

KINGDOM OF CAMBODIA
NATION RELIGION KING



CAMBODIA STRATEGIC DEVELOPMENT PLAN
FOR INSURANCE SECTOR
2021-2030

Adopted by the Non-Bank Financial Services Authority Council
in the Session on 15 September 2021



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PREFACE

The Royal Government of Cambodia has introduced strategies and policies to promote the diversification of financial products in the financial sector as reflected in the “**Rectangular Strategy—Phase IV**”, “**National Strategic Development Plan 2019-2023**” and “**Financial Sector Development Strategy 2016-2025**”. Moreover, in order to strengthen and ensure efficiency in management, supervision, and development of the non-bank financial sector, as well as to promote financial technology development, a Non-Banking Financial Services Authority was established in Cambodia by the **Law on Establishment of the Non-Banking Financial Services Authority**, which was entered into force in January 2021.

After the establishment of Non-Banking Financial Services Authority, the Insurance Regulator of Cambodia (IRC) has become a fully-fledged regulatory body with an independent role and functions to formulate and implement policies, strategies, and action plans of the insurance sector and private pension sector, which contribute to sustainable, inclusive and resilient economic development. At the same time, this institution also plays a major role in supporting the social security system. On top of the policy framework, the IRC, which is a newly established agency, has another significant role in monitoring and assessing insurance institutions’ business and financial soundness to help develop this sector in line with the regional and global trends by ensuring the resilience of insurers and private pension operators, as well as to ensure stability of Cambodia’s financial system.

In order to take part in implementing the policies of the Royal Government, particularly the implementation of “**Financial Sector Development Strategy 2016-2025**”, the “**Cambodia Strategic Development Plan for Insurance Sector 2021-2030**” has been formulated as a blueprint for the IRC to implement. This is to ensure the effectiveness of IRC in exercising its roles and responsibilities. This plan has been formulated and launched in the context of the Covid-19 crisis which has negative affects on development of all countries across the world including Cambodia. Thus, this blueprint does not only contemplate on developing insurance sector over the next 10 years, but also focuses on maintaining Cambodia’s financial stability and considering on timely and effective responses to the Covid-19 crisis and other future crises.

This 10-year Strategic Development Plan for Insurance Sector reflects key achievements and challenges, and major progress and directions going forward that Cambodia can forge ahead with priority actions in areas such as institutional framework, technical capability and cooperation, especially to prepare itself in order to seize new opportunities arriving from

technology and digital transformation in financial sector. This plan also emphasizes on the requirements for financial-sector integration under the regional and global framework, as well as the need to comply with the Insurance Core Principles of International Association of Insurance Supervisors.

Finally, on behalf of the Council of Non-Banking Financial Services Authority and myself, I would like to highly acknowledge and appreciate the efforts of high responsibility made by the Insurance Regulator of Cambodia in the formulation of this “**Cambodia Strategic Development Plan for Insurance Sector 2021-2030**”. I would also like to express my appreciation to His Excellency **Ros Seilava**, Secretary of State of Ministry of Economy and Finance and Vice-Chairman of the Council of Non-Banking Financial Services Authority, His Excellency **Mey Vann**, Secretary of State of Ministry of Economy and Finance and Secretary-General of Non-Banking Financial Services Authority General Secretariat as well as the technical management team of Non-Banking Financial Services Authority, especially to His Excellency **Bou Chanphirou**, Director General, Insurance Regulator of Cambodia, who has led and guided a task force on developing the Cambodia Strategic Development Plan for Insurance Sector, and to the technical team members and relevant stakeholders who have contributed their inputs in successfully formulating such a significant document.

Phnom Penh, date: September 15, 2021

Deputy Prime Minister, Minister of Economy and Finance
And Chairman of the Council of Non-Banking Financial Services Authority



Akka Pundit Sopheacha AUN Pornmoniroth

EXECUTIVE SUMMARY

Royal Government of Cambodia under the wise leadership and realistic vision of **Samdach Akka Moha Sena Padei Techo HUN SEN, Prime Minister of Kingdom of Cambodia**, has subsequently launched the Rectangular Strategy with remarkable progress and achievement and has continued putting in place the Rectangular Strategy—Phase IV in the 6th Mandate of the National Assembly in order to further deepen and broaden other key deliverables of all sectors with sustainability. The long-term vision of the Royal Government of Cambodia towards the inclusive and equitable high-economic growth to promote the livelihood of the people and to reduce the poverty rate has historically turned Cambodia from the low-income country to middle-income country, and to high-income country in 2050. Over the past three decades, Royal Government of Cambodia has brought Cambodia a full-peace country with political and macroeconomic stability and private-sector development by improving business and investment climate which is the main source of job creation across sectors and the locomotive force to boost economic performance achieved at the annual average growth rate of 7%.

These key deliverables have substantially been contributed by the financial sector which has been rapidly developing after the Royal Government of Cambodia has introduced the Financial Sector Development Strategy since 2001 and subsequently updated into “**Financial Sector Development Strategy 2016-2025**”. At the same time, insurance sector, which is one of the non-banking financial sectors, has played a crucial and active role in promoting economic growth and contributing to social security sector. The new insurance sector started up with only one state-owned company and three insurance agent companies in the early 1990s. The sector has been progressively developed to a potential sector with 80 insurance institutions, more than 5,000 insurance agents, USD 741 million of total assets, USD 398 million of shareholders’ fund and USD 272 million of total gross premium in 2020.

However, the insurance penetration rate and insurance density of Cambodia is ranked 7th among the ASEAN Member States, which is reflected that insurance market of Cambodia has more potential to growth. Whatsoever, the sector is facing a number of challenges to be subsequently addressed, such as capacity building of the Insurance Regulator, enhancement of public awareness on the advantages of insurance, establishment of professional training institution/school, enforcement of compulsory insurance, and investment of InsurTech system etc.

Cambodia Strategic Development Plan for Insurance Sector 2021-2030 has determined 5.5% of insurance penetration rate and USD 135 for insurance density in the year 2030 as the key indicators to be achieved at the ultimate goal of the sector-development strategy. Nonetheless,

this strategic plan has concentrated its priority on the “**Development of the Regulator Institution and Infrastructure of Cambodia’s Insurance Sector**” by emphasizing on the insurance professional training and establishing the professional training institution/school.

Under the regulatory framework, Council of the Non-Banking Financial Services Authority, which is the body to issue regulations for insurance and private-pension sector by the Law of the Organization and Functioning of the Non-Banking Financial Services Authority, will subsequently propose and issue all necessary regulations such as Sub-decree on Insurance, Sub-decree on all Types of Motor Vehicles, Prakas on Insurance Technical Reserves, Prakas on Investment Principles for Insurers, Prakas on Insurance Agent Registration, etc.

Cambodia insurance market has huge potential and attractive factors for investment, which require more attention to comparatively select insurance investors in terms of both financial and professional strength to ensure a sustainable development. In fact, since the introduction of Cambodia insurance market, it has remarkably achieved an average growth of 25% annually. The growth remains positive at 8% in 2020, and is estimated at about 15% in 2021.

In order to promote the market growth, a number of strategic plans have been laid out to support the market mechanism such as a compulsory insurance system for motor vehicle will be, in short-term, adopted, new insurance products will be encouraged and promoted including agricultural insurance products, natural disaster insurance products, micro-insurance products for women such as health insurance, pregnancy and childbirth insurance, and life insurance for birth delivery, etc. Also, a professional training on insurance, which plays an important role in the development of insurance sector of Cambodia, has been highlighted in the plan by, in the short-term period, designing official insurance training programs towards the establishment of “**National School or Institute of Insurance**”. Its operation will be launched in medium-term, with a goal to expand its capacity to the regional level within the long-term plan.

Insurance Regulator, which is an independent institution with roles and duties to regulate and supervise insurance business activities, has priorly been established under Non-Banking Financial Services Authority as a response to institutional development of insurance regulator set under the section of insurance sector development policy framework. The regulatory and supervisory roles and duties of the insurance regulator are outlined in the ten-year strategic plan with three stages: short-term (2021-2023), medium-term (2024-2028), and long-term (2029-2030). It mainly pinpoints on strengthening capacity of institutional framework, co-operational framework, and technical framework such as financial supervision, market conduct supervision and educational outreach programs which are strongly supported by regulations and technology.

Financial supervision is concentrated on building the capacity of the Insurance Regulator of Cambodia's officers and improving efficiency of supervision methodologies. In the short term, Risk-Based Supervision will be introduced for implementation under a regulation on insurers' minimum capital and solvency requirements at phase I (Solvency I or Risk-Based Capital- RBC I) and a study on moving to Solvency II or RBC II will be conducted in the medium-term strategy with a recommendation to be carried out in 2029-2030.

Market conduct supervision is focused on, in the short-term, building the capacity of the regulator's officers, issuing insurance market code of conduct and market-conduct supervision methodologies, as well as establishing dispute mediation mechanism to protect insurance customers. In the medium-term, 2024-2028, the improvement of efficiency and effectiveness of market-conduct supervision have been targeted by increasing activities of on-site supervision and imposing sanctions on any offences against the market-conduct codes and regulations and it will be strongly undertaken in the long-run strategy too.

Public outreach and education are spotlighted as a clear strategic plan at all stages to raise public awareness on the benefits of insurance and compulsory insurances by hosting regular activities to deliver insurance concept to the public via all channels of media and organizing workshops nationwide.

CAMBODIA STRATEGIC DEVELOPMENT PLAN FOR INSURANCE SECTOR

1. INTRODUCTION

Since the late 1980s, Cambodia has adopted a free-market economy by opening its market to trade with other countries around the world. The international trade led to the need for insurance on the transportation of products, especially on those that are imported to Cambodia. To facilitate the international trade the government, in the early 1990s, set up a state-owned insurance company namely Cambodian National Insurance Company (CAMINCO) with the roles as insurance operator and insurance regulator together with three private insurance agent companies to sell the insurance products of CAMINCO. With political stability and economic growth after the free and fair election in 1993 in Cambodia, the Royal Government had drafted the Law on Insurance which was adopted by National Assembly and signed by His Majesty to put it into effect on 25th July 2000, and issued the Sub-Decree on Insurance in 2001 and other regulations subsequently to supervise and regulate the insurance business in Cambodia under the jurisdiction of the Ministry of Economy and Finance. At the same time, with the technical assistance from Asian Development Bank, the Royal Government also adopted “**the Financial Sector Development Strategy 2001-2010**”, in which the insurance sector was incorporated. The strategy has been regularly updated every five years to the present.

Within these two decades, the insurance market in Cambodia has been developing and growing in different stages. The first stage from 2000 to 2002, there was only one state-owned insurance company in the insurance market in Cambodia. From 2003 to 2011, there continuously was private investment in General Insurance companies. In these two stages, there were only general insurance products in Cambodia’s market as “Pure Protection” characteristics for risk caused to any loss or damage of property, health, and accidents. The last stage started from 2012 to the present, there has been investment in Life Insurance business to sell life insurance products in the forms of protection and saving. Meanwhile, in 2011, the Royal Government decided to issue temporary license on micro-insurance businesses to serve the market, especially the low-income households in rural areas.

2. CURRENT SITUATION

2.1. Macroeconomic policy framework

Global economy in 2020 was estimated to decrease 3,5% caused by the negative impacts of the Covid-19 pandemic on business activities, trade, and tourism, as well as disrupted the

economic, social, and financial development progress in the region and in the world. In fact, Cambodia's economy is estimated to experience negative growth (3.1%) in 2020 due to the decrease in the number of foreign tourists, garment export, construction sector and foreign investment. However, the garment export, especially bicycle, electronic components, wooden and gold products, and other agricultural products has continued to experience decent growth while the royal government has been intervening to sustain Cambodian's livelihoods and businesses during the wide spread of Covid-19 and is developing a post-crisis plan on economy's recovery and stimulation.

2.2. Insurance sector policy framework

The Royal Government of Cambodia has, so far, formulated insurance sector policy framework as to diversify financial products of financial sector stated in the **Rectangular Strategy-Phase II, III, and IV; "National Strategic Development Plan 2019-2023"** and Financial Sector Development Strategy 2001-2010 which has been regularly updated in every 5 years to **"Financial Sector Development Strategy 2016-2025"**.

2.3. Legislative framework

Since 2000, Ministry of Economy and Finance, with a role as insurance regulator of Cambodia, has prepared and issued legal and regulatory framework to regulate and supervise the insurance business in Cambodia as follows:

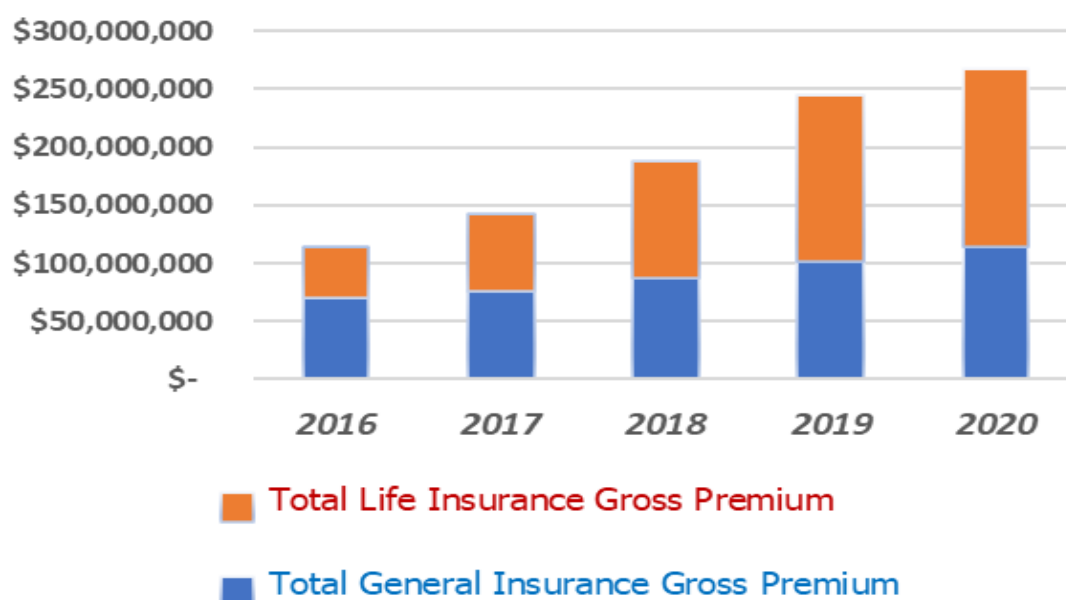
- Law on Insurance adopted in 2000, was replaced by the Law on Insurance adopted in 2014
- Sub-decree on Insurance in 2001 will be replaced by the new Sub-decree on Insurance which has been undergone through various discussions with private sector and technical inter-ministerial meetings, and it is being prepared for the adoption by the Council of Non-Bank Financial Services Authority
- Regulations related to licensing:
 - Prakas on Licensing to Insurance Company and Branch of Foreign Insurance Company
 - Prakas on the Insurance Licensing to General or Life Insurance Company
 - Prakas on the Insurance Licensing to Insurance Agent, Insurance Broker, and Insurance Loss Adjustor Company
 - Circular on Issuance of Temporary License for Microinsurance
- Regulations related to financial supervision:
 - Prakas on Public Disclosure of Yearly Financial Report for Insurance Business

- Prakas on Accounting Guidelines for General Insurance Business
- Prakas on Corporate Governance
- Prakas on Solvency Margin for General Insurance Company
- Regulations related to market-conduct supervision:
 - Prakas on the Usage of Brand Name of Insurance Company and Insurance Broker
 - Prakas on the General Limitation for Insurance Operation
 - Prakas on the Fire Insurance Tariff
 - Prakas on Life Insurance
- Regulations related to compulsory insurance:
 - Prakas on Compulsory Motor Vehicle or Third-Party Liability Insurance
 - Prakas on Compulsory Insurance of Passenger Transports
 - Prakas on Compulsory Insurance of Construction Site
 - Prakas on Compulsory Motor Vehicle Insurance Stamp.

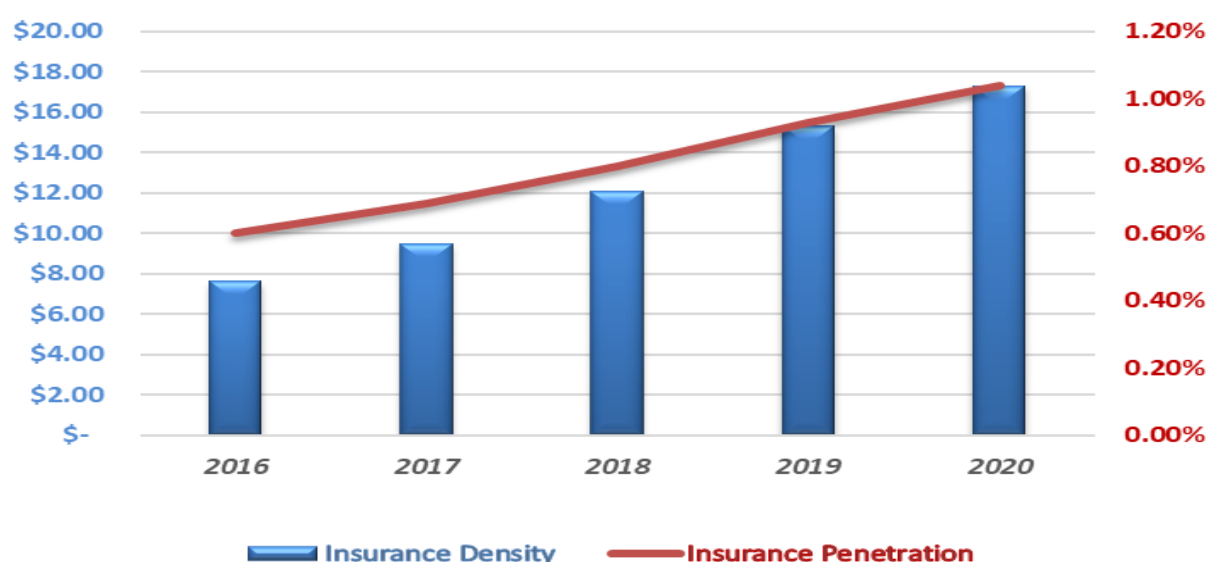
2.4. Insurance Market

Since 2012, the market size of the insurance market of Cambodia has rapidly grown in total gross premium at an annual average growth of 28%. Despite Covid-19 pandemic, the gross premium in 2020 continued to rise by roughly 8%, accounting for approximately USD 272 million, with a total sum insured of about USD 245 billion for all risks. The market has created at least about 3,500 jobs.

Cambodia's Insurance Market



With the upsurge in the size of Cambodia insurance market in 2020, the insurance sector contributed to the economy at penetration rate of 1.04% with insurance density of USD 17.26. Nevertheless, if compared to other countries in the region, the Cambodia's insurance penetration rate and insurance density are relatively lower than the others, except Myanmar and Lao PDR, as appeared in Annex 1. These indicators illustrate that the insurance market of Cambodia still has more room to grow that attracts more investors into the industry.



To protect the financial responsibilities, the insurance companies have designed all categories of insurance products for their customers, including property insurance or fire insurance, liability insurance, engineering insurance, MAT insurance, motor insurance, health insurance, personal-accident insurance, term-life insurance, whole-life insurance, endowment insurance, and micro-insurance products, etc.

Meanwhile, Motor Vehicle Liability Insurance or Motor Third-Party Liability (MTPL) Insurance, Passenger Liability Insurance, and Construction Liability Insurance have become the compulsory insurance under the Insurance Law in 2000 and the Inter-ministerial Prakas for the implementation in 2002, but the implementation has yielded little outcomes.

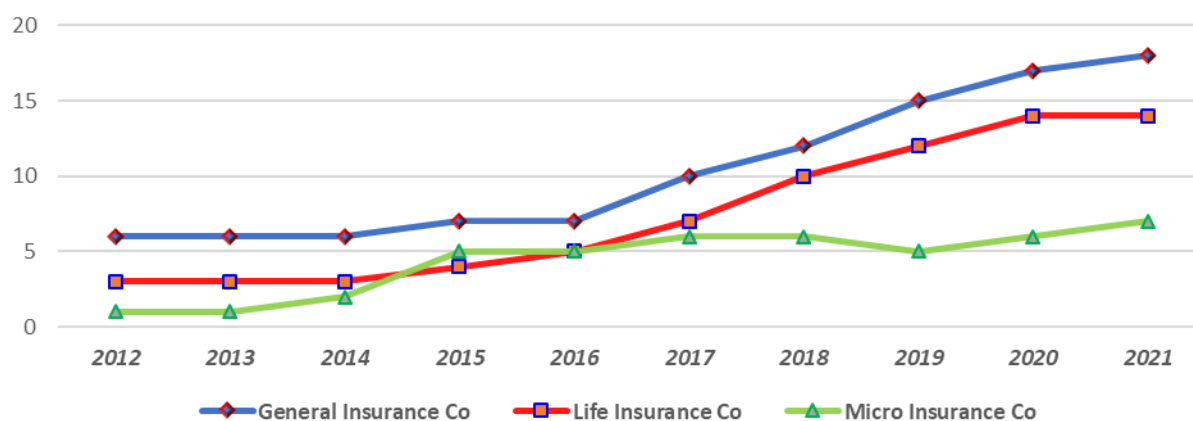
2.4.1. Insurance Institutions

2.4.1.1. Insurance Companies

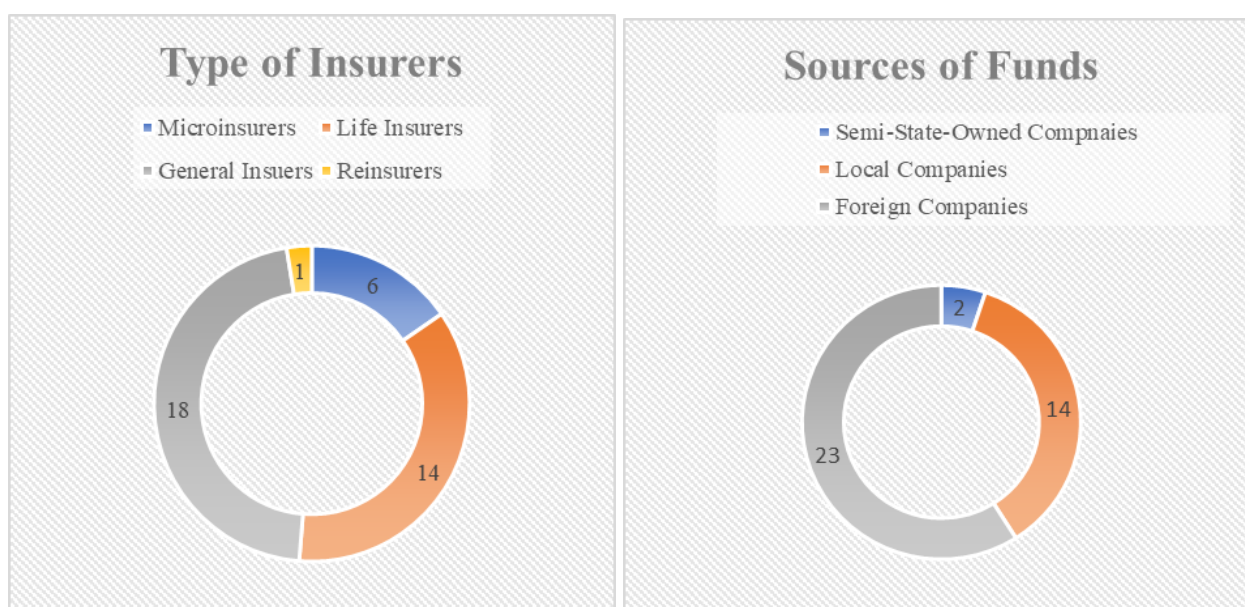
Currently, there are 38 direct-insurance companies in Cambodia's market, including 18 general-insurance companies, 14 life-insurance companies and 6 micro-insurance companies. The number of insurance companies has vividly multiplied since life-insurance company presented in the market in 2012. Furthermore, the Royal Government has recently established a “Credit-Guarantee Corporation of Cambodia-CGCC” under the Sub-decree dated on 01

September 2020, as a public enterprise technically administered by the Ministry of Economy and Finance with the objective of providing credit guarantee insurance products in Cambodia.

Number of Insurance Companies



Among all these companies, there are 23 foreign companies, 15 local companies, and 2 semi-state-owned companies. The total assets of all the insurance companies were approximately USD 741 million, and the total equities was around USD 342 million as of 2020.



2.4.1.2. Reinsurance Company

The “**CambodiaRe**” is the only reinsurance company in Cambodia which was established in 2002 as a state-owned company, then transformed into a joint-venture with 80% of shares owned by the government and lately privatized to be a company with 60.21% of

government's shares. The "Cambodia Re" has been playing a role in accepting 20% of all insurance risks from direct general-insurance companies, until 2017 it increased its capacity to accept more risk transferred from direct life-insurance companies. The company is remarkably successful by increasing its own capital from USD 7 million, which was mostly formed of government bonds at its startup in 2002, to more than USD 24 million without any government bonds in 2021 and holds the total assets of approximately USD 36.5 million.

2.4.1.3. Insurance Intermediaries

Insurance products are mainly distributed in Cambodia market via the distribution channel of traditional forms such as insurance brokers, insurance corporate agents, individual insurance agents, and lately via bank, which is globally known as **Bancassurance**. National Bank of Cambodia, regulator of banking sector in Cambodia, allows banks or micro-finance institutions to introduce insurance products to their customers but not to sell.

Currently, in accordance with the Insurance Law of Cambodia, insurance broker is allowed to sell insurance products like insurance agents. Since there is no specific regulation to limit insurance brokers from partnership agreement with insurers, the brokers can enjoy more partners than for insurance corporate agents. Presently, there are 15 insurance brokers, 5 corporate agents, 20 bancassurances and about 5,000 individual insurance agents.

2.4.2. Insurance Professional Training

So far, no training on professional insurance intermediaries has been officially conducted in Cambodia. The training has been self-organized by insurers or the Insurance Association of Cambodia for only staffs in the insurance industry, especially for their own staffs. Those trainings had no specific curriculum with quality to ensure sustainability and official recognition. In 2005, Forte insurance company in collaboration with the Malaysian Insurance Institute organized a short-course training for staffs of the insurance companies in Cambodia, but failed due to insufficient number of participants. Since 2018, the Cambodia Re cooperating with the Malaysian Insurance Institute has been providing short-course trainings to staffs of insurers who are partners with Cambodia Re. However, the uncertainty remains due to the limited number of participants, no official recognition and lack of public awareness.

Loss adjusters and actuaries are playing a very important role to support the insurance sector development as a whole and the insurers in particular. In fact, no local resources are qualified for these two professions right now and the market has outsourced it. It is the fact to

attract the setting-up of such service business in Cambodia. Even in the world, there are still limited resources in these professions, especially the profession of actuary.

Since 2015, with the momentum of growth of the insurance industry, Cambodia has attracted loss adjuster business, which provides professional services to support insurance companies, especially to general insurers, in assessing losses when risk occurs. Currently, there are 3 foreign loss-adjuster companies in Cambodia providing their necessary services to the insurance industry.

2.4.3. Association of Insurance Professionals

Along with the growth of the insurance market, the Ministry of Economy and Finance encouraged the establishment of the “**General Insurance Association of Cambodia**” in 2005, led by the CEO of the reinsurance company, “Cambodia Re,” and composed of only general insurance companies at that time. This association later became the “**Insurance Association of Cambodia-IAC**” in 2013 after the presence of life insurance companies in Cambodia. Now, the Insurance Association of Cambodia has 34 members including general-insurance companies, life-insurance companies, micro-insurance companies, and reinsurance company. Nowadays, there is only the Insurance Association of Cambodia as an association of insurance professional. The association takes roles in coordinating among the member insurers to set terms and conditions of the association’s statute, and representing the insurance industry to facilitate and propose the industry’s request to the Royal Government through the Insurance Regulator of Cambodia. However, the capacity and the roles of the association are still limited in terms of both financial and human resources, especially in providing training courses on insurance professional.

2.5. Insurance Regulator

2.5.1. Institutional Framework

2.5.1.1. Institutional Structure

Since 2000, Cambodia’s insurance sector has been regulated and supervised by the Ministry of Economy and Finance through the establishment of the Insurance Division which later became the Insurance and Pension Department, playing the roles as insurance supervisor, insurance regulator and insurance-policy marker.

2.5.1.2. Human Resources

The Insurance and Pension Department was structured into four main divisions, namely Supervision Division, Market Development Division, Legal Division and Pension Division.

There were of 30 staffs in total, 20 of whom are civil servants, and 10 of them are contractual staffs. Regarding their qualifications, 29 of them have graduated from Bachelor's degree, and only one of them, who is an administrative officer, finished study at the high school level. All of them do not have any basic insurance concept by education upon admitting, yet they upgraded their expertise through job-training since the education system in Cambodia does not provide this kind of curriculum in any levels, neither in foundation year of higher education nor insurance professional degree.

21 of the department's staffs have more than 2 years working experiences in the insurance sector, and 9 of them have less than 2 years working experiences. Most of the newly recruited often resign from work after a short period of working that mainly caused by several reasons, including the highly-skilled required job, the rapidly expanded scope of works to catch up the rapid growth of the insurance market, and the low-paid salary unmatched with the scope of works and the qualifications required.

2.5.1.3. Financial Resources

Under the organization and functioning of the Insurance and Pension Department, there were limited financial resources from the national budget to support its activities in order to fully and effectively carry out its roles. Financial resources to support the operation of the Insurance Regulator is the main priority under the short-term strategy.

2.5.2. Technical Framework

2.5.2.1. Financial Supervision

To supervise financial position of insurance companies is a prudential supervision which is vital in ensuring the sustainable development of the insurance sector as the insurance companies are considered as public interest entities (PIEs). Insurance Regulator of every country is required to have a prudential framework with transparent mechanism to take appropriate measures in a timely manner under adequate and up-to-date regulations. The financial supervision shall focus mainly on financial and operational aspects of the company, including establishment and liquidation of the company, corporate governance, the implementation of accounting and auditing standards, the preparation of investment plans and reinsurance treaties, and the maintenance of capital requirement and solvency margin and so on.

Presently, prudential supervision is carried out by regularly monitoring the financial soundness of the companies based on monthly and quarterly reports submitted by insurers. At the end of each fiscal year, insurers are required to submit their audited financial reports to the

Department to be off-site analyzed and assessed their risk level in order to set out on-site examinations.

Rule-Based Capital is, currently, applied to determine the capital adequacy of insurance companies by setting in regulations to USD 7 million and USD 3.5 million for minimum capital and solvency requirement respectively.

The financial supervision capacity of the department is limited at the time being since there are only 8 staffs who have to handle such a fast-growing market with many companies, and to apply a new methodology of Risk-Based Supervision and Risk-Based Capital.

The related regulations on financial supervision are as follows:

- Prakas on Disclosure of Annual Audited Financial Statement for Insurance Business
- Prakas on Accounting Guidelines for General Insurance Business
- Prakas on Corporate Governance for Insurance Company
- Prakas on Solvency Margin for General Insurance Company

2.5.2.2. Market-Conduct Supervision

Market-conduct supervision is another important pillar, boosting consumer confidence in insurance services, including the development, sale and promotion of insurance products, insurance claim handling and insurance dispute settlement process. An insurance market can be considered a highly trustworthy market only if the code of market conduct is established and implemented consistently and effectively by the operators of that market, and customers of the market are protected both within the regulatory framework and operational framework.

To date, the role of regulating and supervising the operations of insurers in insurance market of Cambodia is not fully fulfilled, that is, limited by the lack of both the number and skill of staff, which are unable to provide a timely response to a fast-growing market with relatively large number of companies, new product categories and new technologies for distributing and promoting products, such as electronic sales. Furthermore, codes on the insurance market conduct are insufficiently introduced to ensure effective regulation and supervision in accordance with international standards.

Regulations regarding code of market conduct are included as follows:

- Prakas on Use of Logo for Insurance Companies and Intermediaries
- Prakas on General Limitations for Insurance Operation
- Prakas on Premium Rate of Fire Insurance
- Prakas on Life Insurance Business

2.5.2.3. Consumer Protection

Consumer protection is an essential factor to gain customer confidence in insurance market, which is a driving force for growth of the insurance sector. In this regard, under regulatory framework of Insurance Law 20214, the Ministry of Economy and Finance has to establish an Insurance Dispute Mediation Unit. It, by now, has not yet been set up. However, “Prakas on Procedures for Receiving and Mediating Insurance Complaint” was signed and entered into effect on 11 December 2020, providing a clear mechanism to settle all complaints in insurance market of Cambodia and building people's trust in the insurance services.

Consumer Protection Law was enacted by the Royal Kram dated on 01 November 2019 to cover sale business of all kinds of goods and services, excluded the non-bank financial services which are under separate regulations.

2.5.2.4. Public Awareness and Education

Although the insurance sector in Cambodia has been redeveloping since the early 1990s, it is a newly developed subsector of financial sector which is in early stage of development. The public are unaware about it and do not understand “*What is insurance?*” and “*What are the benefits of insurance?*”. Furthermore, they do not realize that insurance sector has created an opportunity for them in the job market. In the meantime, curriculums on insurance have not been specifically and officially designed neither in technical schools nor in higher-education institutions. In this context, the job market in the insurance sector is of human resources with inadequate knowledge of insurance concept. Most of them are on-job-training staff that cannot meet the current market’s demand.

Public education and awareness are essential driving forces of insurance industry’s growth. Purchase of insurance products, use of insurance services and participation in the insurance sector come from level of people’s perception and understanding about the benefits of insurance which can be built by educating the public and making them aware of.

Public education and awareness about the benefits of insurance, so far, has been occasionally organized by regulatory institution due to the lack of funding and human resources. However, such organizations were contributed by the private sector since the presence of life insurance companies in 2012. In overall, public education and awareness events to promote the public understanding about the benefits of insurance have been limitedly launched for the development of the insurance sector in Cambodia.

In particular, the lack of public education and awareness, and the participation of relevant institutions, which is attributed to the shortage of understanding about the necessity and

benefits of the compulsory insurances, have resulted in the ineffective implementation of the compulsory insurances, even though those compulsory insurances have been stated under the law since the year 2000 as well as under the inter-ministerial Prakas in 2002.

Regulations concerning compulsory insurance include:

- Inter-ministerial Prakas on Compulsory Motor Vehicle Liability or Third-Party Liability Insurance
- Inter-Ministerial Prakas on Compulsory Passenger Transport Insurance
- Inter-Ministerial Prakas on Compulsory Insurance for Construction Site
- Prakas on Compulsory Motor Vehicle Insurance Stamp

Although an inter-ministerial working group, including the Ministry of Interior, the Ministry of Public Works and Transport, the Ministry of Land Management, Urban Planning and Construction, the Ministry of Tourism, and the Ministry of Economy and Finance, has been established since 2003, law and regulations on compulsory insurance has not been successfully enforced which needs more collaborative efforts from all relevant agencies and ministries.

2.5.3. Cooperation Framework

2.5.3.1. National Cooperation

Ministry of Economy and Finance as the insurance regulator of Cambodia, has, so far, set up a mechanism to coordinate with other regulators of financial sector as well as with relevant stakeholders for non-bank financial sector as a whole. In fact, no specific mechanism has been created for insurance regulator in any forums such as the government-private sector forum. Nevertheless, the partnership between insurance regulator and insurance operators has been coordinated by the Insurance Association of Cambodia although it is not fixed as a concrete and regular mechanism.

2.5.3.2. International Cooperation

Until the date of the establishment of Non-Bank Financial Service Authority, the General Department of Financial Industry of the Ministry of Economy and Finance had played a role as insurance regulator of Cambodia by participating in various meetings and communicating on the agenda of insurance sector with other countries in the region as well as in the world including ASEAN Insurance Regulators Meeting (AIRM) and Working Group on Financial Service Liberalization etc. Insurance Regulator of Cambodia has withdrawn its membership of the International Association of Insurance Supervisors (IAIS) to be an observer since 2010 due to technical and financial issues.

2.6. SWAT Analysis

2.6.1. Strengths

- Cambodia is a full-peace country with political stability which is a catalyst for robust economic growth
- Adhering free market principles for investment policies, especially on the insurance sector
- Increase in middle-income households who are the potential customers of insurance market.

2.6.2. Weaknesses

- Low public awareness of the advantages of insurance
- Lack of training system on insurance professionalism
- Limited capacity of insurance regulator in financial and human resources which could not respond to the need of the rapid-growth market
- Ambiguity on the roles of insurance-regulator body and roles of insurance development policy maker body
- Lack of collaboration among relevant stakeholders to enforce the compulsory insurances.

2.6.3. Opportunities

- The recovery of Cambodia's economy to be predicted at growth rate of 4.0% in 2021
- High-potential insurance market for future growth, resulted from low penetration rate and insurance density compared to the region
- The newly established Insurance Regulator of Cambodia as an independent body
- The innovation of FinTech, especially of the InsurTech which will enhance the effectiveness of regulation and make the insurance market grow via electronic sale of insurance products etc.

2.6.4. Threats

- Sale of some insurance products such as travel insurance, aviation insurance and other products, which have been heavily impacted by the Covid-19, would remain no growth
- Trend for implementing the cross-border insurance has soared up, especially within the ASEAN region which will toughly compete on the quality of services and capability of insurance companies
- Human resource with insurance professionalism does not meet the demand of the employment market in the sector in neither quantity nor quality.

3. STRATEGIC PLAN 2021-2030

3.1. Macro-Economic Policy Framework

Cambodia's economy in 2021 is estimated at a growth rate of 4% to be recovered from the negative growth of 3,1% in 2020 in the context of on-going Covid-19 pandemic crisis, and expected-slow recovery of global demand, the less restriction on travelling, and the adaptation to the new normal as well as the Royal Government's intervention mechanism, which is also significantly stimulating economic growth. Based on this foundation, industrial sector is anticipated to achieve a slow growth because of the expected-slow recovery of construction and garment sub-sector, while the non-garment manufacturing sub-sector will achieve decent growth. At the same time, service sector is expected to have a robust growth but in slower rate than normal trend due to the slow growth of hospitality and real-estate subsector, and other supporting subsectors. As for the agriculture sector, it is foreseen to gain a similar growth as normal trend and is expected to have a good recovery in crop and fishing subsectors, while the livestock is also expected a slow growth.

For the upcoming 2022, Cambodia's economy is expected to achieve a growth rate at 4,8% which is resulted from the adaptation to new normal, a relief from the spread of the Covid-19 following the nation-wide vaccination programs which will push a gradual recovery of key sectors and subsectors, a better growth of the global economy, relocation of industries from neighboring countries to Cambodia, and a gradual recovery in capital flow and investment while the spread of the Covid-19 is expected to be under control. Production, demand for investment and human capital flow that enhance recovery of subsector would stimulate significant growth, including hospitality, garment, construction and real-estate, and other supporting subsectors. The growth is founded by the growth of agriculture sector, which can be achieved by approximately 1,1% contributed by the sound recovery of crop subsector and the on-going positive growth of fishing subsector, by the robust growth of industrial sector at 8,2% attributable to the expected-

gradual recovery of production activities, global demand and capital flow and by the recovery of service sector at expected growth rate of 5,1% due to expected good recovery of travelling and foreign investment flow which will help grow in real estate, hospitality, and other subsectors to support tourism.

Cambodia vision 2030 and the Rectangular Strategy Phase III have indicated the transition of Cambodia's economy structure to attain a middle-income status and considered industrial sector as a foundation of Cambodia's economy. However, insurance sector, which is one of the financial-sector pillars, is taken into consideration as a key sector rejuvenating economic and social growth.

The rapid change of global and regional architecture as well as the political geography, has clearly indicated the opportunities for Cambodia's economic development. In globalization framework and regional economic liberalization, especially the establishment of ASEAN Economic Community and the regional comprehensive partnership, as well as Cambodia-China and Cambodia-Korea bilateral free trade agreement, Cambodia is going to achieve the connection both physically and institutionally, also the wide globalization on all sectors which will contribute to the opening of new market, investment attraction and the flow of new technology to Cambodia. In the sense, insurance sector will be able to gain benefits from the globalization, especially to attract multinational insurance companies to invest in emerging markets like Cambodia.

3.2. Insurance Sector Policy Framework

Insurance service is not only a diversified product of financial service, but also a core element in contributing to social security and economic sectors as follows:

- Stimulating economic growth via investment attraction, job creation, and human resource development. Moreover, the government's natural disaster risk has been covered by insurance companies as the government purchases natural disaster insurance products;
- Supporting the progress of business sector by transferring the business owners' risk to insurance companies as the companies purchase business management liability insurance products;
- Being a core element of social security system by transferring the citizen's risk to insurance companies by purchasing insurance products;
- Promoting the understanding of financial planning by purchasing insurance products with protection scheme and saving scheme;

- Having peace in people's mind without worry about financial issues once the risk occurs;
- Education and welfare of citizen are insured by insurance purchase.

In short, the contribution of insurance to economic and social sectors is determined by two-key indicators: “**Insurance Penetration Rate**” and “**Insurance Density**”.

Even the Covid-19 global pandemic has been prolonged, insurance penetration rate is estimated to reach **1.10%** and insurance density would be by **USD 18.00** for 2021.

Under a favorable situation, in the long run, due to the robust transition of economic openness and infrastructure, the demographic dividend and other important potentials which have sufficiently provided necessary conditions for developing and modernizing insurance sector, Cambodia's insurance penetration rate will be confidently achieved by **5.50%** together with the insurance density of approximately **135 USD** in 2030.

However, to achieve these target indicators, **prioritized assignments** are “**Strengthening Regulatory Institution and Infrastructure of Insurance Sector**”, by:

1. Strengthening Insurance Regulator of Cambodia, especially on human resources and InsurTech system in regulating and supervising insurance business;
2. Strengthening capacity and contribution of private sector to the insurance sector development;
3. Establishing “**National Insurance School or Institute**” that provides professional trainings in insurance in response to the rapidly increasing demands in Cambodia's insurance market;
4. Launching a system of the compulsory insurance for all types of motor vehicles.

3.3 Legal and Regulatory Framework

To successfully implement the insurance sector policy framework, a number of regulatory frameworks must be available to serve the insurance market regulation and supervision. The council of Non-bank Financial Services Authority who is a legislative body of insurance sector, shall endorse and propose necessary regulations as follows:

- Sub-decree on Insurance to replace Sub-decree 2001;
- Sub-decree on Mandatory Insurance for all Vehicles;
- Sub-decree on Micro-insurance;
- Prakas on the Establishing and Functioning of Insurance Sector Development Fund;
- Inter-ministerial Prakas on Compulsory Insurance (Revision of 3 Prakas);

- Prakas on the Issuance of Licensing to Insurance Institution (Revision);
- Prakas on Corporate Governance (Revision);
- Prakas on Minimum Capital and Solvency Margin of Insurance Company (Revision);
- Prakas on Accounting Guidelines for Insurance Company (Revision);
- Prakas on Minimum Capital and Solvency Margin of Micro-insurance Company;
- Prakas on Insurance Reserve;
- Prakas on Investment Guidelines for Insurance Company;
- Prakas on Reinsurance;
- Prakas on the Registration of Insurance Auditing Firms;
- Regulation related to Private Pension;
- Regulation related to Insurance Technology System (InsurTech);
- Prudential Regulation related to Financial Supervision (Revision);
- Regulation related to Insurance Market Code of Conducts;
- Other necessary regulations.

3.4. Insurance Market Framework

3.4.1. Short-Term Strategic Plan (2021-2023)

Although the number of insurance institutions has been gradually increasing, the insurance market size will continue to grow remarkably due to the sign of slowdown of Covid-19 pandemic, and the introduction of a system framework for Motor Vehicles Third Party Liability Insurance which is planned to commence in 2022. The total gross premium is predicted to reach USD 300 million with the growth of 10% in 2021, and 35% accounting for USD 500 million in 2023. The insurance market of Cambodia is expected to create around 6,000 jobs in 2023 by implementing the compulsory insurance for all types of vehicles.

	2021	2022	2023
Total Gross Premium	\$ 300,183,792	\$ 375,229,740	\$ 506,506,148
Number of Policy	1,836,909	2,296,136	3,099,783
Total Sum Insured (Million)	\$ 269,606	\$ 337,007	\$ 454,959
Total Employees	3,850	4,813	6,497

3.4.1.1. Insurance Products

Insurance product is also an important factor to amplify the growth of insurance market, in particular the product which has the coverage of social responsibilities such as compulsory

motor vehicles insurance, micro-insurance product for women, agricultural insurance, and disaster-risks insurance for the government and so on. Therefore, in the short-term, existing health insurance will be promoted together with the creation of new insurance products such as:

- Compulsory insurance for all types of vehicles which will be implemented through the Compulsory motor vehicles insurance system to solve the financial burden caused by high risk of traffic accident and severely impacted social and economic security.
- Micro-insurance products for women, who are the housewives of family in Cambodia's society, such as health insurance for women, pregnancy insurance and birth-delivery insurance, and life insurance for mothers, etc.
- Agricultural insurance such as rainfall-index insurance, fire insurance for agricultural plantation and disaster risk insurance for crops, agriculture products and livestock which will contribute to the development of the agricultural industry.
- Disaster-risk insurance for the government.

3.4.1.2. Distribution Channel

Distribution channel plays a very important role as blood string to support the growth of the insurance market as well as the insurance sector. In the short-term period, although the current distribution channel is mainly based classical insurance intermediaries either individual agents or corporate agents, the channel will capitalize the new evolution of financial technology (FinTech) in general and the innovation of insurance technology (InsurTech) in particular. The insurance companies are currently investing in IT systems for selling their simple insurance products by using their own IT systems or using other companies' platforms in the objective to provide fast and easy sale of insurance services to the customers and enable to a wider accessibility to sales than the sales of the company's staffs.

Moreover, practically, in many other countries sales of insurance products can be made through banks or micro-finance institutions (MFIs). Banks or MFIs' staff is allowed to sell insurance products as Direct-Sale Model or introduce insurance products as Referral Model to their customers. Therefore, there would be a transformation of the sales of insurance products via banks and MFIs by moving from referral model to direct-sale model.

3.4.1.3. Professional Training

The same as in other countries around the world, the professional training is the key factor in developing human resources for promoting a particular development area. Nevertheless, training programs of insurance professional in Cambodia, will need to be officially organized based on the available financial resources of the regulator and the actual demand of the market towards the establishment of the “**National School/Institute of Insurance**”, which will play a role in providing professional training courses for the insurance sector, as it has been set up in banking and other sectors.

Either in the short or medium-term, Cambodia will still outsource both loss adjusters and actuaries on the ground that the investment in these skills consume time and high-quality human resources. Therefore, in this short-term period, the increase in the number of insurance companies will also lead to the further needs of these professional services which may attract more new-setup companies providing such professional services.

3.4.1.4. Association of Insurance Professionals

With the upsurge of insurance brokers, an association of insurance broker in Cambodia shall be established to facilitate the offer of insurance brokerage services with a high-standard professionalism, and to ensure the competitiveness with integrity and equity in the market. Moreover, it is most likely that a separate association could be formed such as life insurance association, general insurance association, and micro-insurance association due to the growing number of members serving different purposes.

3.4.2. Medium-Term Strategic Plan (2024-2028)

After the revival of the world’s economy as well as Cambodia’s economy, the insurance market is estimated at 25% growth per annum by 2028 with a total gross premium of approximately USD 1.5 billion. The insurance market of Cambodia will create about twenty thousand jobs in 2028.

	2024	2025	2026	2027	2028
Total Gross Premium (million)	\$ 633.2	\$791.5	\$ 989.3	\$ 1,236.7	\$ 1,545.8
Number of Policy	3,874,729	4,843,412	6,054,265	7,567,831	9,459,788
Total Sum Insured (million)	\$ 68,699	\$ 710,874	\$ 888,593	\$ 1,110,741	\$ 1,388,426
Total Employees	8,121	10,151	12,689	15,862	19,827

3.4.2.1. Insurance Products

Insurance products are among the important factors that drive the growth of the insurance market. In this medium-term period, certain insurance products should be introduced in the market as follows:

- Investment-linked products
- Annuity insurance products
- Agricultural insurance to be continued promoting, such as rain-index insurance, fire insurance for agriculture products and disaster-risk insurance for crops, agriculture products and livestock which will contribute to the development of the agricultural industry.
- Disaster-risk insurance for the government to be considered.

3.4.2.2. Distribution Channel

In this term, the insurance companies will explore new channels of insurance sale rather than simple or classic sale, by using IT innovation via either their own platforms or other companies' platforms to provide fast and easy sale of insurance products to customers, which can more widely expand its sale than by using the company's sales staff.

Likewise, the sale of insurance products via banks or MFIs will mainly be in form of Direct-Sale Model.

3.4.2.3. Professional Training

In the medium term, Cambodia will continue outsourcing loss adjusters and actuaries since the investment in these skills takes time and high-capability human resources. However, the newly-established “National School/Institute of Insurance” will be actively operating and sustaining its quality of professional trainings for insurance intermediaries, at a competitive level within the region. Meanwhile, professional training courses for loss adjusters and actuaries shall be studied and prepared indispensably to support the insurance market.

3.4.2.4. Associations of Insurance Professionals

In this term, some professional insurance associations may be established per necessity such as insurance-agent association, loss-adjuster association, and actuarial association and so on. Associations of insurance professionals will actively participate in developing insurance professional capacity within the nation, regional, and global frameworks.

3.4.3. Long-Term Strategic Plan (2029 - 2030)

If Cambodia's economy continues to grow at 5.5% steadily, the insurance market is estimated, in this long-term, to grow at 25% per annum till 2030 with an increase in total gross premium up to USD 2.5 billion in 2030. The Cambodia's insurance market will create about 3,000 jobs in 2030.

	2029	2030
Total Gross Premium (million)	\$ 1,932.3	\$ 2,415.4
Number of Policy	11,824,735	14,780,919
Total Sum Insured (million)	\$ 1,735,533	\$ 2,169,416
Total Employees	24,784	30,980

3.4.3.1. Insurance Products

The insurance products are one of the important factors that drive the growth of the insurance market. In this period, certain insurance products should be inspired as follows:

- Investment-linked product
- Annuity Insurance products
- Agricultural insurance products such as rain-index insurance, fire insurance for agriculture products and disaster-risk insurance for crops, agriculture products and livestock which will contribute to the development of the agricultural industry.

3.4.3.2. Distribution Channel

The distribution channel of insurance products in Cambodian market will be dominated by online sale including bancassurance.

3.4.3.3. Professional Training

“National School/Institute of Insurance” shall widely provide professional training courses on insurance with quality and all insurance professional skills including the actuarial skill in Cambodia as well as in the region. The school or institute shall have sufficient qualifications to compete with other private training institutions in Cambodia as well as with other training institutions in the region in offering professional training services in insurance.

3.4.3.4. Associations of Insurance Professionals

Every association of insurance professional is responsible for their individual professional codes of conduct for its professionalism in cooperation with the “National School/Institute of Insurance” and would ultimately become self-regulated bodies on their professional code of conduct.

3.5. Insurance Regulator

3.5.1. Short-Term Strategic Plan (2021-2023)

3.5.1.1. Institutional Framework

1. Institutional Structure

The insurance sector, one of the pillars of financial sector, has been growing robustly and notably. Therefore, the Royal Government has paid considerable attention to transform the Insurance and Pension Department, Ministry of Economy and Finance into the Insurance Regulator of Cambodia by the Royal Kram number NS/RKM/0121/003 dated 16 January 2021, which promulgates the Law on the Organisation and Functioning of the Non-Banking Financial Service Authority. This newly established Insurance Regulator of Cambodia shall have:

Roles

An independent body to regulate and supervise the business activities of all insurance companies and private-pension operator

Vision

Strong, sustainable and competitive regulated insurance institutions, to serve each and every Cambodian and stimulate economic growth.

Mission

Committed to implement prudent and progressive regulatory and supervisory policies at par with international standards.

Shared Core Values

Integrity

Uphold the highest standard of honesty and transparency in the fulfilment of its duties and services.

Commitment

Sustain highest global standards and best practices in regulation and supervision as stewards of industries and consumers.

Responsibility

In the achievement of its mandate, the Insurance Regulator of Cambodia exercises accountability, dedication and drive that go beyond the realm of public service.

2. Human Resources

In response to the growth of the insurance market both in number of insurance companies and insurance products, in 2021-2023 period, and to the shortage of staffs working for the regulator, the recruitment of approximately 80 additional staffs shall be prioritized with a concrete detailed plan. The new recruits must be highly competent in the field of economics, law, finance, accounting, and good command in English.

3. Financial Resources

To acquire and retain the competent staffs effectively, according to the human resource development plan, the Insurance Regulator of Cambodia shall have a clear and competitive guideline on salary and other benefits for employees that could compete with the private sector and shall have a vibrant financial plan for supporting its operation.

4. InsurTech

In respond to the rapid growth of the insurance industry, the insurance regulator of Cambodia needs to modernize its operation and administration by shifting from manual to digital-based with plenty of IT systems, especially insurance technology. Therefore, the regulator shall invest in the insurance technology system as a short-term priority as follows:

- Administration IT System to manage both inflow and outflow of document in the Insurance Regulator of Cambodia to ensure the smooth, efficient and timely public-services offer, including website and other social networks;
- Registration IT system to register individual insurance agents and store agent profiles;
- Financial Data Collection and Management System to collect and store financial data of insurance companies
- Early Warning System to analyze companies' financial reports and to provide warnings for timely actions on companies with high-risk profile
- Insurance Data Management System, which is small in terms of capacity for the initial phase based on the financial capacity, to manage companies' profile and products and it can be expanded to include the MTPL insurance data management system.

3.5.1.2. Technical Framework

1. Financial Supervision

- Capacities: shall strengthen the capacity of the regulator's officials in the field of accounting and auditing standards, investment plan analysis and reinsurance treaty, by increasing the number of trainings both locally and internationally;
- Supervision Method: shall move from Rule-Based Supervision to Risk-Based Supervision focusing mainly on the solvency margin based on risk level in which this method is widely applied in many developed countries known as Solvency I or Risk-Based Capital I and conduct regular on-site examination to insurance companies;
- Regulation: shall have precise *Analysis Procedures Manual and Examination Procedures and Policy Manual* for the officials to be carried out. On top of that, it shall have a number of regulations such as a regulation on the minimum capital and solvency requirement based on Solvency I, a regulation on registration of insurance auditing companies, a regulation on reserve requirement, a regulation on reinsurance and update necessary prudential regulations.

2. Market Conduct Supervision

- Capacities: shall enhance skill sets of the officials in monitoring and evaluating the insurance companies' market conducts by providing more technical training opportunities, both domestically and abroad, and increasing the number of officials with a concrete plan
- Supervision method: shall prepare *Market Conduct Analysis Procedures Manual and Examination Procedures and Policy Manual* and conduct separate on-site inspection from financial examination in order to assess risk and take timely actions to any violations to the regulations on insurance-market conducts
- Regulations: shall prepare necessary regulations with regards to market conducts such as a regulation on Minimum Requirement for Insurance Contract, a regulation on Code of Conduct for Insurance Agent and Broker, a regulation on Registration of Individual Insurance Agents, and a regulation on Insurance Consumer Protection, etc.

3. Consumer Protection

The establishment of insurance mediation office shall be taken to play a role as a mechanism for extensively mediating and settling the insurance disputes or complaints in order to earn consumers' trusts.

4. Licensing and Registration of Insurance Institutions

Due to the market demand for specialized insurance companies by line of insurance products, such as health insurance, personal accident insurance, credit insurance and private pension, the regulator would study and prepare regulations on licensing for such a specialized business with specific rules and conditions.

At the same time, the regulator shall prepare a regulation on the implementation procedures for the registration of insurance intermediaries, which have been growing rapidly in the Cambodia's insurance market in response to the increase in number of insurance companies and maintain a level playing field in the market, especially individual insurance agents who need official recognition and management from regulators to ensure the quality of professional intermediary services.

5. Insurance Professional Training

Professional training, which play a role in bridging insurers and clients, has significantly contributed to the growth of the insurance market. Therefore, to establish insurance professional training program, regulator shall:

- Collaborate with the Ministry of Education, Youth and Sports to develop insurance curriculums for undergraduate level;
- Collaborate with associations of insurance professionals to study and plan for the development of formal training courses for insurance brokers and agents;
- Study and plan to establish a "National School/Institute of Insurance" to provide insurance professional training officially accredited by the Ministry of Education, Youth and Sport and IRC;
- Amend the regulations on licensing insurance intermediaries to incorporate requirement of the formal trainings' certification;
- Encourage the establishment of the Cambodian Insurance Brokers Association.

6. Public Awareness and Education

Public awareness and education on the benefits of insurance should be made as comprehensively as follows:

- Produce education spots to be regularly broadcasted on TVs and other media channels;
- Participate in talk shows that aim to promote the public awareness on insurance;
- Organize nation-wide workshops quarterly;
- Collaborate with insurance associations and institutions to promote insurance products nationwide;
- Collaborate with the Ministry of Education, Youth and Sports to disseminate the potentials of insurance market in Cambodia's labor market.

7. Compulsory Insurance

- Prepare documents on compulsory insurance system for all types of vehicles;
- Prepare Sub-decree on compulsory insurance for all types of vehicles;
- Establish and launch a traffic accident insurance fund;
- Update the inter-ministerial Prakas on compulsory insurance;
- Revise the composition of the inter-ministerial working group to implement compulsory insurance and strengthen its work by having regular meetings every;
- Study and provide input as a policy framework on other insurance products, which could be mandatory in order to support the development of social security system.

3.5.1.3. Cooperation Framework

1. National Cooperation

- Improving the effectiveness of coordination mechanism and setting up a mechanism to share information and data of insurance market with other regulators in the financial sector and other relevant stakeholders;
- Upgrading partnership between the government and private sector by facilitating the Insurance Association of Cambodia to represent the industry in the Government-Private sector Forum and other forums organized by the Royal Government of Cambodia;
- Enhancing the partnership between insurance regulator and insurance institutions by establishing regular forums with concrete agendas.

2. International Cooperation

- Actively participating in the regional and global forums for the insurance and private pension sectors under integration and liberalization framework;
- Joining a membership of the International Association of Insurance Supervisors (IAIS) in order to strengthen implementation of Insurance Core Principles (ICPs) by doing ICPs self-assessment regularly, and to be updated about the Core Principles.

3.5.2. Medium-Term Strategic Plan (2024-2028)

3.5.2.1. Institutional Framework

1. Institutional Structure

Insurance Regulator of Cambodia of the Non-Bank Financial Services Authority would embrace the possibility of expanding its institutional structure pertaining to the actual necessity of the body in response to the trend of insurance-sector development to ensure the effectiveness of its functions and roles.

2. Human Resources

In the medium-term, to response to the growth of the insurance market, the Insurance Regulator of Cambodia shall give priority to the recruitment of approximately 100 additional staff. The new recruits must be highly competent in the field of economics, law, finance, accounting, and English literacy.

3. Financial Resources

To acquire and retain the competent staff with high performance as planned, the Insurance Regulator of Cambodia shall sharpen the implementation of the guideline on salary and other benefits for employee.

4. InsurTech

Within this term, the regulator shall invest more in the following insurance technology systems:

1. **MTPL Data Collection and Management System** to collect and manage Motor Third-Party Liabilities data and it is entirely scalable for future expansion;
2. **Insurance Data Management System at Phase II** of which the capability would be expanded according to IRC's financial capacity.

3.5.2.2. Technical Framework

1. Financial Supervision

- Capacities: continue strengthening the capacity of the regulator's officials in the field of accounting standards especially on IFRS17, auditing standards, investment plan analysis and reinsurance treaty by increasing the number of trainings both locally and internationally;
- Supervision Methodology: study on the Groupwide Supervision approach, on Solvency II or Risk-Based Capital-RBC II and strengthen the execution of Analysis Procedures Manual and Examination Procedures and Policy;
- Regulations: review necessary prudential regulations in response to new development in the insurance sector such as accounting guideline, investment guideline, corporate governance guideline and reinsurance guideline and so on.

2. Market-Conduct Supervision

- Capacities: improve expertise of IRC's officials in monitoring and evaluating market conducts of the insurance companies by training them locally or abroad with technical skills and by increasing number of IRC's staff
- Supervision method: increase the frequency of on-site inspection on the compliance of market-conduct regulations
- Regulations: develop a clear "*manual on market-conduct inspection procedures*" for IRC's officials to apply, and review the existing regulations related to market conducts in response to new trends in the market.

3. Consumer Protection

IRC shall continue strengthening the role of insurance complaint handling and dispute mediation office by extending its service to online complaint platform for customers and, within this term, doing feasibility study on the establishment of insurance arbitrator.

4. Insurance Professional Training

Within this term, the strategies for professional trainings are planned as follows:

- Continue collaborating with the Ministry of Education Youth and Sport to introduce an insurance curriculum of undergraduate program for higher education institutions to serve the demand of domestic job market;
- Continue improving the performance of the National School/Institute of Insurance to provide insurance training courses with high quality, starting with the provision of vocational training courses for insurance agents and brokers;
- Enhance the attendance in the program of employees in the insurance sector as well as of those who seek jobs in the sector.

5. Public Awareness and Education

Public awareness and education on the benefits of insurance will be expanded to a wider extent within this term, as follows:

- Continue producing spots to be broadcasted on TVs and other media channels;
- Continue joining various talks to promote the insurance sector;
- Continue organizing quarterly workshops across the country;
- Continue collaborating with insurance associations and institutions to promote insurance products throughout the country;
- Continue collaborating with the Ministry of Education, Youth and Sports to promote the potential insurance job market in Cambodia.

6. Compulsory Insurance

- Strengthening the implementation of compulsory insurance as defined in the relevant laws and regulations, both through the mechanism of insurance regulator and the mechanism of the inter-ministerial working group;
- Studying and formulating necessary frameworks to introduce more compulsory insurances such as fire insurance and public-liability insurance for large buildings which were identified in the short term.

3.5.2.3. Cooperation Framework

1. National Cooperation

- Enhancing effectiveness of the mechanism to coordinate and share market information and data with other regulators in the financial sector and relevant stakeholder;

- Strengthening the partnership between the insurance regulator and insurance institutions by having exchange program for IRC's officials and insurance institutions' staff to gain workplace experience.

2. International Cooperation

- Participating in regional and global forums under the integration and liberalization frameworks of the insurance and private pension sectors;
- Participating and updating the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

3.5.3. Long-Term Strategic Plan (2029-2030)

3.5.3.1. Institutional Framework

1. Structure

The Insurance Regulator of Cambodia of the Non-Bank Financial Services Authority would embrace the possibility of expanding its institutional structure to fulfill the actual need of the agency ensuring the effective performance of its functions and roles in order to catch up with the sector development.

2. Human Resources

Within this term, the Insurance Regulator of Cambodia shall give priority to the capacity building to reach regional and global level to ensure the globalization in both the insurance sector and human resource sector.

3. Financial Resources

The salary and benefits guideline for IRC's employees shall be rationalized to reach the regional and global standards in order to hire and retain officials with qualification standard in the region as well in the globe.

4. InsurTech

The regulator shall need to invest more in technology systems within this long term as follows:

- **MTPL Data Collection and Management System** will be scaled up to Compulsory Insurance Data Collection and Management System, collecting and managing all compulsory insurance data. The system will be interlinked with that of Ministry of Interior (General Commissariat of National Police),

Ministry of Public Work and Transportation, Ministry of Health, Ministry of Land, Urbanization and Construction, Ministry of Tourism, and other authorities;

- **Insurance Data Management System, Phase III:** the capability of the system built in phase 2, will be scaled up according to the financial capacity of IRC.

3.5.3.2. Technical Framework

1. Financial Supervision

- Capacities: would continue increasing number of staffs and strengthening their expertise in International Financial Reporting Standard 17, auditing standards, investment plan analysis, reinsurance treaty, Solvency II or Risk-Based Capital (RBC II) and Groupwide Supervision;
- Supervision Methods: would adopt Groupwide Supervision and Solvency II or Risk-Based Capital (RBC II) methodologies;
- Regulations: would review necessary prudential regulations in response to the development of the sector.

2. Market-Conduct Supervision

- Capacities: would continue increasing number and expertise of IRC's officials in market-conduct supervision such as in effectively monitoring and evaluating the misconducts of insurance institutions, by providing the officials with training opportunities locally and overseas;
- Supervision method: would conduct on-site inspection more frequently on compliance of the market-conduct regulations;
- Regulations: would review the existing regulations concerning the insurance market conduct to reflex the new market development.

3. Consumer Protection

The roles of insurance complaint handling and dispute mediation office would be more taken up and the insurance arbitrator would be established within this long term.

4. Insurance Professional Training

Insurance professional trainings will be planned within this term, as follows:

- Cooperate with the Ministry of Education, Youth and Sports to improve insurance courses at higher education institutions to ensure the produced labor force qualified into the labor market in the region;
- Strengthen capacity of the “**National School/ Institute of Insurance**” in offering various professional skills such as loss adjuster and actuarial professions, etc.; and to be accredited regionally;
- Encourage participation of employee in the insurance industry in the training courses and of those who are seeking jobs in the insurance sector.

5. Public Awareness and Education

Within the long run, public awareness and education on the benefits of insurance would be expanded to a wider extent with the following actions:

- Produce education spots to be broadcasted on TVs and other media channels;
- Participate in various talks to promote the insurance sector;
- Organize quarterly workshops across the country;
- Collaborate with insurance associations and institutions to promote insurance products across the country;
- Cooperate with the Ministry of Education, Youth and Sports to discover the potential job market in Cambodia’s insurance sector.

6. Compulsory Insurance

At this stage, in response to the policy to implement some compulsory insurance, the Insurance Regulator of Cambodia would:

- Strengthen the enforcement of law and regulations related to compulsory insurance by the regulator’s mechanism and the inter-ministerial working group;
- Put into force the implementation of compulsory insurance such as fire insurance and public-liability insurance for large buildings that have been completely prepared in the medium term.

3.5.3.3. Cooperation Framework

1. National Cooperation

- Strengthening the effectiveness of the mechanism to coordinate and to share market information and data with other regulators in the financial sector and relevant stakeholders;

- Strengthening the partnership between the insurance regulator and insurance institutions by having exchange program of the regulator's officials and the insurance institutions' staff to gain work experience within a specific timeframe.

2. International Cooperation

- Continue participating in regional and global forums under the integration and liberalization frameworks of insurance and private pension sectors;
- Participating and updating the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

4. IMPLEMENTATION, MONITORING AND EVALUATION MECHANISM ON STRATEGIC PLAN

4.1. Implementation Mechanism

The 10-year Insurance Sector Development Strategic Plan (2021-2030) has been prepared by the Insurance Regulator of Cambodia (IRC) in the context of the efforts to fostering insurance sector development while the world as well as Cambodia is confronting an economic downturn due to the spread of COVID-19. These challenges have caused the formulation of the strategic plan miss out a scientific and technical study on the progress of the insurance sector. However, IRC has developed this strategic plan based on the practical and realistic fundamentals by using the data of Cambodia Insurance market, studied experience from other countries in the region and around the world, and inputs from insurance private sectors and relevant institutions.

The IRC is a lead institution in implementing the strategic plan under the collaboration and facilitation of other institutions such as the general secretariat of the Non-Banking Financial Services Authority, insurance associations, insurance institutions, line ministries, and other related partners. IRC has prepared a detailed strategic action plan in each stage (short-term, medium-term, and long-term) in order to seek guidance from the Council of Non-Banking Financial Services Authority.

4.2. Monitoring and Evaluation Mechanism

The 10-year Insurance Sector Development Strategic Plan (2021-2030) is a living document, so to ensure the effectiveness of the implementation of the strategic plans, there would be a requirement to set up a mechanism to monitor and review on annual or mid-term basis or on necessity of the sector development. The Council of Non-Banking Financial Services

Authority has the role in monitoring and evaluating the outcomes and effectiveness of the strategic plan implementation pursuant to the Law on the Organization and Functions of the Non-Banking Financial Services Authority as appeared in *Annex 2*.

The IRC has the roles and responsibilities to prepare the outcome reports on the implementation of the annual action plan and strategic plans in different stages to seek assessment and feedback from the Non-Banking Financial Services Authority Council. The results of the assessment and feedback of the Council are the basis in revising and updating the strategic plan to obtain its efficiency and effectiveness.

5. MATRIX OF ACTION PLAN FOR INSURANCE REGULATOR OF CAMBODIA

Action Plan	Short-Term (2021-2023)	Medium-Term (2024-2028)	Long-Term (2029-2030)
Institutional Framework			
Institutional Structure	Establishing Insurance Regulator of Cambodia as an independent body with the roles and duties to regulate and supervise insurance business	Expanding the institutional structure if the necessity in response to the development of insurance sector	Expanding the institutional structure if the necessity in response to the development of insurance sector
Human Resource Development	- Recruiting approximately 80 additional officials - Training officials locally or internationally on the field of accounting standards (IFRS), auditing standards, analysis on investment plans and reinsurance agreements of insurance companies	- Recruiting approximately 100 additional officials - Training officials locally or internationally on the field of accounting standards (IFRS), auditing standards, analysis on investment plans and reinsurance agreements of insurance companies - Training officials locally or internationally on	- Training officials locally or internationally on supervisory skills to apply method of Solvency II or Risk-Based Capital-RBC II) and Groupwide Supervision - Training officials locally or internationally on the field of accounting standards (IFRS), auditing standards, analysis on investment plans

	• Training officials locally or internationally on concept of market conducts and procedures to enforce the implementation of regulations regarding market conducts	concept of market conducts and procedures to enforce the implementation of regulations regarding market conducts	and reinsurance agreements of insurance companies • Training officials locally or internationally on concept of market conducts and procedures to enforce the implementation of regulations regarding market conducts
InsurTech	1. Setting up Administration IT System to administer the document flow of the regulator to ensure a smooth offering of public services including online services application, IRC's website and social media page. 2. Setting up Registration IT System to register and store the data on individual insurance agents 3. Setting up Financial Data Collection and Management System to collect and store financial data of insurance companies.	1. Setting up MTPL Data Collection and Management System to manage compulsory Motor Third Party Liability insurance data and could be upgraded to cover other compulsory insurances 2. Upgrading Insurance Data Management System in phase II,	1. Upgrading MTPL Data Collection and Management System to Compulsory Insurance Data Collection and Management System by collecting and managing all data of compulsory insurance products and it would be linked to other relevant institutions such as Ministry of Interior (police officers), Ministry of Public Works and Transport, Ministry of Health, Ministry of Land Management, Urban Planning and Construction, Ministry of Tourism, and local authorities, etc. 2. Upgrading Insurance Data

	4. Setting up Early Warning System to analyze the financial position of insurance companies and to early warn on companies' risk profile in order to take timely actions. 5. Creating Insurance Data Management System in a small scale for the initial phase to collect and store insurance companies' profile and products limited to financial capacity of the IRC and it can be upgraded to the MTPL insurance data collection and management system		Management System to phase III to cover all insurance data.
Technical Framework			
Financial Supervision	• Shifting Rule-Based Supervision to Risk-Based Supervision • Applying Solvency I or Risk-Based Capital (RBC) I • Conducting regularly on-site examinations with sufficient time	• Studying and preparing Groupwide Supervision framework • Studying Solvency II or Risk-Based Capital (RBC) II • Continuing the application of the financial analysis procedures manual and the examination procedures and policy manual	• Applying the framework of Groupwide Supervision • Applying Solvency II or Risk-Based Capital (RBC) II • Reviewing prudential regulations in response to new development of insurance sector in Cambodia and in the region, as well as in the globe

	• Preparing a Manual for the Analysis Procedures and an Examination Procedures and Policy Manual • Preparing and updating necessary prudential regulations, such as regulation on minimum capital and solvency requirement, insurance auditor registration, investment guidelines for insurance company, insurance reserves calculation, reinsurance, and registration of insurance auditors	• Preparing a regulation on insurance liquidator registration • Reviewing prudential regulations in response to new development in insurance sector, such as accounting guidelines, investment guidelines, governance guidelines, and reinsurance	
Market Conduct Supervision	• Preparing and applying a Market Conduct Examination Procedure Manual • Conducting on-site inspections on specific companies apart from financial supervision • Preparing regulations related to market conducts, such as a guideline on the minimum requirement for insurance contract, Prakas on Code of	• Increasing the frequency of on-site examinations on the compliance of regulations related to insurance market conduct • Strengthening the application of the Market Conduct Examination Manual • Reviewing regulations related to insurance market conducts in response to the new developments in Cambodian, regional, and global	• Continuing regular on-site examination on compliance of regulations related to insurance market conduct • Reviewing and developing new regulations concerning insurance market conduct in response to the new developments in Cambodian, regional, and global market

	Conduct for Insurance Agent, Broker, and Company, and Prakas on the Registration of Individual Insurance Agents etc.	markets	
Customer Protection	- Establishing an Insurance Dispute Mediation Office - Preparing and putting into force a Prakas on Procedures for Insurance Complaint Handling and Dispute Mediation	- Strengthening the role of the Insurance Dispute Mediation Office by allowing online complaints - Studying a feasibility to establish an insurance arbitrator - Preparing regulations on insurance consumer protection	- Improving efficiency and effectiveness of the Insurance Dispute Mediation Office - Setting up an insurance arbitrator
Legal Affairs	- Preparing a Sub-decree on Insurance to replace Sub-decree 2001 - Preparing a Sub-decree on Micro-insurance - Preparing a Prakas on the Establishing and Functioning of Insurance Sector Development Fund - Rerising the Prakas on Business Licensing of Insurance Institutions - Preparing a Prakas on Licensing Specialized	- Preparing regulations related to Private Pensions - Preparing regulations related to Insurance Technology System - Preparing other necessary regulations	Reviewing regulations related to prudential supervision on insurance and private-pension business

	Insurance Product Business		
Professional Training	• Collaborating with relevant institutions to design and improve the quality of insurance curriculum at a higher education • Studying and developing a formal training program for insurance agents and brokers • Studying on the establishment of a "National School or Institution of Insurance" • Encouraging the establishment of Cambodia Insurance Brokers Association	• Continuing collaboration with relevant institutions to enhance the quality of insurance curriculum at the higher education • Operating the "National School or Institution of Insurance", with the initial provision of professional training courses for insurance agents and brokers • Encouraging registration in training courses by resources in the insurance sector and by resources seeking employment in the insurance sector	• Continuing collaboration with relevant institutions to improve the quality of insurance curriculum at higher education to ensure competitiveness in the labor market of the region • Upgrading the training capacity of "National School or Institution of Insurance" to provide more professional training courses on loss adjusting skill and actuarial analysis etc. • Encouraging registration in training courses by resources inside the sector and to-be-inside the sector
Public Awareness and Education	• Designing educational spots on insurance to be broadcasted via TV and all media channels • Participating in events, seminars, or other functions on	• Continuing regular broadcast of educational spots on insurance via TV and all media channels • Participating in events, seminars, or other functions on	• Continuing design and broadcast educational spots on insurance via TV and all media channels • Continuing participation in events, seminars, or

	insurance - Organizing seminars quarterly throughout the country - Collaborating with insurance associations and institutions to promote insurance products nationwide - Collaborating with relevant institutions to promote potential labor market of insurance sector in Cambodia	insurance - Organizing seminars quarterly throughout the country - Collaborating with insurance associations and institutions to promote insurance products nationwide - Collaborating with relevant institutions to promote potential labor market of insurance sector in Cambodia	other functions on insurance - Continuing organization of seminars quarterly throughout the country - Continuing collaboration with insurance associations and institutions to promote insurance products nationwide - Continuing cooperation with relevant institutions to promote potential labor market of insurance sector in Cambodia
Compulsory Insurance	- Preparing a system framework on Motor Third Party Liability Insurance for all types of vehicles - Preparing sub-decree on compulsory insurance for all types of vehicles - Setting up an insurance fund for traffic accident victims - Revising Inter-Ministerial Prakas on Compulsory Insurances - Strengthening the inter-ministerial working group mechanism for the implementation of	- Strengthening the implementation of compulsory insurances as defined in the relevant laws and regulations through the insurance regulator and inter-ministerial working group mechanisms - Studying and preparing necessary framework to set fire insurance and public liability insurance for huge buildings as compulsory insurances that have been studied and realized in the short-term	- Strengthening the implementation of compulsory insurance as defined in the relevant laws and regulations through the insurance regulator and inter-ministerial working group mechanisms - Putting into force compulsory fire insurance and public liability insurance for large buildings that have already been prepared in the medium-term

	compulsory insurance with regular meetings Studying feasibility in form of a policy framework on insurance products to be mandatorily implemented to support social security system		
Cooperation Framework			
National Cooperation	- Improving the effectiveness of coordination mechanism and setting up a mechanism to share information and data of insurance market with other regulators in the financial sector and other relevant stakeholders - Upgrading partnership between the government and private sector by facilitating the Insurance Association of Cambodia to represent the industry in the Government-Private sector Forum and other forums organized by the Royal Government of Cambodia - Enhancing the partnership between	- Strengthening the effectiveness of the mechanism to coordinate and to share market information and data with other regulators in the financial sector and relevant stakeholders - Strengthening the partnership between the insurance regulator and insurance institutions by having exchange program of the regulator's officials and the insurance institutions' staff to gain work experience within a specific timeframe	- Strengthening the effectiveness of the mechanism to coordinate and to share market information and data with other regulators in the financial sector and relevant stakeholders - Strengthening the partnership between the insurance regulator and insurance institutions by having exchange program of the regulator's officials and the insurance institutions' staff to gain work experience within a specific timeframe

	insurance regulator and insurance institutions by establishing regular forums with concrete agendas		
International Cooperation	- Actively participating in the regional and global forums for the insurance and private pension sectors under integration and liberalization framework; - Joining a membership of the International Association of Insurance Supervisors (IAIS) in order to strengthen implementation of Insurance Core Principles (ICPs) by doing ICPs self-assessment regularly, and to be updated about the Core Principles.	- Participating in regional and global forums under the integration and liberalization frameworks of the insurance and private pension sectors; - Participating and updating the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).	- Continuing the participation in regional and global forums under the integration and liberalization frameworks of insurance and private pension sectors; - Participating and updating the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

Annex1. Insurance Penetration Rate and Insurance Density in ASEAN

Countries	GROSS PREMIUM (in Million US)	GDP (in Million US)	Population (in Million)	Penetration	Density
Brunei	207.00	13,468.00	0.43	1.54%	\$ 447.75
Cambodia	246.00	7,089.00	16.49	0.91%	\$ 14.92
Indonesia	9,205.00	1,139,051.00	270.63	1.69%	\$ 70.97
Laos	N/A	N/A	N/A	N/A	N/A
Malaysia	15,908.00	364,700.00	31.95	4.36%	\$ 497.91
Myanmar	184.00	76,090.00	54.05	0.24%	\$ 3.40
Philippines	6,420.00	385,433.00	108.12	1.67%	\$ 59.38
Singapore	26,002.00	70,525.00	5.70	7.02%	\$ 4,558.90
Thailand	27,998.00	59,705.00	69.63	5.00%	\$ 402.12
Vietnam	6,886.00	300,800.00	96.46	2.29%	\$ 71.39

Note

* Population Source from WB

**Gross Premium and GDP source from ASEAN Insurance Council

*Annex2. Law on Organization and Functioning of Non-Banking Financial Service Authority***Unofficial Translation****ROYAL KRAM****NS/RKM/0121/003****WE****Preah Karuna Preah Bat Samdech Preah Borom Neath Norodom Sihamoni,**

The faithful and devoted servant of the country, religion, nation and the Khmer people; the protégé of Buddha and Indra; the unifier of all Khmers; and the defender of independence, territorial integrity and peace of Kampuchea; and the happiness, liberty and prosperity of the Khmer people, Preah Chau Krong Kampuchea Thipadei;

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen the Royal Decree No. NS/RKT/0918/925, dated 6 September 2018, on the Appointment of the Royal Government of the Kingdom of Cambodia;
- Having seen the Royal Decree No. NS/RKT/0320/421, dated 30 March 2020, on the Appointment and Modification to the Components of the Royal Government of the Kingdom of Cambodia;
- Having seen the Royal Kram No. NS/RKM/0618/012, dated 28 June 2018, Promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Having seen the Royal Kram No. JS/RKM/ 0498/06, dated 8 April 1998, Promulgating the Law on the Organization and Functioning of the Constitutional Council;
- Having seen the Royal Kram No. NS/RKM/0107/005, dated 31 January 2007, Promulgating the Law on Amendment to the Law on the Organization and Functioning of the Constitutional Council;
- Having seen the Royal Kram No. NS/RKM/0318/005, dated 10 March 2018, Promulgating the Law on Amendment to Article 26, Article 27 (new), Article 28, Article 31 and Article 32 of the Law on the Organization and Functioning of the Constitutional Council
- Having seen the Royal Kram No. NS/RKM/0196/18, dated 24 January 1996, Promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Having seen the request from Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia.

Hereby promulgates

The Law on the Organization and Functioning of the Non-Bank Financial Services Authority, which was adopted by the National Assembly on 25 November 2020 in the 5th session of its 6th legislature, and which was reviewed and entirely approved by the Senate on the legal form and substance on 21 December 2020 in the 6th plenary session of its 4th legislature, and which was also declared by the Constitutional Council on the conformity to the Constitution in the Decision No. 213/013/2020 dated 30 December 2020, has the details as follows:

Chapter 1

General Provision

Article 1 ..

To be established a Non-Bank Financial Services Authority, in abbreviation as FSA, that is of independence in performing its functions by integrating the mechanism of regulating and supervising the non-bank financial services covering insurance and private pension sectors; securities sector; social security sector; trust sector; accounting and auditing sector and real estate and pawnshop sector in order to strengthen and ensure effectiveness of regulating, supervising, and developing the non-bank financial sector including enhancing the development and utilization of financial technology in the non-bank financial sector in the Kingdom of Cambodia.

Article 2 ..

This law shall apply to all transactions in the non-bank financial sector in the Kingdom of Cambodia.

Chapter 2

Missions, Roles and Duties

Article 3 ..

The Ministry of Economy and Finance's competency as regulators in relation with the non-bank financial sector, competency as regulator of the Securities and Exchange Commission of Cambodia, and competency as regulator of the National Accounting Council as stipulated in related laws and regulations shall be transferred to be under the responsibilities of the FSA.

Article 4 ..

The FSA shall have roles and duties as follows:

- to be a regulator for the sectors of insurance and private pension; securities; social security; trust; accounting and auditing; and real estate and pawnshop in which

the roles of FSA in each sector are set out in the Chapter 3 Section 3, 4, 5, 6, 7 and 8 of this law;

- to propose policy and development strategy for non-bank financial sector including technology for non-bank financial sector to the Royal Government;
- to determine, supervise and monitor the implementation of strategic and action plans for executing the non-bank financial sector development policy and strategy;
- to strengthen market confidence, protect investors, and prevent financial crime in the non-bank financial sector by having investigation conducted and information collected from all relevant persons/entities; and take measures in freezing properties or cash in bank accounts of the related persons in case of suspicious infringement committed in non-bank financial sector in accordance with the law in effect;
- to contribute to maintaining and strengthening financial stability;
- to promote the development of financial innovation.

Chapter 3

Management and Structure

Section 1

Council of the Non-Bank Financial Services Authority

Article5 ..

FSA shall be managed by a Council of the Non-Bank Financial Services Authority, hereinafter referred to as the Council.

Article6 ..

The Council shall have compositions as follows:

- | | |
|--|---------------|
| 1. Minister of the Ministry of Economy and Finance | Chairman |
| 2. A representative of the Ministry of Economy and Finance | Vice-Chairman |
| 3. A representative of the Ministry of Economy and Finance | Member |
| 4. A representative of the National Bank of Cambodia | Member |
| 5. A representative of the Council of Ministers | Member |
| 6. A representative of the Ministry of Commerce | Member |
| 7. A representative of the Ministry of Justice | Member |
| 8. Secretary General of the NBFSA's General Secretariat | Member |
| 9. Director General of the Insurance Regulator of Cambodia | Member |
| 10. Director General of the Securities Regulator of Cambodia | Member |
| 11. Director General of the Social Security Regulator | Member |

- | | |
|---|---------|
| 12. Director General of the Trust Regulator | Member |
| 13. Director General of the Accounting and Audit Regulator | Member |
| 14. Director General of the Real Estate Business and Pawnshop Regulator | Member |
| 15. Three Independent Experts proposed by Minister of Ministry of Economy and Finance | Members |

Article7 ..

The actual composition of the Council, shall be proposed by the Minister of Ministry of Economy and Finance and as the Chairman of the Council, via a sub-decree. Vice-chairman and Members of the council, representing ministries and institutions stipulated in Article 6 above shall have, at least, rank and position as Secretary of State or Undersecretary of State or institution's Deputy Chief.

The Council's Vice-chairman and Members shall be appointed with 5-year mandate. During the tenure, the Vice-chairman and members may be withdrawn from the appointment or replaced. The Vice-chairman and members are subjected to be reappointed by the proposal of the Minister of Ministry of Economy and Finance and as the Chairman of the Council once the mandate has expired.

The Council may establish expert committees, if necessary, by the decision of the Chairman of the Council.

Article8 ..

The Council shall have roles and responsibilities as follows:

- to review and propose a development strategy and policy for the non-bank financial sector including financial technology for the non-bank financial sector;
- to impose strategic plan and action plan to implement the non-bank financial sector development strategy and policy;
- to review and monitor the implementation of the NBFSA's strategic plan and action plan;
- to review and issue Prakas, Circular, and Instructions for the regulation and supervision of the non-bank financial sector;
- to review and set conditions, procedures and rules for granting, suspending and revoking license and/or certificate, permit, recognition, registration in the non-bank financial sector;
- to strengthen the enforcement and the compliance of provisions in this law;
- to review the performance of regulators' roles and duties

- to review and approve budget plan for the operation of the FSA, the regulators and units under the FSA.
- to review and issue the FSA's internal regulations.

Article9 ..

Minister of Economy and Finance and as the Chairman of the Council shall continuously report on the work progress focusing on policies and strategies as well as any challenges including financial situation to the head of the Royal Government.

Article10 ..

FSA shall have its logo and seal for executing its duties.

Article11 ..

FSA has subordinate units acting as its executive bodies as follows:

- General Secretariat
- Insurance Regulator of Cambodia
- Securities Regulator of Cambodia
- Social Security Regulator
- Trust Regulator
- Accounting and Auditing Regulator
- Real Estate Business and Pawnshop Regulator
- Internal Audit Unit.

Article12 ..

Each regulator of the FSA shall perform its regulatory functions in accordance with related laws and regulations in effect.

Each regulator of the FSA shall have separate budget and seal for executing its duties.

The Social Security Regulator uses the budget package of the General Secretariat of the National Social Protection Council for fulfilling its daily duties.

The General Secretariat and each regulator of the FSA shall request the Ministry of Economy and Finance, through the Council, for review and approval of their annual budget. The annual budget of the FSA and its subordinate units is a separate budget package under the program budgeting of the Ministry of Economy and Finance.

The organization and functioning of the General Secretariat, each regulator, and internal audit unit of the FSA shall be set out by a Sub-decree.

Article13 ..

The General Secretariat of the **FSA** shall be led by a Secretary General, supported by a number of Deputy Secretary Generals as necessary.

Each regulator of the **FSA** shall be led by a Director General, supported by a number of Deputy Director Generals as necessary.

The internal audit unit of the **FSA** shall be led by a Chief and a number of Deputy Chiefs as necessary.

Candidates for Secretary General, Director General, Deputy Secretary General, Deputy Director General, and Chief and Deputy Chief of the internal audit unit of the **FSA** shall be selected and proposed by the Minister of Ministry of Economy and Finance to the head of the Royal Government.

Section 2

General Secretariat of the FSA

Article14 ..

General Secretariat performs the functions as executive body of the FSA.

Section 3

Insurance Regulator of Cambodia

Article15 ..

Insurance Regulator of Cambodia shall execute the competency of the Ministry of Economy and Finance as stipulated in the Law on Insurance promulgated by the Royal Kram No. NS/RKM/0814/021 dated 4 August 2014 and other related regulations in the insurance sector.

Section 4

Securities Regulator of Cambodia

Article16 ..

Securities and Exchange Commission of Cambodia is transformed to be Securities Regulator of Cambodia in accordance with this Law. Securities Regulator of Cambodia shall perform the functions of the Securities and Exchange Commission of Cambodia as stipulated in the Law on Issuance and Trading of Non-Government Securities promulgated by the Royal Kram No. NS/RKM/1007/028 dated 19 October 2007 and other related regulations in the securities sector.

Article17 ..

Director General of the Securities Regulator of Cambodia shall perform the functions of the Director General of Securities and Exchange Commission of Cambodia as stipulated in the

Law on Issuance and Trading of Non-Government Securities promulgated by the Royal Kram No. NS/RKM/1007/028 dated 19 October 2007 and other related regulations in the securities sector.

Section 5

Social Security Regulator

Article18 ..

General Secretariat of the National Council for Social Protection shall perform additional duties as Social Security Regulator in accordance with the provisions of this Law. Social Security Regulator shall execute the roles and responsibilities as stipulated in the Law on Social Security Scheme promulgated by the Royal Kram No. NS/RKM/0902/018 dated 02 November 2019 and other related regulations in the social security sector.

Article19 ..

Secretary General of the National Council for Social Protection shall perform additional roles and duties as the Director General of the Social Security Regulator.

Section 6

Trust Regulator

Article20 ..

Trust Regulator shall execute the competency of the Ministry of Economy and Finance as stipulated in the Trust Law promulgated by Royal Kram No. NS/RKM/0119/002 dated 2 January 2019 and other related regulations in the trust sector.

Section 7

Accounting and Auditing Regulator

Article21 ..

National Accounting Council is transformed to be Accounting and Auditing Regulator in accordance with the provisions of this Law. Accounting and Auditing Regulator shall execute the functions and duties of the National Accounting Council as stipulated in the Royal Kram No. NS/RKM/0416/006 dated 11 April 2016 and other related regulations in the accounting and auditing sector.

Section 8

Real Estate Business and Pawnshop Regulator

Article22 ..

Real Estate Business and Pawnshop Regulator shall execute roles and duties as stipulated in the Article 5 of the Law on Financial Management 2007 promulgated by the Royal Kram No. NS/RKM/1206/035 dated 29 December 2006 and other related regulations in the real estate, pawn and title transfer for security sector.

Chapter 4

Transitional Provisions

Article 23 ..

Any regulation which has been in force in relation to insurance and pension sector, securities sector, social security sector, trust sector, accounting and auditing sector, real estate sector and pawnshop sector shall continue its effect until there is new regulation for replacement in accordance with this Law.

Article 24 ..

To ensure sustainability of the work relating to the competency of the Non-Bank Financial Services Authority, the Ministry of Economy and Finance and the National Accounting Council shall fulfill the functions, roles, duties and competency as stipulated in the laws and regulations in effect until each regulator of the NBFSA commences to perform its roles and responsibilities in accordance with sectoral regulations complying with this Law.

Securities and Exchange Commission of Cambodia shall continue its regular work until the composition of the Council has been in place as proposed by the Chairman of the Council.

Chapter 5

Final Provision

Article 25 ..

Any provision contradictory to this Law shall be abrogated.

Royal Palace, 16 January 2021

PLR.2101.055

Signed

Norodom Sihamoni

Have Proposed Signature to His Majesty

Prime Minister

Signed

Samdech Akka Moha Sena Padei Techo Hun Sen

Been Copied Correctly from the Original

Permanent Deputy Prime Minister

Minister in charge of Office of the Council of Ministers

Signed and Stamped

Kitti Niti Korsol Bandit Ben Chhin

Have Informed

Samdech Akka Moha Sena Padei Techo Prime Minister

Minister of Ministry Economy and Finance

Signed

Akka Bandit Sapheacha Aun Pornmoniroth