insurer shall establish all the reserves required by the MEF.

Provision 13: Investment restrictions

A life insurer shall invest in financial assets and real estates only in compliance with the restrictions provided by the MEF.

MEF may direct a life insurer in writing:

- (1) Not to take investment of a specified class or description; or
- (2) To realize, before the expiry of a specified period or such extended period as the MEF may approve, the whole or a specified proportion of its investment.

Provision 14: Restriction on granting a credit facility

No life insurer may provide loan or guarantee or any other credit facility against the security of its own shares, without such special circumstances and to such extent of amounts and persons to be granted as the MEF may approve in advance.

Regardless the first paragraph of this Provision, a life insurer may invest on commercial loan or government bonds by following the conditions which provide in law on insurance sub-decree on insurance, Prakas and other regulations.

Regardless the first paragraph of this Provision, a life insurer may provide short-term loan to its insured person only up to the amount that the insured person has right to withdraw from the insurer at the moment.

Provision 15: Restriction on assets

No life insurer or licensed insurance broker, except with prior written approval of the MEF, shall pledge or charge any of its assets or securities.

Provision 16: Document of title

An asset of a life insurer shall be held in its corporate name and every document evidencing its title or right to an asset shall be in its corporate name.

Notwithstanding the first paragraph, the MEF, on the application of a life insurer, may approve the life insurer's assets to be held in the name of its nominee subject to such condition as the MEF may specify.

The documents mentioned in the first Paragraph:

- (1) Shall be kept in the Kingdom of Cambodia in the custody of the life insurer or a licensed band and, where for any special reason a document is kept in the custody of any other person on its behalf, it shall notify the MEF in writing of that person and the reasons for his custody and of any change in that custody and the reason for it;
- (2) May be kept outside the Kingdom of Cambodia, with the written approval of the MEF, in the custody of a person at such place, and subject to such terms, as may be specified; or
- (3) May be kept in the custody of the licensed local insurer, or a bank, in the country where it is carrying on business to the extent the assets relate to its business in that country, and the licensed local insurer shall notify the MEF in writing of the custodian of its documents and the MEF may require the licensed local insurer to provide a certificate from the custodian or its auditor verifying the existence of the documents.

A document referred to in paragraph (1) of the former paragraph or (2) shall be produced for inspection to such officer of the MEF, and within such period, as may be specified by the MEF in a written notice to the life insurer or to the custodian of the documents.

Provision 17: Audit

An annual financial report of a life insurer must be certified by at least one qualified external auditing organization.

A life insurer shall appoint a qualified auditor, and obtain approval from MEF about the appointment, or any change about the appointment, within ten (10) working days.

Provision 18: Valuation of assets and determination of liabilities

MEF may prescribe the manner for valuing a life insurer's assets and other assets of a life insurer; and determining the liabilities and other liabilities of the life insurer.

Provision 19: Dividend restriction

A life insurer may pay dividends to its shareholder only after it pays out for claims for insurance benefit, and establishes required reserves.

In the case when a life insurer provides insurance products that commit to pay dividends to insured persons, the insured persons shall be given preference over the shareholders in receiving dividends.

The MEF shall issue guideline how dividends may be paid to shareholders.

Provision 20: Financial statement disclosure

A life insurer must disclose its annual financial report to the public within 120 days of the last day of the financial year.

Section IV: Treatment of Company in Financial Difficulties

Provision 21: Notification of the danger of insolvency

A life insurer is in a danger of insolvency when its marginal solvency is below the level of the minimum marginal solvency.

In cases of facing a danger of insolvency, the life insurer must notify the MEF of its accurate financial situation, the reasons of possible insolvency and corrective measures.

Provision 22: Responsibilities of a Life Insurer in Danger.

A life insurer facing a danger of insolvency must undertake all of the following measures:

- (1) Develop plan(s) to restore solvency, strengthen the company's management and operations, and notify the MEF of these plan(s) and implement those plan(s) which have been approved by the MEF; and
- (2) Satisfy requirement that are ordered by the MEF to restore its insolvency.

Provision 23: Responsibilities of influential shareholders

If the financial position of a life insurer so warrants, the MEF shall enjoin influential shareholders, jointly and severally, to increase the net worth until the solvency standards are met.

For the purpose of this Prakas, a shareholder shall be deemed to be influential from the moment that he directly or indirectly holds at least 20 percent of the share capital or voting

rights, or if he holds de facto decision making power as a consequence of widely dispersed shareholding.

Section V: Transfer of Life insurance Business

Provision 24: Transfer of insurance business

No life insurer shall transfer its business, wholly or partly, to a person except with prior written approval of the MEF.

A transfer must comply with the principle that it shall not adversely affect the interests of insured persons of insurer after the transfer agreement must be reviewed by a qualified actuary. Only if the actuary express the opinion that rights of the insured persons are not adversely affected, the transfer can be carried out.

Provision 25: Conditions of transfer of life insurance business

Transfer of part or an entire life insurance business between life insurance is approved upon the following cases:

- (1) the life insurance is in a danger of insolvency;
- (2) the license of the life insurer is revoked; or
- (3) the life insurer merges with another life insurer or dissolves; in cases of merging, both of life insurers must agree on transferred contract in advance.

In cases where the life insurer is in a danger of insolvency or dissolves but has yet to reach an agreement to transfer its insurance contracts to another life insurer, the MEF shall appoint a life insurer who accepts the insurance contracts.

Provision 26: Terms required for transferring life insurance business

Life insurance business shall be transferred in accordance with the following terms:

- (1) the life insurer assuming the transferred contract must be involved in the transferred insurance business;
- (2) the rights and obligations agreed in the transferred contract must not change until the transferred contract expires except for minor changes that are approved by the MEF in advance in writing;
- (3) the transfer must include transfer of all funds and reserves associated with the entire transferred contract.

Provision 27: Procedure for transferring an insurance contract

Life insurance business shall be transferred according to the following procedure:

- 1) Before transferring life insurance business, the life insurer shall submit an application to the MEF requesting approval to transfer that insurance business. The application shall state the reasons and scheme of the transfer, and the contract to be transferred. A transferred contract can only be reached after receiving approval from the MEF.
- 2) The MEF may reject the scheme or approve it with such modification as it may specify.
- 3) Within 30 days commencing from receipt approval from the MEF, the life insurer has to publicize its business transfer and notify all the insured persons of the transfer in writing.

Provision 28: Modification of scheme of transfer

Where an insured person, claimant or other creditor files an objection to the scheme of transfer according to the Provision 27 to the MEF, the life insurer, with the approval of the MEF, may modify the scheme, and re-proceed the procedure required under Provision 27.

Section VI: Dissolution and Liquidation of Life insurer**Provision 29: Dissolution of a Life insurer**

A life insurer may be dissolved upon the following instance:

- (1) the life insurer merges with another life insurer;
- (2) the life insurer transfer all existing insurance
- (3) the license of the life insurer is revoked; or
- (4) other instance regulated by law.

Provision 30: Approval of Dissolution

Dissolution of a life insurer shall become effective after the Prime Minister of the Kingdom of Cambodia approves.

The Prime Minister shall not approve dissolution of a life insurer when life insurance contracts with the life insurer remain active unless such life insurance contracts fill either of conditions as:

- (1) whose insured person is an employee or a member of the board of the life insurer;
- (2) whose insurance accident already occurs' and the contract is planned to expire after payment of the insurance benefit on the date of the application for dissolution; or
- (3) whose contract term is already expired on the date of the application for dissolution.

Provision 31: Application of Dissolution

A life insurer shall prepare application of dissolution of itself, and submit to the Prime Minister of Kingdom of Cambodia.

MEF is responsible to determine details of the application of dissolution of a life insurer.

Provision 32: Liquidation Procedure

A life insurer shall be liquidated after its dissolution is approved by the Prime Minister of the Kingdom of Cambodia according to the Provision 30 of this Prakas, unless the life insurer merges with another life insurer.

MEF is responsible to determine detail of the procedures of liquidation of a life insurer.

Provision 33: Preferential status of insured persons upon liquidation

Insured person of a life insurer have priority of claims over all unsecured creditors of the life insurer other than certain preferential debts specified in the applicable law and regulations.

Section VII: Sales of Life Insurance**Provision 34: Sales channel of life insurance**

Life insurance contract can be sold through either via an employee of a life insurer, an agent, or a broker.

All the regulations stipulated by insurance Sub-decree on insurance agent and insurance broker shall apply to those who operate life insurance business, unless otherwise stipulated in this Prakas.

Provision 35: License of agent and broker

All insurance agents and brokers must have license granted by the MEF to operate life insurance business. Section 2, Chapter IV of insurance sub-decree shall apply to agents and brokers who deal life insurance contracts, unless otherwise provided.

Provision 36: Registration of employee of a life insurer

An employee of a life insurer who sells life insurance contract must have adequate knowledge about the risks as well as the benefit of the life insurance.

MEF shall register all of such employee of a life insurer who may sell or solicit life insurance contract to a third person.

Provision 37: Designation of educational organization

MEF may designate (an) organization(s) who provide educational programs to sales professionals including agents, brokers and employee of a life insurer. Such designated organization(s) may conduct examinations to provide certification for qualified agents/brokers/employees.

Section VIII: Violations in the insurance business

Provision 38: violations

Violation in the insurance business can include:

- (1) operating the insurance business by any kind of a person without an insurance or a life insurance license;
- (2) violating regulations for grating the license and regulations for MEF's inspections, examinations, and/or oversight;
- (3) Forcing to sign insurance contract under force or duress; and
- (4) Other actions in violation of the law, the insurance sub-decree, and this Prakas

Provision 39: Penalties

Those who committed activities that are determined as violations in the insurance business by the MEF shall pay penalties according to regulations under this Prakas and the Law.

Provision 40:

Any provision contrary to this Prakas shall be null and void.

Provision 41:

This Prakas comes into effect from the date of signature onward.

Phnom Penh, 12 August 2008

Senior Minister
Minister of Economy and Finance

CC:

- General Secretaries of the Senate
- General Secretaries of the National Assembly
- Office of the Prime Minister
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(signed)
Keat Chhon