

# Prakas No. 041 on Reinsurance Diversification

19 September 2024

To ensure the safety and efficiency for the risk management and prevention for insurers, the **Insurance Regulator of Cambodia (“IRC”)** enforces a new guideline, namely **“GUIDELINE NO. 041 ON REINSURANCE DIVERSIFICATION”** issued on 6 August 2024, (**“GUIDELINE NO. 041”**) that regulates specifically the reinsurance diversification and provides further enforcement guideline.

## 1. What’s New?

Insurers shall apply for prior approval from the IRC on the change or retention of a foreign reinsurance whenever the credit ratio of the foreign reinsurer drops below the minimum level as determined in this Guideline within 10 (ten) days at the latest upon receipt of the information on the downgrading.

## 2. Highlight of Key Takeaway

### a. Diversification of Reinsurance

Insurers shall transfer the risk that exceeds the risk retention threshold to a foreign reinsurer following the conditions below:

| Credit Ratio or Equivalent Credit Ratio |       |         |       | Maximum Level of Risk Transfer Per Agreement                                   |                |
|-----------------------------------------|-------|---------|-------|--------------------------------------------------------------------------------|----------------|
| Standard & Poor                         | Moody | AM Best | Fitch | Non-life Insurance                                                             | Life Insurance |
| AAA                                     | Aaa   | A++     | AAA   | - 50% for each leading reinsurer<br><br>- 15% for each participating reinsurer | 100%           |
| AA+                                     | Aa1   | A+      | AA+   |                                                                                |                |
| AA                                      | Aa2   |         | AA    |                                                                                |                |
| AA-                                     | Aa3   |         | AA-   |                                                                                |                |
| A+                                      | A1    | A       | A+    | 10% for each participating reinsurer                                           | 60%            |
| A                                       | A2    | A-      | A     |                                                                                |                |
| A-                                      | A3    |         | A-    |                                                                                |                |
| BBB+                                    | Baa1  | B++     | BBB+  |                                                                                |                |
| BBB                                     | Baa2  | B+      | BBB   |                                                                                |                |

### b. Enforcement guideline

Insurers shall use the credit ratio at the lowest level, whenever the foreign reinsurer receives the credit ratio excessive than one from a different rating level.



**3. Non-Compliance and Penalty**

In the event of non-compliance with this Guideline no. 041, the IRC will impose a sanction to insurers as stipulated in applicable laws and regulations.

**4. Enforcement**

Insurers shall exercise effectively and respectively this Guideline No. 041 issued on 6 August 2024 onwards.

## CONTACT

For additional information, please consult our legal expert.

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