

Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms

Article 5

An insurance enterprise engaging in operating reinsurance can include accounts as reinsurance transactions in its financial reports prepared in accordance with IFRS 17 only if the reinsurance contract it issues and holds exhibit significant insurance risk. The significant Insurance risk specified in the preceding paragraph refers to the significance of insurance risk in individual reinsurance contracts evaluated by the insurance enterprise that meets one of the following criteria:

1. The reinsurer has in substance assumed all insurance risks associated with the ceded portion of the original insurance policy; or
2. The portion of original policy ceded to the reinsurer under the reinsurance contract carries significant insurance risk and it is reasonably likely that the reinsurer will assume significant loss under the original reinsurance contract.

If the reinsurance contract serves the purpose of financing or might not meet the criteria specified in the preceding paragraph, the insurance enterprise may act in accordance with the provisions in Paragraph 1 only if an appointed actuary has conducted reasonable testing of significant insurance risk in accordance with the practice standards drawn up by The Actuarial Institute of the Republic of China and deemed that it has significant insurance risk.

Article 13

Where an insurance enterprise has unqualified ceded reinsurance under the Regulations herein, the insurance enterprise shall, in accordance with the requirements set forth by the competent authority, evaluate the effect of unqualified reinsurance contracts, and disclose the evaluation results in its financial statements or notes to financial statements:

1. The summary of the reinsurance contract and the recipients of the cession of reinsurance.
2. Reconciliation of assets and liabilities of the reinsurance contract for reinsurance contracts held.
3. Estimates of future cash flows evaluated for the group of reinsurance contracts held and the assumption reflected by the estimates for the risk of non-performance by the issuer of the reinsurance contract.
4. The sensitivity analysis of the changes in the non-performance risk assumption (except where the premium allocation approach is adopted) includes the impact of changes in assumptions on the assets of reinsurance contracts, the methods and assumptions used in preparing the sensitivity analysis, changes from the previous

period in the methods and assumptions used in preparing the sensitivity analysis, and the reasons for such changes.

Article 17

An insurance enterprise that engages in the unconventional reinsurance business provided in Article 14 herein shall disclose the following particulars in its financial statements or notes to financial statements:

1. Purpose, reasons and expected benefits of engaging in such business.
2. The following matters regarding the business:
 - (1) Statement of reconciliation for assets and liabilities of reinsurance contract held.
 - (2) Statement of reconciliation for assets and liabilities of insurance contract issued.
3. The impact of the business on the statement of comprehensive income is categorized below based on the reinsurance contract categories:
 - (1) The reinsurance assets of reinsurance contracts held or the insurance contract liabilities for reinsurance contracts issued must include the insurance service results, financial outcome, the composition of other comprehensive income, and total comprehensive income.
 - (2) The financial assets of reinsurance contracts held or the financial liabilities of reinsurance contracts issues must include the net investment income, finance costs, and total comprehensive income recognized in profit or loss.
4. In case of change to the business or contract, reasons for such change and effects on assets or financial assets of reinsurance contracts and total comprehensive income.
5. Method of accounting treatment.
6. Other matters designated by the competent authority.

Article 21

These Regulations shall enter into force from April 1, 2008.

The amendment to these Regulations comes into enforcement upon the date of promulgation, except for the amendment promulgated on December 28th, 2011, which shall come into force on January 1st, 2013, and the amendment promulgated on December 26th, 2023, which shall come into force on January 1st, 2026