

PRAKAS NO. 44 ON RULES AND GUIDELINES FOR REINSURANCE

22 August 2024

To ensure the safety and efficiency for controlling and protecting the risk for the reinsurance, the **Insurance Regulator of Cambodia (“IRC”)** enforces a new regulation, namely **“PRAKAS NO. 44 ON RULES AND GUIDELINES FOR REINSURANCE”** issued on 12 July 2024, (**“PRAKAS No. 44”**) that regulates specifically the terminologies, risk management and retention, reinsurance agreement and policy, diversification of reinsurance, obligation to report, and provides further information on the sanction provisions to impose on the non-compliance matters.

1. What’s New?

Following these new provisions, the IRC sets some formalities and legal procedures required to obtain prior approval after receiving the resolution from the Board of Directors, when the Insurer prepares the reinsurance agreement plan both onshore and offshore, or prepares the reinsurance policy, including in the event of the change or modification of the reinsurance conditions.

2. Highlight of Key Takeaway

a. Risk Management and Retention

Insurers shall limit a maximum insured risk depending on the basis model of per risk and per event for each type of insurance product. The insurer may not issue insurance policies with an insured amount in excess of the risk retention threshold, except in the case that the insurer is able to cover the risk through reinsurance.

b. Reinsurance Agreement and Policy

In light of preparing the reinsurance agreement within the onshore or offshore arrangement, the insurer must apply for a prior approval from the IRC after obtaining the decision from the Board of Directors within the maximum requirements and set timeline. It is essential to be aware that for any upcoming plan for reinsurance agreement, the insurer shall apply for prior approval from the IRC before 1st November every year or may apply for the approval of reinsurance plan in parallel with each insurance product application.

The insurer is also entitled to enter into outward reinsurance agreement following the contents of the reinsurance agreement plan approved by the IRC. However, the reinsurer has the right to enter into both inward and outwards reinsurance agreements according to the contents of the reinsurance agreement plan approved by the IRC.

Regarding the preparation, change or modification of the reinsurance policy, the insurer shall apply for the prior approval from IRC within the term and conditions and set timeline following this



Prakas No. 44. In addition, the insurer shall review and evaluate the reinsurance policy at least once per 3 (three) years.

c. Diversification of Reinsurance

The insurer may transfer the risk to onshore or offshore reinsurer. The Insurer shall transfer the risk that exceeds the risk retention threshold to a reinsurer following the conditions as regulated by the IRC.

d. Obligation to Report

The insurer is obligated to submit a summary report on reinsurance to the IRC before 15 January of the following year consisting of minimum information as regulated by the IRC.

3. Non-Compliance and Penalty

In the event of non-compliance with this Prakas No. 44, the IRC offers the insurer an opportunity to explain before imposing any disciplinary sanction.

4. Enforcement

The IRC shall be responsible for enforcing this Prakas No. 44 issued on 12 July 2024 onwards.

CONTACT

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