
Insurance & Reinsurance

Prakas on Corporate Governance for Insurance Companies

On 15 January 2024, the Non-Banking Financial Services Authority (NBFSA) issued Prakas No. 005 on Corporate Governance for Insurance Companies ("**Prakas**") to replace the Prakas No. 185 on Requirements for Corporate Governance dated 20 March 2007. This new Prakas consists of 8 chapters and 36 articles which apply to all insurance companies (life insurance, general insurance, micro-insurance and reinsurance) doing business in the Kingdom of Cambodia.

This Prakas determines the composition, qualifications, roles, and responsibilities of the board of directors, board committees, chief executive officers, and actuaries of an insurance company in view of ensuring good governance.

In this Update, we highlight the key features of the Prakas as below:

1. Board of Directors

The board of directors shall comprise at least five directors in which three shall be independent directors. Any appointment or any change thereof shall be subject to prior approval from the Insurance Regulatory of Cambodia ("**IRC**"), which shall be applied for within 15 days from the relevant resolutions of the shareholders.

The Prakas further sets out in detail: (i) the qualifications and criteria of the chairman of the board, directors and independent directors; and (ii) the roles and duties of the board of directors, the directors and the independent directors.

2. Board Committees

The Prakas makes it compulsory for an insurance company to set up an audit committee within the first 12 months after receiving the insurance license. The establishment and appointment of the audit committee is also subject to prior approval of IRC.

The audit committee comprises at least three members of which the majority shall be independent directors. Other members of the audit committee shall not hold any executive position within the insurance company, its parent company, or its subsidiaries. The head of the committee shall be an independent director and at least one member of the committee shall possess expertise in the area of financial audit.

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The Prakas further sets out in detail the roles and duties of the audit committee, which includes serving as an internal control mechanism.

3. Others

The Prakas further regulates the appointment and provides for the roles and duties of the chief executive officer and actuary of an insurance company.

The Prakas also provides for both administrative and pecuniary penalties in case of non-compliance with the requirements contained therein.

For board of directors, directors, independent directors, members of audit committee, chief executive officers and actuaries that have already been approved pursuant to the previous regulations, their appointment shall remain valid until any change is made to the respective appointments. The mandate of independent directors already approved by IRC shall be considered from the date of the Prakas.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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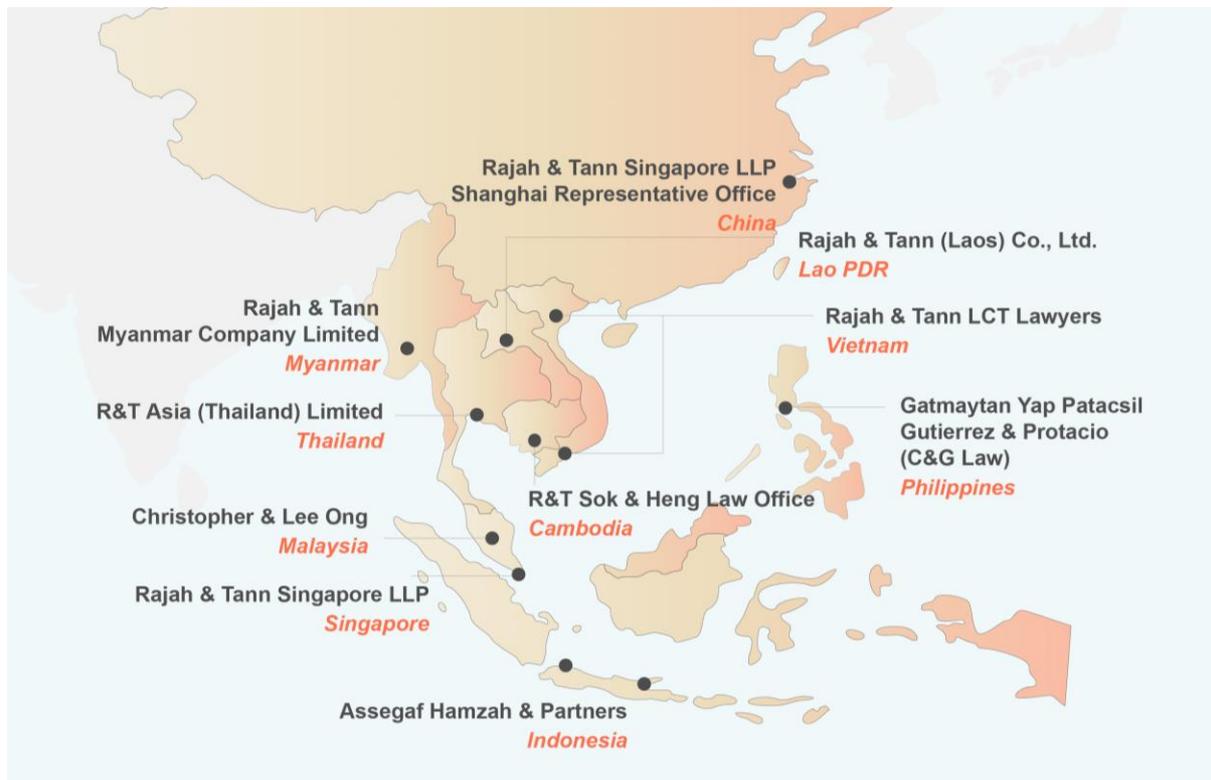
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