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Updates on Insurance Sector Regulations

In line with the modernization of the insurance sector, the Insurance Business Regulatory Board (“IBRB”) had issued a series of directives regulating insurance agents, bancassurance agents, application for new types of insurance products, reinsurance, and approving new types of insurance products to be offered by general insurance companies.

IBRB Directive 1/2020

On 4 March 2020, IBRB had issued the Directive 1/2020 (“**Directive 1/2020**”) relating to insurance agents, covering applications for insurance agent licenses, training of insurance agents, qualifications, and specifying the required qualifications for individual insurance agents as well as corporate insurance agents.

Directive 1/2020 prescribes that in order to solicit, negotiate, or provide consultation services relating to insurance policies in exchange for a fee or a commission, an individual insurance agent license or a corporate insurance license is required. Directive 1/2020 also prescribes specific qualification criteria for individual insurance agents and corporate insurance agents as follows:

Qualifications of Insurance Agents	
Individual Insurance Agent	Corporate Insurance Agent
Resident of Myanmar	All individuals involved in conduct of insurance agent operation in the entity applying for corporate insurance agent license must have valid individual insurance agent licenses
Passed matriculation exam, or have past experience in insurance sector for at least 5 years	If a financial institution applies for a corporate insurance agent license, it must at least have 3 individuals holding valid individual insurance agent license who are involved in the insurance agent operations
Must not have been declared bankrupt	Applicant must not have been taken action against under the Insurance Business Law, relevant rules and regulations, or any other existing law
Must not have been convicted of a criminal offence	Management personnel in the corporate insurance agent must not be engaged by any other insurance agent business
Must not be involved in money laundering or financing of terrorism	Must be able to satisfy other such requirements as may be prescribed from the FRD from time to time



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Must not have been rejected for insurance agent license, brokerage license or other similar license in Myanmar or other jurisdiction	
Must not have been charged in court for crimes involving fraud, cheating or misappropriation	
Must meet other requirements that may be prescribed by the Financial Regulatory Department (“FRD”) from time to time	

Directive 1/2020 also prescribes that an individual life insurance agent or a corporate life insurance agent may act as an agent for a maximum of two life insurance companies, and an individual general insurance agent or a corporate general insurance agent may act as an agent for a maximum of three general insurance companies. Directive 1/2020 prescribes a minimum capital requirement for corporate insurance agents, of at least 15,000,000 Kyats. The term of the individual insurance agent license is two years, and the licensed insurance agent is required to extend the license at least one month prior to the expiry of the license. For a corporate insurance agent, the term of the license is one year, and it is also required to extend the license at least one month prior to the expiration of the license.

Directive 2/2020

In addition to the general directive on insurance agents, the IBRB also issued Directive 2/2020, on financial institutions offering insurance agent services (“**Directive 2/2020**”). Directive 2/2020 prescribes that similar to other corporate life insurance agents, financial institutions may act as a corporate life insurance agent for a maximum of two life insurance companies, and financial institutions acting as insurance agents for general insurance companies, may do so for a maximum of three insurance companies. Directive 2/2020 also prescribes that financial institutions acting as insurance agents are required to abide by the following restrictions:

1. have separate filing and records for insurance agent business, loan guarantees, and loan businesses,
2. maintain separate and distinct records for insurance transactions and make such information available to the FRD upon request,
3. not acquire insurance information from a borrower in connection to the approval of the loan, and the individual insurance agents from the financial institutions are not to use such information for soliciting, offering, or selling insurance to the insured or the borrower, and
4. insurance agent affiliated with the insured party may use insurance information to solicit or offer insurance, if the insured consents in writing to the use of such information.

Directive 2/2020 also prohibits financial institutions from engaging in negotiations for the sale of an insurance policy as a prerequisite to approving a loan. However, the prohibition above does not prevent a financial institution from informing the prospective borrower that an insurance policy is required in order to obtain a loan. The Directive 2/2020 also prescribes that an individual or business has a right to choose their insurer or the insurance agent when negotiating loans or other business transactions, and lenders are also required to inform the borrowers of such right.



Directive 3/2020

Directive 3/2020 of the IBRB formalizes procedures for application of the IBRB's approval for offering new forms of insurances or amending the terms and conditions of previously approved insurance policies. Directive 3/2020 prescribes that the FRD, as the secretariat office of the IBRB, is required to process the completed applications for offering new types of insurance policies within 90 days and obtain the final approval of the IBRB.

Directive 4/2020

The IBRB has also issued a directive concerning reinsurance on 12 May 2020, with Directive 4/2020. Directive 4/2020 will come into effect from 1 October 2020, and requires licensed insurers to prepare a plan for reinsurance for each fiscal year, and to submit such plan to the FRD at least 90 days before the commencement of each fiscal year. Such reinsurance plans should include analysis of related businesses, overall risk appetite, extent of required reinsurance protection, level of risk concentration, retention levels, mechanism of reinsurance, and type of reinsurance program. Directive 4/2020 prescribes the compulsory retention rate for licensed life insurers at 20%.

Directive 4/2020 also prescribes that in order for licensed insurers in Myanmar to engage with overseas reinsurers, such overseas reinsurers have a minimum credit rating of at least Standard & Poor's BBB rating or similar rating. Furthermore, the maximum cession limits for non-life insurers when reinsuring with overseas reinsurers, as follows.

Rating of Cross-Border Reinsurers as per Standard & Poor or equivalent	Maximum overall cession limits per Cross Border Reinsurer
Greater than A+	50%
Greater than BBB+ and up to and including A+	40%
BBB & BBB+	20%

Directive 4/2020 also stipulates that licensed insurers and reinsurers in Myanmar are required to have a compulsory maximum cession of up to 10% of any insurance type.

Directive 5/2020

Directive 5/2020 of the IBRB stipulates that while certain insurance companies were previously provided with provisional permits to operate in the Thilawa Special Economic Zone ("TSEZ"), given that these companies have been issued insurance licenses to operate general insurance business in Myanmar under joint ventures with local general insurance companies since 28 November 2019, the IBRB has instructed that such companies halt underwriting new insurance policies from TSEZ effective 1 October 2020, and to maintain the liabilities of the existing insurance policies until the end of their respective policies' terms.

Directive 6/2020

On 12 May 2020, the IBRB issued the Directive 6/2020, allowing Myanmar Insurance and licensed general insurance companies in Myanmar to offer the following insurance products throughout Myanmar, including in the TSEZ starting from 1 October 2020:



1. Industrial All Risk Insurance,
2. Construction All Risk Insurance, and
3. Bailee's Liability Insurance.

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About Kelvin Chia Yangon (KCY)

KCY has been in active operation in Myanmar since 1995, currently with offices in Yangon and Mandalay. KCY is the firm of choice for those seeking to navigate Myanmar's fast-changing and complex regulatory landscape, a jurisdiction in which KCY has gained in-depth legal expertise from the numerous transactions it has handled.

Our main practice areas

Foreign Investments | Incorporation and Company Maintenance | General Corporate and Commercial | Due Diligence | Mergers and Acquisitions | Joint Ventures and Production Sharing Agreements | Investment Funds | Energy/Oil and Gas | Natural Resources/Mining | Banking | Project and Project Financing | Manufacturing | Education | Agriculture | Real Estate | Infrastructure | Construction | Telecommunications | Compliance / Regulatory | Licensing and Permits | Labour and Employment | Immigration | Taxation | Insurance | International Arbitration | Intellectual Property | Special Economic Zones

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