Unofficial Translation

The Republic of the Union of Myanmar

Ministry of Planning and Finance

Insurance Business Regulatory Board

Directive No. 3 /2024

12th Waning of Nattaw 1386 ME

27th December, 2024

Investment Directive

In exercise of the powers conferred under Section 38(b) of the Insurance Business Law 1996 (the "Law"), the Insurance Business Regulatory Board (IBRB) hereby issues this directive stipulating the necessary procedures and rules when insurers invest their assets.

Relevance

1. This directive shall apply to all insurers licensed by the IBRB in accordance with the Law.

Objective

2. The objective of this directive is to clarify the scopes and necessary procedures for investment made by insurers in accordance with the Investment Program (the "Program") stipulated in Rules 10(b) and 33(a) of the Insurance Business Rules, to ensure the financial soundness of insurers, and to support the effective asset management.

Definition

3. The expressions contained in this directive shall have the same meanings as in the Insurance Business Law. "Non-regulated assets" in this directive means the amount of insurer's assets that its total asset minus deposit with the Myanma Economic Bank and Government Treasury Bonds in accordance with Rule 7 of the Insurance Business Rules.

Implementation of the Investment Program

4. When insurers invest their "Non-regulated assets", insurers shall submit the Program to the Financial Regulatory Department (FRD) with information prescribed in the Article 6 and get approval from the IBRB. (Cash, deposits and life assurance loans are not required to mention in the Investment Program by the insurers). When insurers wish to change the content of the Investment Program approved by the IBRB according to the risk management, insurers shall resubmit the modified Investment Program to the FRD and get approval from the IBRB. Assets purchased for insurers' operational purpose are not regarded as investment.

5. Non-regulated assets shall be managed in the Investment Program by the insurers as follows:

(a) assets to be invested are sufficiently secure and not too much concentrated on the specific risk,

(b) payments of claims to policyholders and any other expenses shall be made without any delay based on asset and liability management.

6. The following information shall be included when insurers submit the Investment Program to the IBRB for investment risk management.

(a) Contact information of responsible manager for investment risk management ("Investment Manager") designated by board of directors of insurers;

(b) Investment risk management policy including target of capital adequacy ratio stipulated in Solvency Directive, and expected actions when the ratio will fall below the target;

(c) Liquidity risk management policy including the estimated amount of cash inflows and outflows during financial year, how much liquidity assets will be regularly retained corresponding to liquidity needs, and what actions insurers will take in case when liquidity assets run short to match with liquidity needs; and

(d) Other relevant information that the FRD determines if it is necessary to ascertain the compliance with this directive.

7. Insurers shall make the following practices as part of investment risk management:

(a) Investment Managers regularly monitor whether if making investments are made in accordance with their own investment/liquidity risk management policies and take responsibilities for controlling their investment positions to ensure the target of capital adequacy ratio and liquidity assets matching with liquidity needs.

(b) Staff who makes investment practices keep records on all movement of investment positions and regularly report their latest conditions to the Investment Managers.

(c) Internal auditors regularly check whether if investment practices are made in accordance with investment/liquidity risk management policies and report the internal audit results to Investment Managers and the board of insurers.

(d) Board of insurers should be responsible for designating/supervising the Investment Manager and ensuring quality of investment/liquidity risk management.

8. The asset types that insurers may invest by utilizing Non-regulated assets are as follows:

(a) Cash and bank deposits in Myanmar;

(b) Bonds and Bills issued by the Ministry of Planning and Finance, Central Bank of Myanmar, state-owned organizations in Myanmar and local governments in Myanmar;

(c) Bonds issued in accordance with relevant laws and regulations in Myanmar by companies and organizations founded in Myanmar with investment grade credit rating certified by one of Moody's, Standard & Poor's, Fitch and their allied agencies;

(d) Shares, stocks, bonds and debentures issued or arranged to issue by the listed companies and public companies with more than 100 shareholders, and right, options and warrants relating to such shares, stocks, bonds, debenture; and

(e) Other assets apart from enumerated above from (a) to (d), so as to enhance the insurer's management capacity on investment, such as real property in Myanmar or assets denominated in foreign currencies that are individually approved by the IBRB.

9. The ratio of investment in assets stipulated in (c) through (e) in the Article 8 shall not exceed 20% of the total amount of assets.

10. The ratio of investment in assets stipulated in (c) through (e) in the Article 8 issued by the single legal entity shall not exceed 10% of the total amount of assets.

11. The FRD shall review the Program submitted by insurers to confirm whether it complies with requirements in this directive.

12. Provided that the insurers submit an application for the Program, the FRD shall submit to and obtain the approval of the IBRB within 90 days from the date of receipt of the application.

13. When the IBRB approves the investment in the assets stipulated in (e) in the Article 8, the IBRB may specify its upper limit ratio to the total amount of assets.

14. Insurers may purchase, hold, sell and manage their Non-regulated assets at their own discretion and responsibilities within the range of requirements in this directive after the Program is approved by the IBRB.

15. When insurers temporarily may not meet Articles 9 and 10 due to short-term price fluctuations at the end of financial year, insurers shall rebalance their investment portfolio in order to meet Articles 9 and 10 by the end of the next financial year.

16. Insurers shall submit the performance result of investment Program to the FRD every financial year in accordance with the Solvency Directive. The FRD can regularly review the investment performance of insurers whether they comply with the requirements.

17. When it is necessary to confirm the financial soundness of insurers, the FRD may request a report on the current status of insurers' investment position. Insurers shall immediately report the requested information to the FRD.

Effective date

18. This directive shall come into effect from the financial year 2025-2026.

Min Htut

Chairman

Insurance Business Regulatory Board

Letter No: FRD/IBRB(783/2024)

Date: 27th December, 2024

Disseminated to:

Ministry of Planning and Finance

Members of the Insurance Business Regulatory Board

Myanma Insurance

Myanmar Insurance Association

All Insurance Companies

Myanmar Banks Association

By Order

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(Zaw Naing)

Secretary

Insurance Business Regulatory Board