

Cambodia



Country Guides: Insurance

Last updated Jan 09, 2011

General overview

Cambodia's insurance industry is still in its development stage and it may be explained by the following facts:

- Sociologically, Cambodians and business communities are not fully informed of the insurance system even though the awareness has been notably improved in recent times;
- Limited local expertise in the field;
Weak judicial system;
- Limited number of compulsory insurances; and
- Licensing requirements are generally considered high taking into account the size of the market, particularly for micro-insurance businesses.

There are currently six insurance companies, one insurance agent, one insurance broker and one reinsurance company in Cambodia as of February 2011. Neither life insurance nor micro-insurance exists yet.

Legal framework

There are two main regulations applicable in the field, which are the Law on Insurance, promulgated on July 25, 2000, and the Sub-decree on Insurance, adopted on September 21, 2001. In addition, a number of ministerial circulars (known as Prakas) have been issued to provide details covering certain specific areas. From practical point of view, those Prakas are of great importance as they reflect how the Line Ministry actually enforces the applicable regulations. A draft amendment to Lol is under the review process before the Council of Ministers and expected to be adopted in 2012. The most important changes will cover insurance companies' liquidation process, micro-insurance legal framework, reinsurance for life insurance companies and compulsory insurance for all type of motor vehicle on the road. In addition to the draft amendment, several other sub-decrees will be adopted pertaining to mediation, indemnity and issuance of financial statements.

Definitions and types of insurance

The term "Insurance" refers to a commercial contract whereby an insurance applicant, as contracted, pays the insurance premium to the insurer, and the insurer bears a liability to indemnify for property damage or loss caused by occurrence of eventual accidents or when the insured sustains death, bodily injuries, disabilities or sickness or when the insured reaches the maturity as agreed by both parties and as specified in the insurance schedule.

There are two types of insurance businesses:

- "Property insurance" which includes insurance on property loss and damage, liability, construction, erection, transport by road, air and sea, travel, marine hull, aircraft hull and trade credit.
"Personal accident insurance" which includes life, health and accident to individuals.

An insured means a person who concludes an insurance contract with an insurer and undertakes to pay the insurance premium as specified in the insurance contract.

An insurer means an insurance company that concludes insurance contracts with the insured and bears the liability to indemnify and/or to pay the insurance benefit.

The notion of "Insurance Subscriber" is not covered by the regulation and therefore it seems that it is not possible, from strict legal definition point of view, to subscribe to insurance on behalf of a third party.

Compulsory insurances

Following are the current compulsory insurances:

- Motor Vehicle Third Party Liability Insurance for physical persons or legal entities owning and operating a commercial motor vehicle business on the road.
Construction Insurance covering responsibility of entrepreneur, contractor or sub-contractor in charge of construction, repair or erection work for government or public entities.
- Insurance for Passenger Transport whether by road, sea, river, air or railroad

All compulsory insurances shall be issued by an insurance company duly licensed. We understand that General Third Party Liability Insurance is being considered to be compulsory for all motor vehicles.

Line Ministry

The Ministry of Economic and Finance is responsible for the control and supervision of insurance businesses.

Licensing

All licenses issued are not alienable for any reason.

Issuing authority

Licenses of insurance company may be issued and revoked by:

- the Royal Government at the request of the MEF if the company is owned by the State or a joint venture between the State and private shareholders where the State owned more than 51 per cent of total shares; or
the MEF if the company is wholly- or majority-owned by private shareholders.

License validity

The duration of license validity varies as follows:

- Insurance company: five years for the initial license and three years for renewed licenses;
Insurance Agent: three years for both initial license and renewed licenses;
Insurance Broker : one year for both initial license and renewed licenses;
- Loss Adjuster: three years for both initial license and renewed licenses

Minimum registered capital requirement

- Insurance company: i) Equivalent to 5,000,000 SDR, approximately \$7.73m in case the company intends to operate as general insurance or life insurance and ii) equivalent to 10,000,000 SDR, approximately \$15.46m, in case the company intends to provide both general insurance and life insurance.

Insurance Agent: 20 million Riels (approximately \$5,000)

- Insurance Broker: 200 million Riels (approximately \$50,000)
- Loss Adjuster: 20 million Riels (approximately \$5,000)

Other financial requirements

- Deposit: 10 per cent of the registered capital for general insurance company or life insurance company; \$10,000 for insurance agent and loss adjuster and \$50,000 for insurance broker.
- Solvency margin: a) 50 per cent of the registered capital for the first year of operation; b) 13.3 billion Riels (approximately \$3.325m) when total insurance premium revenue does not exceed 66.5 billion Riels (approximately \$16.625m) after deduction of total reinsurance premium of previous fiscal years; c) 20 per cent of total insurance premium gained in previous fiscal year when the total premium insurance gained is from 66.5 billion Riels (approximately \$16.625m) to 332.5 billion Riels (approximately \$83.125m) after deducting total reinsurance premium of previous year; and d) 66.5 billion Riels (approximately \$16.625) plus 10 per cent of insurance premium surplus which is more than 332.5 billion Riels (approximately \$83.125,) calculated by deducting the total reinsurance premium of previous year from the total insurance premium. This solvency margin requirement applies to both life insurance and general insurance companies.

Professional liability insurance: \$500,000 applicable only to insurance broker

Set-up process

Cambodia adopts a two-step approach whereby upon obtaining the approval in principle, the applicant shall complete the set-up including the incorporation of the company at the Ministry of Commerce within six months, otherwise the license granted shall become automatically null and void.

Foreign ownership

In term of foreign ownership, the Cambodian legal framework is generally perceived as friendly to foreign investors since no foreign ownership restriction is imposed in most sectors, including insurance. Insurance companies can therefore be wholly-owned by foreigners. The only major exception currently in place is the right of land ownership.

Reinsurance

There are very few provisions covering reinsurance companies under the Lol. According to the Sol, all insurance companies can operate the reinsurance for:

- Outward reinsurance; and
Inward reinsurance.



Dr. Antoine Fontaine, PhD in Insurance Law, is a partner and co-founder of Bun & Associates, a law firm duly registered in the Kingdom of Cambodia. Antoine is admitted to the Paris Bar and was previously with Gide Loyrette Nouel, the French Embassy in Cambodia and AXA Insurance. Antoine is a former Chairman of the French Cambodian Chamber of Commerce. He lectures in universities around South East Asia.

Originally published on <http://accelus.thomsonreuters.com/>. Thomson Reuters © 2011