Life Insurance Fund (LIF)
THAILAND

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กองทุนประกันชีวิต
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About Life Insurance Fund (LIF) - Thailand

- ‘Life Insurance Fund (LIF) – Thailand’ has been established since 2008 enforced by The Life Insurance Act.
- It is a government agency directly reported to the ‘LIF Executive Board of Directors’ chaired by the Permanent Secretary of the Ministry of Finance and deputy-chaired by the Office of Insurance (OIC) Secretary.
- ‘LIF Executive Board of Directors’ is responsible for setting policies, issuing rules and regulations regarding the operations.
- LIF Manager is the Board’s secretary and LIF Head.

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LIF Objectives by Law

1. To protect the life insureds (as creditors) who are entitled to receive debts payment arising from the life insurance contract if the life insurance company's license is revoked by OIC.

2. Development of the Life Insurance Business for sustainable growth and stability.

LIF Roles and Responsibilities

1. Disseminating life insurance knowledge as well as promoting the role and responsibilities of life insurance fund to the people, for the trust and confidence of life insurance business and system. It will lead to sustainable growth, stability and security of life insurance business in the long run. LIF develops the life insurance business as well as protecting the rights of the insured by knowledge enhancement to the people for understandable and confident in the life insurance benefits, through networking and efficient public relations.

2. Increasing the life insurance fund by the effectiveness of investment performance, to be enough for the protection of the insureds (creditors) in case of any life insurance company's license revoked. However, LIF takes conservative investment strategy with low risk and the secure of fund.

3. Ready to be a liquidator when the life insurance company has revoked its license. Note that the maximum amount of debt that each insured will get is THB 1.0 million per company.

LIF Roles and Responsibilities

4. Develop organizational resources, personnel, system and infrastructure for the most efficiency. Also intense on technology for the effectiveness of platform, process, and service.

5. Follow-up the policyholders (insureds) who have not yet got their life insurance benefits for over 10 years from the benefits date, to get their benefits. The insurance benefits are the rights in life insurance contracts, such as benefits during the contract, dividend, maturity benefits, surrender values, claims payment, etc.

Note:

a) For the first 10 years and second 10 years, it is the responsibility of the insurer and life insurance fund (LIF) respectively.

b) If the policyholders do not get the money within the second 10 years (in hand of LIF), their rights will expire and that money will be gone to Life Insurance Fund, by law.

c) The life insurance company must remit the money to the Life Insurance Fund within one month from the due date after prescription (10 years).

d) If the life insurance company does not remit the money to the LIF within one month from the due date, the company have to pay an additional fine at the rate of 1.5 percent per month of the total amount to be remitted.

LIF Visions and Goodwill

Vision:

'Life Insurance Fund' is the best shelter of the insured as well as the efficient organization for the development of life insurance business to be sustainable growth, stable and secured.

Goodwill: L-I-F

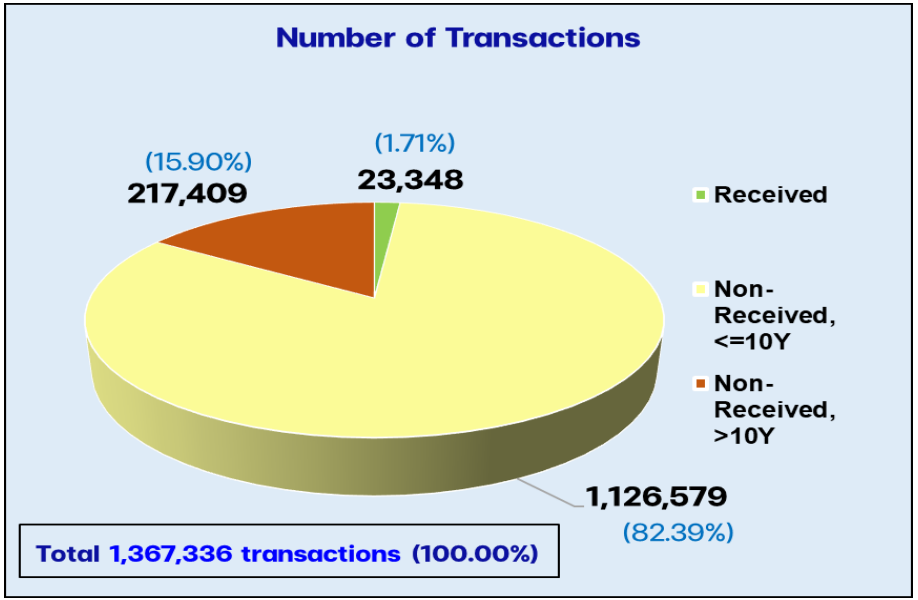
L = Learning Organization.
I = Integrity.
F = Flexibility and focus on the Quality.

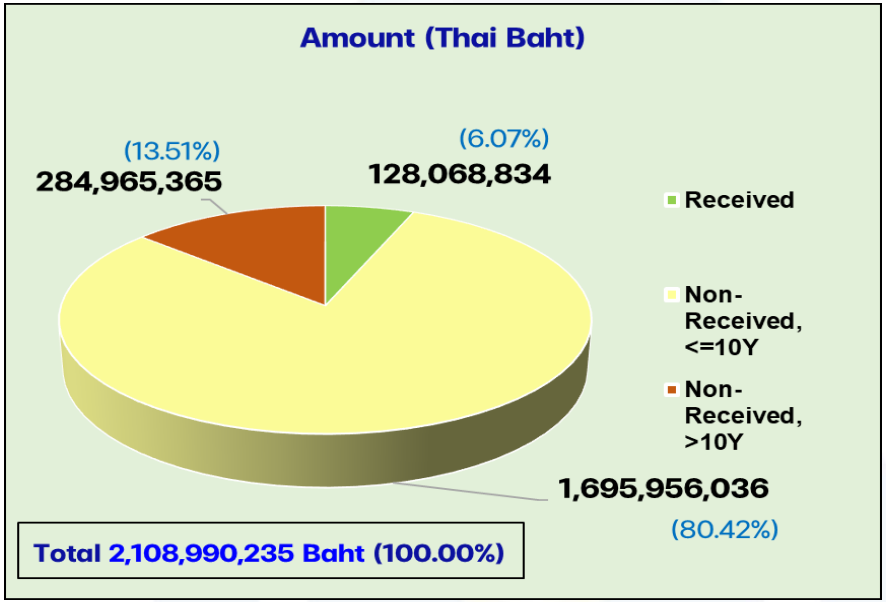
LIF Sources of Fund

1. Levies 0.10% of the total premiums from all 21 life insurance companies (Maximum, by law, is 0.50% of the total premiums)
2. All unpaid or unclaimed of the insureds over 10 years from each due date.
3. Penalties and surcharges by law from the life insurance companies.
4. Government subsidies.
5. The issue of debt instruments or loans, especially in case of non-enough money from the life insurance license revoked.

LIF Statistics

The statistics of policy remittance from past life insurance fund eligibility period and statistics that the insured receives money back from the life insurance fund since the establishment of the Life Insurance Fund 2008 until 31 August 2023, are as following:





Note: The LIF total assets as of 31-Aug-2023 is THB 10,700,360,392.

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LIF - Insurance Resolution Preparedness

Resolution Preparedness in case of the Company revoked – LIF Thailand

Finance Minister ordered the company to be revoked

OIC appointed LIF to be Liquidator

- Registration of the company revoked to DBD
- Inform the company revoked to Revenue Department
- Inform related government agency of the business cancellation and all taxes issues
- All taxes payment within 150 days from company revoked. If unable to pay within 150 days, request to head of RD for payment duration extension
- Return 'Tax Payor Registration Form' to RD

LIF received all company assets from the directors within 30 days since liquidator appointment date

LIF received guaranteed assets and policy reserve pledged with OIC, within 30 days since liquidator appointment date

Inform creditor to submit the request for debt within 30 days since liquidator appointment date

Creditor submitted the request for debt

LIF paid the guaranteed assets and policy reserve pledged with OIC to the creditor within 120 days

LIF paid debt including money received from the liquidator, to the creditor at no more than THB 1 million per person

Assets Management Directions

- Pretty Cash
- Bank Deposit
- Accrued Premiums and Reinsurance Premiums
- Prepaid Reinsurance Premiums
- Investment in Securities
- Lands, Buildings, and Construction
- Cars, Office Supplies, Computers and Peripherals
- Other Assets

Debts Management Directions

- All Personnel benefit payment
- All Liabilities payment
- All Facilities and Utilities payment

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Thailand Experience on the Closing of Life Insurance Company & Resolution

Life Insurance Business in Thailand

- There are 21 active life insurance companies in Thailand at current.
- At current, all companies are strong with high solvency value and have low risk to be license revoked or closed since the Capital Adequacy Ratio (CAR by RBC from OIC criteria) is very high at more than 350% in average while the benchmark to be warned is at lower than 140% and to be closed is at lower than 100%.
- From the past, the latest closing of life insurance company is 56 years ago or since 1967.
- However, the Life Insurance Fund (LIF) have always prepared and made rehearsal every year to be promptly ready for performing resolution once there is any company be closed or be license revoked. LIF also have the booklet showing the guidance (5W1H) after being appointed to be liquidator and perform resolution process.
- For the training LIF staff to perform the resolution process, LIF also invites the General Insurance Fund (GIF) who have experience with the general insurance company closing and performing actual resolution. The potential problem solving and FAQ for the future is raised and additional recording in the booklet as well.

Thailand Experience on the Closing of General Insurance Company & Resolution

General Insurance Business in Thailand

- There are more than 49 active general insurance companies in Thailand at current.
- During 2020-2022, the general insurance licenses of four companies have been revoked and absolutely closed.
- The main reason for the closing is the failures of 'Covid-19 Product' with strategically naming 'Found (Covid-19) – Paid (Sum-assured from finding Covid-19 defected) – Ended (the policy or contract expired).

- The main factors for product failures are:
  - ✓ Product launching with no experience of risk (since Covid-19 is a newcomer disease).
  - ✓ Neglected of 'Law of Large Number Principle' and lack of enough verifying from actuary.
  - ✓ Caused may be the business reason of some company owners who speculated high profit.
  - ✓ The feature of product is low premium (about THB 500) but paid high lump-sum claim (about THB 100,000 or 200 times of premium) with the motivated conditions (Found-Paid-Ended).

Thailand Experience on the Closing of General Insurance Company & Resolution

General Insurance Business in Thailand

- During the first year of launching this product, the companies gained high profit since the popular product and success in premium income (mass product) while the Covid-19 was still disseminated during the product has been first launched during 2020.
- However, when the Covid-19 pandemics actually incurred during 2021-2022 the companies faced with critical situations from very high claims and must pay lump-sum (Found-Paid-Ended) to the insureds or claimants.
- Since the premium is very low while the claims are very high, consequently the companies who launched the Covid-19 took high loss and were unable to pay claims for all claimants.

Thailand Experience on the Closing of General Insurance Company & Resolution

General Insurance Business in Thailand

- Its liabilities are much higher than assets, as a result, The %CAR of 4 companies are less than 100% and are unable to move on for their general insurance business. By law, finally The Minister of Finance, by the proposal from OIC, ordered to revoke the general insurance licenses of these 4 general insurance companies.
- The General Insurance Fund (GIF) has been appointed to be liquidator and responsible for payment all claimants (as creditors) instead of four collapsed companies with legally limited no more than THB 1 million per person.
- The situation at current, there are totally more than 700,000 claims with the amount totally more than THB 60,000 million (from all 4 companies) are still waiting for the claim payment of this Covid-19 product.

The Crisis Management of Four General Insurance License revoked.

- By the way, at current, GIF had not enough money to pay all creditors and is in the consideration of funding within the legal framework or offering some conditions to the creditors, such as:
  - ✓ Increase the levy rate (% of total premium) from all general insurance companies,
  - ✓ Request the loans from Government,
  - ✓ Issue the debentures or bonds and seek for cooperation of all general insurance companies to buy,
  - ✓ Propose the 'Haircut' to the creditors with the lower of sum-insured but shorten of claim payment period.
  - ✓ Etc.
- Presently, the resolution is still on processing and negotiating with the government as well as the creditors.

The Communications during Crisis of Four General Insurance Companies closed

- Improving the system and platform to facilitate the communication on the process of inquiry and request as well as the payment and service. For example, GIF has already implemented the Line Office Account to serve all claimants.
- Continuously meet the press on all popular channels: newspaper, television, radio, etc.
- Regarding social media, GIF set a team to monitor and control the transactions about this issue which may be negatively posted. Promptly action for clarification of problems and make understanding has to be done earliest or soonest.

Crisis Communication Preparedness: LIF Communication Channels

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LIF Communication Channels

LIF FanPage

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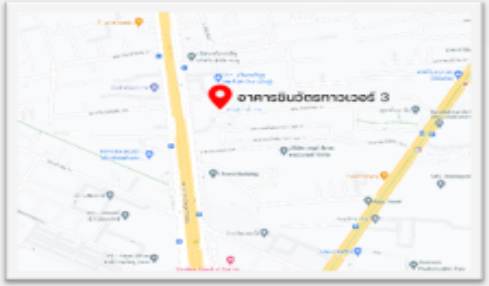

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Thanks so much

Life Insurance Fund (LIF)