

KINGDOM OF CAMBODIA
NATION RELIGION KING

MEF
N°. 186

PRAKAS
On
SOLVENCY MARGIN FOR GENERAL INSURANCE BUSINESS

Senior Minister, Minister of Economy and Finance

- Referring to the Constitution of Kingdom of Cambodia.
- With reference to the Royal Decree No. NS/RKT/0704/001 dated 13 July 2004.
- Referring to the Royal Decree No. NS/RKT/0704/124 dated 15 July 2004 on formation of Royal Government of the Kingdom of Cambodia.
- Referring to the Preach Reach Kram No. 02/NS/94 dated 20 July 1994 on promulgation of the Law on Organization and Functions of the Council of Ministers.
- Referring to the Preach Reach Kram N°NS/RKM/0196/18 dated 24 January 1996 Promulgation the Law on Establishment of the Ministry of the Economy and Finance.
- Referring to the Preach Reach Kram No. NS/RKM/0700/02 dated 25 July 2000 Promulgation the law on Insurance.
- Referring to the Sub-Decree on Insurance N° 106ANKr.BK dated 22 October 2001.
- Referring to the Sub Decree 04/ANK/BK dated 20 January 2000 on the Organization and Function of Ministry of Economy and Finance.
- With reference to the Sub Decree No. 78/ANKr.BK dated 18 November 2000 on Modifications of Some Departments of the Ministry of Economy and Finance.
- With reference to Prakas 584 MEF dated 19 September 2005 on Modifications of Organization and Function of Department of Financial Industry.
- Pursuant to the need in supervising the insurance sector.

DECIDES:

Provision 1:

This Prakas applies to all general or non-life insurance companies, reinsurance companies or branches of foreign insurers and reinsurers authorized in the Kingdom of Cambodia irrespective of ownership.

Provision 2:

The term 'solvency' is defined as the ability of an insurer to meet its obligations (liabilities) under all contracts at any time.

Provision 3:

The basis for valuation of assets and liabilities shall be in accordance with the Prakas on Accounting Guidelines.

Provision 4:

As provided in Article 56 of Sub Decree, the minimum margin of solvency for general insurance business shall be as follows:

- (1) Fifty percent (50%) of the duly registered capital for the initial operation year;
- (2) 13,300 million Riels if total premium less reinsurance does not exceed 66,500 million Riels in the preceding year;
- (3) Twenty percent (20%) of total premium income if the premium income less reinsurance is between 66,500 million to 332,500 million Riels in the preceding year;
- (4) 66,500 million Riels plus Ten percent (10%) of total premium if premium less reinsurance is more than 332,500 million Riels.

Provision 5:

Pursuant to Article 53 of Sub Decree, the maintenance of solvency margin shall be in a particular account with a bank in the Kingdom of Cambodia licensed by the National Bank of Cambodia.

Provision 6:

- (1) Pursuant to Article 67 of Sub Decree, all insurers licensed in Cambodia shall reinsure at least 20% of their business to the state owned reinsurance company.
- (2) To provide greater security, ceding companies in Cambodia shall reinsure with overseas reinsurance companies that have a current minimum rating of 'BBB' by Standard & Poor's (S&P) or its equivalent.

Provision 7:

With respect to profit, the licensees shall not be allowed to distribute dividends to their shareholders until the MEF is satisfied that the companies have met and can, in the foreseeable future, continue to meet the margin of solvency. Dividend payment or capital returns can only be made with written consent from MEF.

Provision 8:

All licensees shall submit together with the annual accounts and returns a statement of its compliance to solvency margin as MEF may specify.

Provision 9:

Any person who contravenes or fails to comply with a provision of this Prakas commits an offence and is liable to a fine KHR10 million payable to the National Treasury within two weeks from the instruction of the Department of Financial Industry.

Provision 10:

Any regulations that are contrary to this Prakas are abrogated.

Provision 11:

This Prakas is effective from the date of signature.

Phnom Penh, 20 March 2007

Senior Minister
Minister of Economy and Finance

(Signed)

Keat Chhon

CC:

- General Secretariat of the Senate
- General Secretariat of the National Assembly
- Office of the Prime Minister
- Council of Ministers
- Royal Journal
- File/Archive