ADB

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Cambodia: Second Financial Sector Program Implementation

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For National Bank of Cambodia
Ministry of Economy and Finance
Ministry of Commerce

Asian Development Bank

ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
CAS	Cambodian Accounting Standards
CFRS	Cambodian Financial Reporting Standards
CSA	Cambodian Standards of Auditing
DFI	Department of Financial Industry, MEF
FRS	Financial Reporting Standards
FSDS	Financial Sector Development Strategy (2006-2015)
GAAP	Generally Accepted Accounting Principles
GIAC	General Insurance Association of Cambodia
IBNER	Incurred but Not Enough Reserved
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
IT	Information Technology
KICPAA	Kampuchea Institute of Certified Public Accountants and Auditors
MASB	Malaysian Accounting Standards Board
MEF	Ministry of Economy and Finance
NAC	National Accounting Council
NBC	National Bank of Cambodia
RGC	Royal Government of Cambodia
TOR	Terms of Reference

Objective

1. The primary purpose of this assignment is to assist the MEF with the implementation by insurance companies of the new financial reporting standards issued by MEF in July 2008.

Scope of Work

2. The key outputs are:

a) Train staff of insurance supervision unit of MEF and insurance companies;

b) Prepare explanatory notes to help MEF staff and insurance companies understand the financial reporting standards issued for insurance companies.

3. The consultancy commenced on 2 December 2008 with the appointment of C. Kirupalani as the international expert. The consultancy is on a continuous basis for one person month and will terminate on 31 December 2008.

Detailed Tasks

4. The international expert will assist the MEF in the adoption of the financial reporting standards for insurance companies. He will also:

a) Help guide the staff of insurance companies on the smooth implementation of the financial reporting standards;

b) Guide the supervision staff on both the off-site and on-site reviews to ensure reports from insurance companies follow the financial reporting standards; and

c) Submit a final report to the ADB and MEF.

Overview of insurance industry

5. The insurance industry comprises of five direct writing companies and one reinsurance company. The intermediary sector is not developed as there are only two agents and no brokers licensed at the moment. Most of the licensees are joint venture companies with varying amounts of foreign equity participation. The only national insurance company, CAMINCO, has been privatized recently. The insurance industry is regulated by the MEF through the enforcement of the Law on Insurance 2001 and its subsidiary legislations in the form of Sub Decree, Regulations (Prakas) and Circulars.

6. The insurance industry is still in its infancy with a combined gross premium income of US$17.5 million or 0.2% of GDP in 2007. The number of insurance policies issued in 2007 was only 29,124 compared with 24,277 in the previous year or a growth of 20% which is considered mediocre given the relatively small base of the insurance sector. The main lines of business underwritten were fire, miscellaneous and automobile insurance. After reinsurance cessions, the net premium retained in Cambodia was

US$7.2 million. The retention ratio was thus only 40.0% reflecting a high level of reinsurance cessions.

7. The insurance business was profitable in 2007 with the industry registering an underwriting profit of US$5.3 million largely on account of a reduction in claims incurred coupled with a huge inflow of commission income.

8. The total assets of the insurance industry were US$49.6 million in 2007. The main category of asset is cash followed by fixed assets. All the licensed insurers and reinsurance companies are required to maintain their solvency margin of US$3.5 million in cash deposit with a commercial bank licensed by NBC in Cambodia.

9. Under the FSDS for 2006 – 2015, the RGC has identified as one of its immediate priorities, the development of clear financial reporting standards for the insurance industry; the establishment of clear rules for loss reserves on claims intimated but not paid and to clearly define audit requirements for insurance companies.

10. The impact of the recent global financial crisis was addressed in respect of its impact on the insurance industry of Cambodia. The expert had a special session with the senior staff of the Insurance Division of MEF on 18 December 2008 and submitted a report on the subject which is shown as **Appendix 1**. As can be seen, the crisis will pose great challenges for the external auditors to check and report on impairment of assets in the Balance Sheet of the general insurers for year ended 31 December 2008.

Cambodian Accounting Standards

11. The statutory framework, the Law on Corporate Accounts, Their Audits and Accountancy Profession, was proclaimed by Royal Decree in 2002 and brought into force on 1 January 2005. Emanating from this law, the NAC was founded to take responsibility for the preparation of the Cambodian accounting and auditing standards. At the same time KICPAA was set up to train, manage and govern the professional accountants and to ensure compliance with a proper code of conduct.

12. Currently the accounting and audit of licensed insurance companies in Cambodia is based on the 15 CAS and 10 CSA. In addition, the NAC has introduced five new CAS and two new CFRS that is # 4 relating to insurance contracts and # 7 relating to Financial Instruments - Disclosures. In cases where current CAS does not stipulate the accounting treatment and/or disclosure requirements in the CAS, recourse shall be made to the IFRS.

13. The NAC which is under the MEF is currently working towards compliance to the IFRS in the future. It is expected that the IFRS will be published in 2009 through a Prakas to be issued soon and implementation will be after the relevant stakeholders in Cambodia are accustomed and familiar with the new standards. It is generally felt that at least a year must lapse before full implementation of IFRS takes place. According to NAC, the implementation of IFRS will be staggered with the more advanced standards being brought in at a later stage.

14. At the meeting with NAC on 25 December 2008, it was noted that relevant stakeholders should coordinate closely with NAC in the formulation of financial reporting standards for their respective industries. A regular dialogue between DFI and NAC is

15. It is also observed that the accounting profession is still at the development phase in Cambodia. Accordingly, a special MOU between the ACCA on the one hand and the MEF/NAC/KICPAA on the other, was arranged to enable more Cambodians to train and qualify as accountants to meet the growing needs of the economy. At present there are more than 200 students enrolled in the program and NAC expects at least 70 to 90 trainees to successfully complete the studies by 2009. At present there are 65 qualified accountants in the country comprising 45 foreigners and 20 Cambodians. The entry of more accountants will thus be able to kick off the Cambodian securities market in the future.

16. It is noted that the insurers in Cambodia do not have an in-house Internal Audit function to audit the internal controls and processes of the company. It is further noted that some insurers rely on their Head Offices abroad to perform the internal audit function. An immediate priority for MEF is to give a directive to those insurers without any internal audit function to establish one within one year. The new staff of Internal Audit can be trained by the external auditors. If it is not possible to set up the Internal Audit, the company may appoint an independent auditor to perform the function of internal audit provided the firm is not its external auditor.

17. On the audit side, there are 21 Audit firms that are registered with KICPAA comprising both the international audit firms and the local ones as well. This is adequate to meet the requirements of the annual statutory audit of insurance licensees.

Financial Reporting Standards

18. The international expert had extensive discussions with several stakeholders including MEF and the external auditors on the Prakas on Accounting Guidelines for General Insurance Business that was implemented on 30 July 2008. At the outset, ***it is noted that due to the peculiar and unique nature of insurance business, the treatment of some items within the financial statements of insurance companies may be more restrictive than generally allowed by other standards***. For instance the MEF for prudential reasons may require insurance companies to provide for additional reserves on premiums ceded to overseas insurers and may restrict the valuation basis for certain types of assets to lower of cost and market value. Please refer to paragraph 26 of this report.

19. To a large extent, the reporting standards for general insurance are based on the FRS for General Insurance Business issued by the MASB. The reporting standards to be applied for general insurers together with explanatory notes are given under appropriate headings below:

Premium

20. The primary source of revenue of an insurance entity conducting general insurance business comprises premium received and receivable on insurance policies written by the insurer. The amount of premium is determined by an insurer so as to cover anticipated claims, administrative, acquisition and other costs, and a profit component (having regard to the expected revenues from the investment of premiums).

21. Premium shall be recognized in a financial period in respect of risks assumed during that particular financial period. In the case of policies where the premium is subject to later adjustment, a provisional premium must be used as the base and the amount shall be adjusted for any other relevant information as soon as it becomes available.

22. Premium is to be recognized from the date of assumption of risk in relation to each policy of insurance because insurers earn premium by assuming risks on behalf of those insured from that date. For practical reasons, a date that approximates the date of risks assumed is often used.

23. At times there is insufficient information available at the end of the financial period to enable an insurer to accurately identify the business written close to that balance sheet date for which the inception date is prior to the balance sheet date. Premium in respect of this business is often referred to as pipeline premium. Pipeline premium is to be estimated and recognized to account for all risks assumed during the financial period.

Earned Premium

24. Premium shall be recognized as earned evenly over the period of the risk coverage for written insurance policies. Where the premium of an insurance contract cannot be estimated reliably, that premium shall not be recognized as income in the reporting period.

25. The portion of the net premiums of insurance policies written by an entity that relate to the unexpired period of the policies at the end of the financial period shall be accounted as an unearned premium reserve. The insurer would earn these amounts in subsequent financial periods.

26. In the normal course of business, a general insurer spreads risks by ceding out a portion of the risks assumed under a policy of insurance to a reinsurer. As a consideration, a specified portion of the premium is ceded to the reinsurer. That portion of the premium ceded to the reinsurer would be regarded as an outgo of the insurer. Hence it is excluded from the computation of the unearned premium reserve. However in the case of premiums ceded to an overseas reinsurer, the MEF may require an additional provision to be included in the calculation of the unearned premium reserve.

27. There are principally two methods of computing the unearned premium reserve:

a) Fixed percentage method

Under the fixed percentage method, the unearned premium reserve is computed by applying a specific percentage to the premiums less reinsurance premiums ceded.

b) Time Apportionment method

The time apportionment method may be applied to calculate the unearned premium reserve both for policies that are annual and non-annual. The main methods for annual policies are the 1/365th (daily); the 1/8th (quarterly) and the 1/24th (monthly).

28. The 1/365th method avoids the anomaly of the fixed percentage method by recognizing that policies are not written evenly during the financial period. The 1/8th method is based on the assumption that premiums are spread uniformly over the quarter, while the 1/24th method is based on the general assumption that the premiums are spread uniformly over the month and assumes that the average date of issue of policies is the middle of that month.

29. Non annual policies refer to specific cases involving short term or long term policies. In cases of such polices, the time apportionment method is adjusted accordingly. The basis as adopted shall be applied consistently

Reinsurance

a) Inward Reinsurance

30. Inward reinsurance and retrocession premiums shall be recognized on the date the risks were assumed, except for treaty reinsurance whereby premiums are recognized on the basis of periodic advices received from the ceding insurer.

31. Claims on facultative reinsurance shall be recognized on the date of intimation of claims by the ceding insurer, whereas for treaty reinsurance, it shall be on the basis of periodic advices received from the cedants and adequate outstanding claims provisions shall be provided at the end of the year. IBNR claims shall be provided for all inward reinsurance.

32. If it is impracticable to reliably measure treaty premiums and claims within a financial period, an 'open underwriting account' may be used and will normally be maintained for at least three years from the incepted underwriting year. At the closure of the open underwriting account the underwriting result is recognized in the income statement.

33. Underwriting losses arising on any treaty before closure of the open underwriting account shall be recognized in the income statement in the accounting period in which they arise.

b) Portfolio transfer

34. A portfolio withdrawal must be accounted for by the transferring insurer by eliminating the liabilities and assets connected with the risks transferred. The accepting insurer must account for a portfolio assumption by recognizing the relevant amount of unearned premium and the outstanding claims for which the transferring insurer is no longer obligated.

35. When a portfolio transfer takes place the withdrawal and the corresponding assumption are to be accounted for within the same period. In circumstances where a portfolio withdrawal has not been fully accounted for relative to the corresponding assumption, adequate provision for claims shall be made for such withdrawal.

36. Portfolio transfers obviate the need for ‘run-off’ and so simplify accounting to reinsurers. Portfolio transfer is a term used to describe by which premiums and claims are transferred from one insurer to another. This transfer is accounted as a portfolio withdrawal by the transferring insurer and as a portfolio assumption by the accepting insurer. The transferring insurer relinquishes an amount of unearned premium, termed as portfolio premium transfer and an amount of outstanding claims, termed as portfolio loss transfer.

c) Outward Reinsurance Premium

37. In an outward reinsurance arrangement premium and commission shall be accounted for in the same accounting period as the original policy to which the reinsurance relates.

38. Commission recovered or recoverable from reinsurance is accounted for in the same period in which the reinsurance is accounted. Commissions from reinsurance are to be accounted for separately from commission paid.

39. For reinsurance ceded, premium is to be accounted for on an original gross rate (OGR) basis.

Claims

40. A liability for outstanding claims shall be recognized in respect of both direct insurance and inward reinsurance. The amount of outstanding claims shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

41. It is important to identify the components of the ultimate cost to an insurer. These components comprise the policy benefit amount that is required to be paid and claims settlement costs, such as legal and other professional fees.

42. The categories of claims outstanding are categorized as follows:

a) losses incurred, reported, agreed but not paid;
b) losses incurred and reported but settlement amounts uncertain;
c) losses incurred and reported but not agreed; and
d) losses incurred but not reported (IBNR).

43. Where IBNR claims are expected to exist, an estimate of the amount of current claims incurred but not reported needs to be based on past experience. Reserves for losses of this type require the compilation of statistics of past experience. These statistics are required to establish the value and/or the number of late reported claims for each year and for each class, and would normally require at least data relating to seven years.

44. Where further information becomes available about reported claims and reveals that the ultimate cost of settling claims has been under estimated, the upward adjustment to outstanding claims is often referred to as claims incurred but not enough

45. Claims expense and the liability for outstanding claims will need to be adjusted on the basis of information that becomes available after the initial recognition of claims to better reflect the current best estimate of the expected cost of settlement. For claims not settled, the loss reserves have to be reviewed periodically for reasonableness.

46. In the light of uncertainty surrounding incurred claims, general insurers use a number of methods of loss reserving. The selection of a particular method is dependent on the type of insurance and management judgment. The method selected shall be applied consistently. The various methods of loss reserving used by general insurers may include:

a) Case Basis Method – This is a specific method and is the one most commonly used for reserving liability on claims. Provision for loss is made on the estimated loss arising from each individual reported claim based on the claim adjuster’s report or other available information.

b) Average Value Method – This is a variation of the case-basis method. In each class of insurance, claims are categorized according to some typology of significant factors e.g. in motor damage claims, such factors might include the model and year of make of the car and the characteristics of the claimant. Given enough settled cases of one type, an average value for that type of claim can then be established by multiplying the number of claims outstanding by the average case value.

c) Formula Method – This method may be used to calculate reserves in any class of general insurance by the application of mathematical formulas utilizing statistical data from past claims development patterns.

Acquisition costs

47. The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums shall be recognized as incurred and properly allocated to the periods in which it is probable they give rise to income.

48. Acquisition costs or ceding income (reinsurance) which are not recoverable, or not repayable in the event of a termination of the policy to which they relate, shall not be deferred but are to be recognized in the period in which they occur.

Assets

49. The assets of insurance companies usually comprise investments and operating assets. Investments are primarily held as a means of generating revenues in the form of interest, rent and dividends. Operating assets are those assets used in the day-to-day operations of the business. The assets of general insurance business shall be accounted for in accordance with the Prakas on Accounting Guidelines.

a) Investments

50. Typically, the investments of a general insurer may be categorized as:

a) investments in properties;

b) investments in financial assets.

c) The acquisition of all investments shall reflect the economic substance of the transaction so that all acquisitions are accounted for on a consistent basis in the accounts. This will be important in the initial recognition, measurement and subsequent re-measurement of investments.

Investment revenue

51. Revenue from investments shall be recognized on an accrual basis. In presenting the financial statements, revenue shall be recognized on the following basis:

a) interest shall be recognized on a time proportion basis that takes into account the effective yield on the investment;

b) rent shall be recognized on an accrual basis in accordance with the relevant agreement;

c) dividends shall be recognized when the shareholder's right to receive payment is established.

Disclosure

52. The following accounting policies shall be disclosed in the financial statements:

a) the basis used for recognition of premium income;

b) the methods used in accounting for treaty inwards reinsurance;

c) the basis and method used in determining the unearned premium reserve;

d) the basis used in accounting for claims including the methods of calculating the provisions for IBNR claims;

e) the basis used in the accounting for acquisition costs, allocation of deferred acquisition costs and ceding income;

f) the basis used in accounting for investments.

53. The following items, properly classified, shall be presented either on the face of the balance sheet or in the notes:

a) investments, by class of investments;

b) asset revaluation reserve by class of investment;

c) amount due from insureds, agents, brokers less provisions for doubtful debts;

d) amount due from reinsurers less provisions for doubtful debts;

e) amount due to insureds, agents and brokers;

f) amount due to reinsurers;

g) provision for outstanding claims (gross and net);

h) unearned premium reserve.

54. As a general rule, a general insurer shall present on the face of the income statement line items for the following accounts:

a) turnover or operating revenue;

b) premium including reinsurance premium;

c) outward reinsurance premium;

d) investment income from equity securities, debt securities, properties and others;

e) increase/decrease in unearned premium reserve;

f) net claims

g) net commissions;

h) open underwriting results;

55. The underwriting result for the year shall be disclosed. This disclosure gives an indication of a general insurer's underwriting performance, including the extent to which insurers rely on investment income for the payment of claims.

56. Outward reinsurance premium shall be disclosed separately as a deduction from total premium and reinsurance claims recoveries shall be disclosed separately as a deduction from total claims paid.

57. Deferred acquisition costs shall be netted against unearned premium reserve in the balance sheet.

58. The insurance terms that are being used in the accounting guidelines for general insurance business has been defined in **Appendix 2.**

Feedback from insurance industry

59. As part of the preparations for the implementation of the Prakas, the MEF arranged special consultations and training sessions with the insurers on 24 and 26 December 2008. Based on the feedback received from the insurance companies, it appears that some of the requirements in the Prakas on Accounting Guidelines may be too stringent to comply. The several areas of concern to the insurance industry were highlighted to MEF.

60. Firstly, the insurers stated that premium receivables from agents/brokers/clients and claims recoveries from reinsurers, would disclose information on the nature, timing and collectability of the debts so that appropriate provisions for bad and doubtful debts can be made in the accounts after consultations with the external auditors. This is however in conflict with the Prakas which require the insurers concerned to make full provision for bad and doubtful debts if the receivables are overdue in excess of six months. The MEF explained that this requirement is aimed at conservatively estimating the assets of the insurance companies to meet policyholder liabilities in the future. It was noted that receivables accounted for only 9% of total assets of the insurance industry in 2007 but it may grow in the future.

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61. Secondly, it was argued that intangibles such as software license should be automatically included as assets. Insurers should be given an incentive to purchase computer software to upgrade the IT systems. It was pointed out that generally intangibles are excluded even for the commercial banks in Cambodia where the intangibles are not included in calculating the net worth of the banks. However, the insurers may apply to MEF for special agreement to include intangibles either in part or whole as assets.

62. Thirdly, the insurers also requested for flexibility to grant loans and advances to employees and directors based on proper criteria. It was noted that it is normal practice for insurers to grant loans and advances to employees and directors for specific purposes like purchase of motor vehicles, residential homes and others. Accordingly, it was suggested that such loans and advances be given but with the prior approval of MEF.

63. Fourthly, it was noted that the value of assets subject to a charge or a pledge or a borrowing is to be excluded. This is deemed to be restrictive as insurers may resort to bank borrowings for specific reasons and wanted some degree of flexibility. It was thus suggested that such transactions be allowed with the prior approval of MEF.

64. The MEF will implement the Prakas with effect from audited accounts for year ended 31 December 2008 and study the impact on insurers. If the implementation is causing great difficulties to the insurers, the MEF may consider making such amendments as it may deem fit. Accordingly, the expert has incorporated the changes to the Prakas as suggested by the insurers which is shown in **Appendix 3.** The proposed changes are shown in ***italics.***

Training sessions to MEF and insurance industry

65. In line with the TOR, the international expert undertook several training sessions to train the staff of the Insurance Division of MEF and the insurance companies on the

66. The expert who was on assignment with MEF in 2006 has seen a significant improvement in the staffing situation of the Insurance Division of DFI from only four to 11 at present. Moreover the new staffs are qualified in the field of legal studies and accountancy to ensure an orderly and systematic supervision of the insurance industry. The staff has clearly understood the requirements of the new financial reporting standards and will be able to apply it with confidence and commitment. It is important to give them proper incentives to retain their services and build a highly competent team of insurance regulators in the future.

67. It is to be noted that none of the six registered insurers in Cambodia have a qualified accountant in its staff. This is appalling considering that maintaining proper financial and accounting records and sound financial management are key attributes of proper governance of insurance companies. The insurers however took keen interest in the training sessions organized by MEF by sending a total of 11 accounting and three general staff to attend. The participants raised several issues pertaining to the accounting guidelines and a lot of guidance was given on providing the correct information in the financial statements.

68. A total of 36 hours of training was undertaken by the expert for both the staff of MEF and the insurance industry during the course of the project. The list of training sessions conducted together with the topics covered by the expert is attached as **Appendix 4.**

69. The expert also had separate meetings with the relevant stakeholders including the external auditors of insurance companies, GIAC, NAC and NBC to exchange views and ideas on the new financial reporting standards and areas for improvement. The expert emphasized that there must be greater collaboration between MEF and the external auditors to ensure a more effective supervision of the insurance industry. The schedule of meetings is attached as **Appendix 5.**

Next Steps

70. A wrap up session between the expert and MEF was held on 29 December 2008 to discuss the draft final report of the expert and to discuss the next steps. The meeting was chaired by the Deputy Director of DFI, Mr. Bou Chanphirou. The following points were noted for follow up action:

a) It was noted that the report has addressed the topics covered in the TOR given by ADB. Most of the time allocated for the project was consumed by the several training programs that were conducted by the expert. The MEF also requested the expert to conduct a refresher training workshop on on-site and off-site reviews to enable the newly recruited staff to gain more knowledge on these core duties and responsibilities. The expert accordingly conducted the workshop on 30 December 2008.

b) The views of the insurance industry on the accounting guidelines will be studied at an appropriate time in the future. During the current financial crisis, it was felt that the prudential requirements in the Prakas on Accounting Guidelines be maintained. Insurers are thus required to make the necessary sacrifices to comply with new requirements. The MEF will however remain flexible if necessary to assist the insurers who are adversely affected by the new requirements.

c) In order to enhance the oversight functions within the insurance companies, it is recommended that all licensed insurers set up an Internal Audit department that will report directly to the Audit Committee of the Board of Directors. The external auditors will provide the necessary assistance to their clients to set up the Internal Audit function.

d) The capacity of the Insurance Division to meet the challenges of supervising the insurance industry during the current global financial crisis has to be addressed. It is noted that the IT for insurance supervision particularly to facilitate off-site reviews and the preparation of financial ratios to evaluate the financial health of the insurance companies is lacking. Moreover, delays are encountered with the collation of industry statistics for compilation in the Annual Report of DFI. In this regard, it is encouraging to note that a Technology firm from Dublin, Ireland that specializes in computer software for insurance supervision may implement the system in MEF at no cost. It had implemented a similar system for the Insurance Commission in the Philippines. The details of implementation will need to be worked out between MEF and the vendors in 2009.

e) In view of the growing convergence between banks and insurers as evidenced by the recent entry of banks into insurance business, it may be necessary to review the financial reporting standards for banks and insurers. Consolidation of the accounting standards may be necessary if the trend for more bank ownership of insurance companies continue to increase in the future. It is also necessary for DFI and NBC to have regular dialogues to discuss and exchange views on supervision and regulatory issues of their respective industries. In this regard, it is noted that the capitalization of commercial banks have been increased three fold to strengthen the financial resilience of the commercial banks.

f) The capital requirements of insurers will be reviewed as the business develops in the country. The implementation of a Risk Based Capital in many countries in the region will also be monitored for eventual implementation in Cambodia. The solvency margin for insurers will also need to be reviewed as currently the entire solvency margin of US$3.5 million is held as cash deposit with a commercial bank licensed by NBC. It is noted that the cash deposits may not be yielding adequate returns in the future in line with the cut in interest rates in most countries to stimulate economic growth. The MEF will need to study the asset composition for insurers that will provide both security and prospect of higher returns. A progression to the model of ‘admitted assets’ is highly recommended.

g) It is expected that life insurance and micro insurance will be implemented in Cambodia next year in line with the FSDS (2006-2015). The supervision of these operators will be entrusted to the Insurance Division of MEF. This will impact heavily on available human resource that is already spread too thin to cope with a wide range of regulatory issues. It is anticipated that the Insurance Division will require an additional eight staff to take care of the new duties and responsibilities. It is important that the staffing situation be addressed well ahead of the implementation date to enable the staff to be adequately trained for the new job responsibilities.

h) The Law on Insurance that was enacted in 2001 may need further changes in the face of rapid changes in the country and abroad. Moreover, it is noted that a lot of ad hoc changes were implemented over the years that has led to several inconsistencies that will need remedial action. The introduction of life insurance will also necessitate a separate legal framework for its smooth functioning. It is thus timely to undertake a comprehensive review of the legal framework for insurance regulation and supervision to make it more relevant under present circumstances. A comparative study of the insurance legislation in the ASEAN region may be a good starting point.

Conclusion

71. The insurance industry in Cambodia will be tested during the current financial crisis in view of its heavy reliance on overseas reinsurance capacity. Moreover there is a possibility of impairment of assets that may threaten solvency margins of some insurers. It is thus necessary for MEF to closely monitor the situation through prudential requirements of supervision and regulation. The accounting guidelines are aimed at greater transparency through full disclosure of information so that appropriate and timely action can be taken against insurers that become financially stressed under the current environment.

72. Based on the discussion with NBC on 25 December 2008, it was noted that under the Prakas on Adoption and Implementation of Chart of Accounts for banking and Financial Institutions, all banks and financial institutions must implement and comply with the CAS as they are issued by MEF. In the event the accounting requirements imposed by the NBC are different from the CAS, the requirements of NBC will prevail and take precedence over the CAS. It is therefore necessary to have a similar provision in the Prakas on Accounting Guidelines for General Insurance Business. Please refer to Provision 13 of Appendix 3.

73. It is to be noted that the Prakas on Accounting Guidelines will need further amendments if life insurance business is licensed in Cambodia as the current guidelines are not applicable to life insurers. It is appropriate that MEF maintains a regular dialogue with the relevant stakeholders to review and update the accounting guidelines. The insurance industry must also take the necessary preparations to implement the IFRS when it is brought into force.

REFERENCES

a) Law on Insurance 2001 and Sub Decree, Prakas and Circulars.

b) Cambodian Accounting Standards.

c) Cambodian Financial Reporting Standards.

d) Financial Sector Development Strategy of Cambodia (2006-2015).

e) Insurance Annual Report of DFI 2007.

f) Prakas on Adoption and Implementation of Chart of Accounts for Banking and Financial Institutions (NBC).

g) International Financial Reporting Standards

h) Financial Reporting Standards on General Insurance issued by the Malaysian Accounting Standards Board.

i) Comparison of IFRS and Thai GAAP, Vietnamese GAAP, Cambodian GAAP and Laos GAAP – A publication by PWC.

APPENDIX 1

GLOBAL FINANCIAL CRISIS

Introduction

Recent market turmoil due to the failure of the sub-prime mortgage market and credit crunch saw collapses of several banks in the United States and Europe. Insurance players were not isolated from the financial crisis. Even the largest insurance company in the United States had to be bailed out by the Federal Reserve to prevent further disruption in the financial system.

The global economy remained uncertain despite concerted efforts undertaken by central banks around the world to buy risky or 'toxic' assets in troubled banks, injecting liquidity and cutting rates.

Although Asia was not being hit directly from the global financial crisis, the impact of the global uncertainties continues to underpin market sentiment in the stock markets in the region. Billions of dollars have been wiped out in market capitalization from the regional bourses.

Key Business and Industry Risks

1. Weak market sentiments will dampen the equities market with erosion of market values.

2. Volatility in investment returns may affect the company's profits and could affect compliance with solvency and capital requirements.

3. Inability to meet policyholder's expectations may result in withdrawal/cancellations of insurance policies which in turn may result in deterioration of the company's results.

4. Lack of liquidity in the current environment makes it difficult to determine the fair value of the corporate debt securities.

5. Exposure to reinsurance counterparties on both premium receivables and claims recoveries.

The impact on insurers in Cambodia is:

1. Valuation of investments at the balance sheet date.

2. Presence of indicators of impairment on investments.

APPENDIX 2

DEFINITION OF INSURANCE TERMS

1) **Acquisition costs** are commissions and agency related expenses incurred in securing premium on general insurance policies.

2) **Ceding insurer** is an insurer that reinsures part or whole of a risk with one or more reinsurers.

3) **Claims** means a demand by any party for payment by the insurer of a policy benefit on account of an alleged loss resulting from an event or events alleged to be covered by a policy of insurance. In increasing order of uncertainty, the different types of claims losses are:

    - losses incurred, reported, agreed but not paid;
    - losses incurred and reported but settlements amounts uncertain;
    - losses incurred and reported but not agreed; and
    - losses which have been incurred but not reported (IBNR).

4) **Co insurance** is a direct insurance arrangement where two or more insurers jointly underwrite the risk;

5) **Fair value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction;

6) **Inception date** is the date from which an insurer effectively assumes the risk insured in respect of an insurance policy

7) **Investment property** is a property (land or a building-or part of a building-or both) held by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

    - use in the production or supply of goods and services or for administrative purposes; or
    - sale in the ordinary course of business.

8) **Open underwriting account** (also known as the "open year method") is a method of accounting for premiums, expenses and ultimately incurred claims arising on a reinsurance portfolio whereby a continuing balance sheet account is maintained which records all financial aspects of the particular reinsurance portfolio. Thus the account carries all deferred income, expenses and liabilities arising from the reinsurance of a particular underwriting year.

9) **Premium** is the amount payable to an insurer under a policy as consideration for the obligations assumed by the insurer.

- **Earned premium** is the net premium after adjusting for movements in the unearned premium reserve.

- **Gross premium** is the amount receivable on an insurance policy written by an insurer, adjusted for additional or return premium, but before deducting commissions, brokerage or other expenses.

- **Net premium** is the premium receivable on an insurance policy less any premium for reinsurance ceded.

10) **Reinsurance** is an arrangement whereby the reinsurer in consideration of a premium, agrees to indemnify the principal ceding insurer against the loss, or part of the loss, which the latter may sustain under the policy or policies that the insurer has written.

    - **Facultative reinsurance** is a form of reinsurance offered on an individual risk basis and where the ceding insurer makes the offer of reinsurance and the reinsurer has the option to accept or reject the risk and to quote the terms for acceptance.

    - **Non-proportional reinsurance** is a reinsurance whereby the ceding insurer undertakes payment of all losses up to a pre-agreed amount. The balance of any loss that exceeds the pre-agreed limit will be met by the reinsurers, usually up to a contractual maximum.

    - **Proportional reinsurance** is a reinsurance whereby the ceding insurer and reinsurer share premium and claims relating to the original contract of insurance in the same proportion as the share of the original sum insured which is ceded by the ceding insurer and assumed by the reinsurers.

    - **Retrocession** is a reinsurance of reinsurance assumed where the reinsurer will retrocede a whole or part of the risk accepted from the direct insurer to another reinsurer. For example, A accepts reinsurance from B and then inturn reinsures with C a whole or part of the reinsurance assumed from B. The reinsurance ceded to C by A is called a retrocession.

    - **Treaty reinsurance** is a form of reinsurance where business is ceded on the basis of an agreement between the ceding insurer and the reinsurer whereby the ceding insurer agrees to cede and reinsurer agrees to accept automatically the reinsurance of the risks written by the ceding insurer, which fall within the scope of the treaty, subject to the limits and terms specified therein.

11) **Reinsurer** is an insurer who accepts part of a risk from a ceding insurer by way of reinsurance.

12) **Turnover** is defined as gross premium based upon policies written and revenue from investments in financial and property assets.

13) **Unearned premium reserve** is the amount of net premiums set aside by an insurer in respect of the unexpired risks of the policies at the end of the financial period.

APPENDIX 3

KINGDOM OF CAMBODIA
NATION RELIGION KING

MEF
No........MEF/PK

PRAKAS On

ACCOUNTING GUIDELINES FOR GENERAL INSURANCE BUSINESS, 2008

Senior Minister, Minister of Economy and Finance

- Referring to the Constitution of Kingdom of Cambodia
- Referring to the Royal Decree N^o NS/RKT/0704/124 dated 15 July, 2004 on formation of Royal Government of the Kingdom of Cambodia
- Referring to Royal Decree N^o NS/RKT/1198/96 dated 25 November 1998 on nomination of Prime Minister of the Royal Government of Cambodia.
- Referring to Preah Reach Kram N^o 02/NS/94 dated 20 July 1994 on promulgation of the Law on Organization and Functions of the Council of Ministers
- Referring to Preah Reach Kram N^o NS/RKM/0196/18 on 24 January 1996 promulgating the law on establishment of the Ministry of Economy and Finance.
- Referring to the Royal Decree 04/ANK/BK dated 20 January 2000 on the Organization and Functions of Ministry of Economy and Finance
- Referring to Preah Reach Kram N^o NS/RKM/ 0700/02 dated 25 July 2000 promulgating the law on Insurance
- Referring to Sub Decree on Insurance N^o 106 ANKr.BK dated 22 October 2001
- Pursuant to the need in supervising the insurance sector

DECIDES:

Provision 1:

The Prakas on Accounting Guidelines for General Insurance Business applies to all general insurers and reinsurers in Kingdom of Cambodia.

Provision 2:

Annual Accounts

(1) All licensed general insurers and reinsurers (licensees) in Cambodia shall provide their financial statements for each financial year (1 January-31 December) as shown in the attached template in Annex 1.

(2) The annual financial statements are based on Cambodian Accounting Standards (CAS), Cambodian Standards on Auditing (CSA) and Cambodian Financial Reporting Standard 4 (CFRS 4 and 7). In cases where current Cambodian Standards above does not stipulate the accounting treatment and/or disclosure requirements, recourse shall be made to the International Financial Reporting Standards (IFRS).

(3) The annual accounts must be accompanied by a Statement of Directors to give an opinion as to the financial condition of the licensee.

(4) The annual accounts must be accompanied with the management letter from the external auditor which shows the deficiencies that were highlighted and the detail findings and recommendations relating to the internal control procedures. The management responses to the issues raised by the external auditors should be provided separately to ascertain the reliability of the financial statements and report.

(5) The Annual Report to the shareholders must be published annually during the first semester of the year **(*that is by 30 June of each year).***

<u>Provision 3:</u>

<u>External Audit</u>

(1) At the end of three months from the close of the financial year, all licensees are required to lodge the annual accounts for the preceding financial year that has been audited by a firm of Auditors:

a) That is a member of Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA);

b) That is on the list of approved auditors of the Ministry of Economy and Finance (MEF).

(2) A licensee shall notify MEF of the name of the External Audit firm before 31 December of each calendar year. MEF reserves the right to reject the nomination advised by a licensee.

(3) An auditor of a licensee shall certify whether or not in his opinion:

(a) all the information and explanation which are necessary for the purposes of the audit have been obtained;

(b) according to the best of the information given to him, the profit and loss account and balance sheet give true and fair view of the state of affairs of the licensee for the financial year concerned;

(c) books of account are kept properly by the licensee so far as it appears from the audit of the accounts; and

(d) proper returns adequate for the purposes of the audit, have been received by him from offices of the licensee not visited.

(4) The MEF may require an auditor:

(a) to submit such additional information in relation to his audit as the MEF may specify;

(b) to enlarge or extend the scope of his audit of the business and affairs of the licensee, in such manner, or to such extent, as the MEF may specify,

And the MEF may specify the time within which the requirement shall be complied with by the auditor and specify the remuneration which the licensee shall pay to the auditor.

(5) An auditor shall immediately provide in a separate report to MEF if, in the course of his duties as an auditor of a licensee, he is satisfied that:

(a) there has been a contravention of a provision of the Insurance law and subsidiary legislation or that an offence involving fraud or dishonesty under any other written law has been committed by the licensee or its employees;

(b) any irregularity which jeopardizes the interests of policy owners or creditors of the licensee, or any other serious irregularity, has occurred; or

(c) there has been non compliance with margin of solvency

(6) The auditor of the licensee shall not be liable for breach of a duty of confidentiality between the auditor and the licensee for reporting to MEF in good faith in compliance with Provisions 3(4) and 3(5).

Provision 4:

Insurance Statistics

All licensees are required to submit to the MEF statistics relating to their insurance business in such frequency and manner as maybe prescribed by MEF.

Provision 5:

Premium Income

Guidelines for accounting of premium income include:

(1) Premiums shall be recognised as income at the date of inception of the risk. Premiums of insurance policies that are 12 months old shall be reported to the MEF. Premiums that are recognized as income from those policies shall be commensurate with the risk patterns.

(2) The value of outstanding premiums, including agents' balances and reinsurance balances, shall be an amount not greater than the principal

Provision 6:

Reserve for Unearned Premium

(1) The reserves for unearned premium for general insurance business shall be determined by using any of 1/8, 1/24, 1/365 or 40% method (the Acceptable Unearned Premium Methodologies). The reserve for unearned premium shall be determined on the basis of gross premiums less deductible reinsurances underwritten during the period. For this purpose, deduction shall be made from the gross premiums for all proportional reinsurance placed including reinsurance of special risks and reinsurance against which reinsurance deposits with minimum reserves are maintained.

(2) The liability for unexpired risks should be assessed on the basis of realistic assumptions with regard to the premiums accounted and the unexpired liabilities in respect of these premiums. It should not in any case be less than the amount determined by the 1/8th method for non-marine classes of business, marine hull and aviation business or 25% in respect of marine cargo business.

(3) The company must determine any of the acceptable unearned premium methodologies for applying and must notify to MEF for approval. In case of any changes of the method the company must inform to the MEF for approval in advance.

Provision 7:

Claims Liability

Guidelines for accounting for claims include:

(1) The provision for outstanding claims for general insurance business shall be determined using the Acceptable Outstanding Claims Methodology. In respect of provisions for claim liabilities the standard is to use the case basis method as the fundamental method. The reserves may be reviewed using other methods, such as the average value or formula method, to assess the adequacy of the provisions. Mathematical methods of establishing claims reserves cannot be used as a substitute for the case-by-case method.

Average value method or formula method may be used only in the following circumstances:

(a) For claims where adequate data is not available to enable estimation of liability.

(b) For provisions of IBNR (incurred but not reported) claims.

(c) To check the general adequacy of provisions for outstanding claims.

(2) Reporting claims at financial year-end shall be as follows:

(a) A claim should be registered in the claims register together with an estimated cost as soon as the first advice is received;

(b) Provision for a claim should be made on the basis of all information available and such provision should be reviewed and updated as more information becomes available. The amount provided in the case of liability claims should take into account the best estimate of the likely amount of award or compensation based on all facts available and on the assumption that liability is admitted;

(c) Provision for a claim should not be reduced merely because the file is not "active" or the claimant has not responded promptly. The provision should be maintained until the claim is specifically withdrawn or becomes time-barred based on international best practice of three years for property damage claims and six years for bodily injury claims;

(d) Provision for a claim should also not be totally deleted merely because the insurer has rejected the claim. Where the claim is without any doubt outside the scope of the insurance granted, the provision may be reduced to a level required to cover legal fees to defend the repudiation in case the matter goes to court. It may be totally taken off after a further period of at least 12 months provided there are no developments during that period;

(e) Where a claim is rejected on grounds of any breach of policy condition or warranty, the insurer should not remove the provision for the claim from its books until the claim becomes time-barred. However, the provision may be reduced to an amount considered sufficient in the light of the circumstances of the breach by specific approval of senior management of the insurer;

(f) The provision on every outstanding claim should be reviewed at least once a year by the senior management;

(g) The management should review on a monthly basis the adequacy of claims provisions by clearing the amounts paid with the provisions that existed for those claims, in respect of all claims paid during the month. Where such a review discloses a tendency to under reserve, immediate remedial steps should be taken; and

(h) At the year-end, the senior management should review the overall adequacy of provisions using statistical techniques such as average claims cost method or claims development patterns.

(3) Reasonable provisions for IBNR claims should also be made based on the actual claims development pattern in the immediate past and projected into the future taking into account the following factors:

(a) Growth of the portfolio in terms of premiums, sums insured, number of risks and composition of business;

(b) Incidence of claims in terms of numbers and amounts in relation to the corresponding size of portfolio;

(c) Emergence of claims for an underwriting year over the subsequent years and trend in reporting and settlement patterns;

(d) The impact of inflation on claims amounts and projections into the future; and

(e) Comparison with market trends to the extent possible.

(4) When providing for the shares of reinsurers in outstanding claims, due care should be exercised not to take credit for reinsurance recoveries where: -

(a) The reinsurer has become insolvent; or

(b) The reinsurer has already rejected the claim for whatever reason; or

(c) Actual physical recovery from the reinsurer appears difficult for any reason.

Provision 8:

Inward Treaty Business

Insurance Accounting Standards usually provide that insurers in accounting for inward treaty business can use the open underwriting method:

When an insurer proposes to adopt this method, it should do so only after obtaining the approval of MEF. Where such approval is given, the following guidelines should be adhered to:

(1) Once an insurer decides to adopt the open underwriting year method of accounting, it should thereafter to do so for all subsequent years of accounts. If the insurer wishes to revert to the annual accounting method, it should obtain the approval of MEF and provide justification for the change.

(2) An underwriting year should be kept open for a maximum of 36 months, at which point the underwriting year should be closed by debiting to that year the best estimate of outstanding liabilities for that year and transferring the liabilities and the equivalent fund to the next open underwriting year.

(3) All income receivable from ceding companies and all outgoing payable to ceding companies in respect of the reinsurance transactions should be taken into the fund. Other income such as investment income or other expenses such as investment income or other expenses should not be credited or charged to the Fund.

(4) The fund within each open underwriting year as at the end of each accounting period should be adequate to cover both the liabilities in respect of unexpired risks as well as liabilities pertaining to outstanding claims (including IBNR claims). If the fund is found to be deficient, the deficiency should be made good immediately by transfer of sufficient amounts into the fund.

(5) If the fund becomes negative due to payment of premiums for protection of the portfolio before the premium income of the portfolio is received, the fund should be restored to a positive balance, regardless of the company's opinion about the ultimate result for that underwriting year. It should further be increased to a level adequate to cover all outstanding liabilities.

(6) The liability for unexpired risks should be assessed on the basis of realistic assumptions with regard to the premiums accounted and the unexpired liabilities in respect of these premiums. It should not in any case be less than the amount determined by the 1/8th method for non-marine classes of business, marine hull and aviation business or 25% in respect of marine cargo business.

(7) The outstanding claims should be estimated for each individual treaty using best possible means based on data available. Such estimation should be supplemented by a suitable estimation of IBNR. For this purpose the insurer should consider the development of data separately for each class of business such as Fire, Cargo Hull, Engineering and again separately for proportional treaties, retrocessions and excess of loss covers. Besides studying the claims development pattern within the company's own experience in the light of established market pattern of claims development based on published data.

Provision 9:

Assets

(1) The following shall be included as assets only with the prior written approval of MEF:

(a) The value of assets subject to a charge or a pledge or a borrowing;

(b) Intangible assets either in part or whole;

(c) Loans to or investments in or advances to or receivable due from directors, employees, associates or related parties including companies.

(2) The MEF may direct a licensee in writing-

(a) not to make investment of a specified class or description; or

(b) to realize, before the expiry of a specified period or such extended period as MEF may approve, the whole or a specified proportion of its investment.

(3) The valuation of the assets shall be on the following basis for the different categories of assets:

(a) Immovable property

A licensed insurer shall value an investment property in its accounts at a revalued amount as determined by a valuer and approved by MEF.

A licensed insurer valuing an investment property in its accounts at a revalued amount shall revalue the property annually at each balance sheet date.

A licensed insurer shall value a self-occupied property in its accounts at cost less accumulated depreciation, or at a revalued amount determined by a valuer and approved by MEF.

A licensed insurer valuing a self-occupied property at a revalued amount shall revalue the self-occupied property at least once every 3 years.

In the above, 'self-occupied property' means an immovable property of which more than 50 per cent of its floor area is occupied by the licensed insurer.

A valuer means a Real Estate Valuation company that is recognized by MEF.

(b) Corporate securities

A licensed insurer shall value corporate securities quoted on any stock exchange at the lower of cost or market value.
If the value of the investment during the last 24 months is less than the cost by 20%, it shall be deemed to be a permanent diminution in value, requiring a full provision for diminution in the investment.
A licensed insurer, holding an unquoted share whose net tangible asset value is higher than the cost of that unquoted share, may revalue the unquoted share to its net tangible asset value with the prior approval of MEF.

(c) Loans

A licensed insurer shall value an outstanding loan at an amount not exceeding the outstanding principal amount, or at the net realizable value of the loan, whichever is the lower.

(d) Government security/bonds

A licensed insurer shall value a Cambodian Government Security or any other bond as MEF may specify, at cost as adjusted for amortization of premiums or accretion of discounts allocated on a systematic basis to maturity date using either the straight line method or constant yield method.

(e) Deposits

A licensed insurer shall value a deposit with a financial institution licensed by the National Bank of Cambodia, and a deposit ***outside Cambodia*** with a bank duly licensed by the regulatory authority of the country concerned, at the face value of the deposit.

(f) Amounts due from reinsurer or ceding company

A licensed insurer shall value amounts due from a reinsurer or a ceding company, including deposits retained, at the amount due after deducting the provision for bad and doubtful debts.

A licensed insurer shall value claims recoverable from a reinsurer at an amount not exceeding the amount outstanding after deducting the provision for bad and doubtful debts.

(g) Outstanding premiums

A licensed insurer shall value the aggregate of outstanding premiums due from policy owners, agents, brokers or other intermediaries at the amounts outstanding after deducting the provision for bad and doubtful debts.

(h) Furniture and fittings

A licensed insurer shall value furniture and fittings, office equipment, motor vehicles and computer equipment at cost less accumulated depreciation.

(i) Other assets

A licensed insurer shall value its asset for which no provision is made under the Prakas according to the accounting standards approved by the National Accounting Council ***of Cambodia***.

Provision 10:

Examination of Accounts

(1) Further to Article 92 of Sub Decree on Insurance, an examiner authorized in writing by MEF shall examine, without any prior notice, the documents of:

- (a) A licensed insurer, or its agent, in or outside Cambodia, or
- (b) A licensed insurer in liquidation or a licensed insurer whose license has been revoked or has not been reissued

(2) The licensed insurer:

- (a) Shall afford the examiner access to its documents
- (b) Shall provide the examiner facility to carry out the examination
- (c) Shall give to the examiner, orally or in writing, such information as he may specify relating to the business of the insurer

(3) An examiner may take possession of a document or cash to which he has access under the above where in his opinion:

- (a) It is necessary for the purpose of inspection including copying or making an extract;
- (b) It may be interfered with, destroyed, concealed or removed unless he takes possession of it;
- (c) It may be needed as evidence in any legal proceedings, whether civil or criminal, which may be instituted by MEF

(4) The examiner may examine:

(a) A person who is, or was at any time, a director or employee of a licensed insure or of its agent;
(b) A person who is, or was a policy owner, or otherwise having dealings with the licensed insurer;
(c) A person whom he believes to be acquainted with the facts and circumstances of the case, including the auditor of the licensed insurer.
(d) An auditor shall not be liable for breach of a contract relating to, or duty of, confidentiality for giving a document or information to the examiner.

Provision 11:

The Minister, the Department of Financial Industry, its director, employees or any persons acting on its behalf, shall not be liable to an action or other proceeding for damages for, or on account of, or in respect of, an act done or statement made, or omitted to be made, in the performance of a function under Provision 10 of this Prakas if act was done or statement was made, or omitted to be made, in good faith.

Provision 12:

Any person who contravenes or fails to comply with a provision of this Prakas commits an offence and is liable to a fine from KHR 10 Million to KHR 20 Million payable to the National Treasury.

Provision 13:

The Prakas on Accounting Guidelines # 198 dated 4 April 2005 is hereby repealed and any regulations that are contrary to this Prakas are abrogated.

In the event the accounting requirements imposed by MEF are different from the CAS, the requirements of MEF will prevail and take precedence over the CAS.

Provision 14:

This Prakas is effective from the date of signature.

Phnom Penh, …………………....... 2008

Senior Minister
Minister of Economy and Finance

Signature

Keat Chhon

CC:

- General Secretariat of the Senate
- General Secretariat of the National Assembly
- Office of the Prime Minister
- Cabinet of the Sr. Minister, MEF
- File/Archive

APPENDIX 4

LIST OF TRAINING SESSIONS

No.	DATE	SUBJECT	PARTICIPANTS	DURATION
1.	4 Dec 08	Accounting Guidelines	Staff of Insurance Division	2.5 hrs
2.	5 Dec 08	Licensing of Agents/Brokers/Loss Adjusters	Staff of Insurance Division	2.5 hrs
3.	8 Dec 08	Accounting Guidelines	Staff of Insurance Division	2.5 hrs
4.	9 Dec 08	Licensing of Agents/Brokers/Loss Adjusters	Staff of Insurance Division	1.5 hrs
5.	11 Dec 08	Accounting Guidelines	Staff of Insurance Division	2.5 hrs
6.	12 Dec 08	Role of General Insurance Association of Cambodia	Staff of Insurance Division	1.5 hrs
7.	15 Dec 08	General topics relating to supervision	Staff of Insurance Division	2.5 hrs
8.	15 Dec 08	Accounting Guidelines	Staff of Insurance Division	2.0 hrs
9.	16 Dec 08	Insurance Annual Report	Staff of Insurance Division	1.5 hrs
10.	18 Dec 08	Global Financial Crisis	Deputy Director(s) of DFI and Insurance Division staff	2.0 hrs
11.	18 Dec 08	ASEAN Insurance Statistics	Staff of Insurance Division	2.5 hrs
12.	22 Dec 08	Review of monthly/quarterly/annual statistics	Staff of Insurance Division	1.0hr
13.	24 Dec 08 (am)	Prakas on Accounting Guidelines	Staff of insurance companies	3 hrs
14.	24 Dec 08 (pm)	Audited Financial Statements	Staff of insurance companies	2 hrs
15.	26 Dec 08	ASEAN Statistics/Monthly and Quarterly Statistics	Staff of insurance companies	2 hrs
16.	30 Dec 08 (am)	Financial Ratios-Offsite Review	Staff of Insurance Division	2.5 hrs
17.	30 Dec 08 (pm)	On-Site Review	Staff of Insurance Division	2 hrs

APPENDIX 5

SCHEDULE OF MEETINGS

No.	DATE	MEETING WITH	PURPOSE
1.	2 Dec 08	Director of DFI and senior management	To plan schedule of activities for the expert based on TOR
2.	8 Dec 08	KPMG	To discuss the Prakas on Accounting Guidelines.
3.	9 Dec 02 (am)	PWC	To discuss the Prakas on Accounting Guidelines.
4.	9 Dec 08 (pm)	Morison KaK & Associates	To discuss Prakas on Accounting Guidelines.
5.	12 Dec 08	GIAC	To discuss implications of new accounting standards and the payment of agency commissions.
6.	16 Dec 08	Follow up meeting with PWC	To continue discussions on Accounting Guidelines.
7.	22 Dec 08	Follow up meeting with KPMG	To continue discussions on Accounting Guidelines.
8.	25 Dec 08 (am)	Meeting with NAC	To discuss the Prakas on Accounting Guidelines for General Insurance Business
9.	25 Dec 08 (pm)	Meeting with NBC	To discuss the implementation of IFRS for the banking industry
10.	29 Dec 08	Wrap up meeting with DFI	To discuss draft final report and the next steps