

Content

Title :	Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance <b>Ch</b>
Date :	2013.12.31
Legislative :	<p>1.Full text of 10 articles were enacted and promulgated pursuant to Order No. Jin-Guan-Bao-IV-Zi-09402563341 of the Financial Supervisory Commission, Executive Yuan ; dated 7 October 2005; for implementation from the date of promulgation.</p> <p>2.Article 5 was amended and promulgated pursuant to Order No. Jin-Guan-Bao-IV-Zi-09602562051 of the Financial Supervisory Commission, Executive Yuan, dated 7 June 2007.</p> <p>3.Articles 7and 9 were amended and promulgated pursuant to Order No. Jin-Guan-Bao-IV-Zi-09602564401 of the Financial Supervisory Commission, Executive Yuan, dated 25 December 2007.</p> <p>4.Full text of 12 articles were amended and promulgated pursuant to Order No. Jin-Guan-Bao-Tse-Zi-09802565137 of the Financial Supervisory Commission, Executive Yuan, dated 29 December 2009; for the implementation from January 1, 2010.</p> <p>5.The regulation name and Articles 8, 11, and 12 were amended and promulgated pursuant to Order No. Jin-Guan-Bao-Tse-Zi-09902564897 of the Financial Supervisory Commission, Executive Yuan, dated 26 July 2010; for implementation from the date of promulgation. (Original regulation name : Regulations Governing the Setting-aside and Management of the Reserves for Compulsory Automobile Liability Insurance)</p> <p>6.Articles 2, 3, 9 and 12 were amended and promulgated and Article 10-1 was added pursuant to Order No. Jin-Guan-Bao-Tse-Zi-09902567121 of the Financial Supervisory Commission, Executive Yuan, dated 16 December 2010. Articles 2, 3, and 10-1 shall be implemented from 1 January 2011, other articles shall be implemented from the date of promulgation.</p> <p>7.Articles 3 to 6 and 12 were amended and promulgated pursuant to Order No. Jin-Guan-Bao-Chan-Zi-10202530301 of the Financial Supervisory Commission dated 31 December 2013, for enforcement from 1 January 2014.</p>
Content :	<p>Article 1 These regulations are stipulated pursuant to the provision of Paragraph 3 of Article 47 of the Compulsory Automobile Liability Insurance Act (hereinafter referred to as "this Act").</p> <p>Article 2 The amount of unearned premium reserve that shall be set aside for compulsory automobile liability insurance (hereinafter referred to as "this Insurance"), for a one-year policy period, shall not be less than one-half of the pure premium for the most recent 12 months, as of the last day of the preceding month; for a policy period of more than one year and up to two years, it shall not in the first year be less than three-fourths of the pure premium for the most recent 12 months, as of the last day of the preceding month, and in the second year, shall not be less than one-fourth of the pure premium for the most recent 12 months, as of the last day of the preceding month.</p> <p>The term "last day of the preceding month" in the preceding paragraph refers to the last day of the month that precedes the first day after the valuation date for provision of data assessment.</p> <p>Article 3</p>

An insurer shall estimate and set aside a loss reserve for the reported but unpaid claims in this Insurance case by case, based on the relevant information. In respect of incurred but not reported claims, it shall set aside loss reserve calculated on the basis of its past claim experience, by the loss development triangle method; of that amount, it shall set aside a portion as loss reserve for incurred but not reported claims for reinsurance assumed at a fixed percentage based on pure premium earned for reinsurance assumed.

The fixed percentage referred to in the preceding paragraph shall be calculated, by the professional institution entrusted by the competent authority with the formulation of premium rates under the Act, based on the past claim experience and expense of the industry overall, by the loss development triangle method, and then submitted to the competent authority for approval prior to public announcement.

The loss reserve shall be recovered during final accounting in the following fiscal year, and new loss reserves shall be set aside based on that current fiscal year's final accounting data.

The reported but unpaid claims stipulated in the first paragraph shall be closed by the insurer when the claimant's right is barred due to time limitation, except for any evidence showing that the period of prescription is suspended or interrupted.

#### Article 4

An insurer shall set aside a special reserve pursuant to the following provisions:

1. The total sum of retained earned pure premium, recovered loss reserve and interests of the balance of the special reserve in the previous year, after deducted by the retained claim payment and the setting-aside loss reserve, shall be completely set aside as a special reserve;
2. If the total sum of retained earned pure premium, recovered loss reserve and interests of the balance of the special reserve in the preceding fiscal year is less than the total sum of the retained claim payment and the setting-aside loss reserve, the deficit shall be amended with the recovered special reserve accumulated in the previous years. If any deficit remains, the balance shall be recorded as a memorandum entry and amended with the recovered special reserves in the subsequent years.

The fixed special reserve ratio in the premium rate structure of this Insurance in the year of 2005 shall be set aside in premium basis of premium rate tariff announced by the competent authority.

In the final account of this Insurance for the year of 2005, if it is in conformance with the conditions set out in the first subparagraph of the first paragraph, the fixed special reserve required in the preceding paragraph shall be completely set aside as a reserve; if it is in conformance with the conditions set out in the second subparagraph of the first paragraph, the deficit may be amended by the fixed special reserve stipulated in the preceding paragraph.

#### Article 5

For the special reserve set aside by the insurer pursuant to the preceding article, the insurer shall purchase treasury bills or deposit the reserve with a financial institution as a time deposit. Provided that with the approval of the competent authority, the insurer may purchase the following

domestic securities:

1. Government bonds, not including exchangeable government bonds.
2. Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of treasury bills purchased or time deposits placed in a financial institution under the preceding paragraph shall not be less than 30 percent of the total amount of the insurer's retained earned pure premiums for this Insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level it deems appropriate based on the insurer's operational status.

The financial institution that handles the issuance, acceptance, or guarantee of securities, other than government bonds and treasury bills, purchased by the insurer pursuant to paragraph 1 shall have a long-term credit rating of "twBBB+" or higher from the Taiwan Ratings Corporation, or an equivalent or higher rating from another international credit rating institution acknowledged by the competent authority.

If the balance of the insurer's special reserve is less than 30 percent of the total amount of the insurer's retained earned pure premiums for this Insurance in the most recent period, as audited or reviewed by a certified public accountant, then the full amount of its special reserve shall be used to purchase treasury bills or be deposited in a financial institution as a time deposit.

#### Article 6

Except for the special reserve set aside as prescribed in the preceding Article, funds held by an insurer for this Insurance shall be deposited in a financial institution in the form of demand deposits and time deposits, provided that with the approval of the competent authority, an insurer may purchase any of the following domestic securities:

1. Treasury bills.
2. Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.
3. Government bonds in a repo transaction.

The term "funds" in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward. The amount of deposits deposited in financial institutions under the first paragraph shall not be less than 45 percent of the balance remaining after subtracting the amount of special reserves from the amount of funds held by the insurer due to the operation of this Insurance, or less than 30 percent of the retained earned pure premium for the most recent period as audited or reviewed by a certified public accountant. The competent authority may raise the percentage of deposits required by the insurer to a level it deems appropriate based on the insurer's operational status.

If the total amount of unearned premium reserve and loss reserve of the insurer with respect to this Insurance is less than 30 percent of the retained earned pure premiums of this Insurance for the most recent period as audited or reviewed by a certified public accountant, the funds held by the insurer through its conduct of this Insurance shall be deposited in

full with a financial institution in the form of deposits.

The financial institution that handles the issuance, acceptance, or guarantee of securities, other than government bonds and treasury bills, purchased by the insurer pursuant to paragraph 1 shall have a long-term credit rating of "twBBB+" or higher from the Taiwan Ratings Corporation, or an equivalent or higher rating from another international credit rating institution acknowledged by the competent authority.

#### Article 7

When an insurer makes an allocation of its funds pursuant to the two preceding Articles, the calculation of its funds shall be based on the final (audited) figures for the most recent period as audited or reviewed by a certified public accountant.

#### Article 8

The special reserve set aside by an insurer in the handling of this Insurance may not be reversed except if used to offset an annual pure premium deficit.

#### Article 9

The interest referred to in Article 4 of these Regulations shall be calculated based on the average of the fixed interest rates posted for Bank of Taiwan one-year term deposits on the first business day of each month of the given fiscal year. The special reserve set aside for each fiscal year shall begin to accrue interest from January 1 of the following year.

#### Article 10

The accumulated special reserve of the compulsory automobile third party liability insurance before the implementation of this Insurance shall be transferred into the special reserve as mentioned in Article 4 of these Regulations.

#### Article 10-1

For the various reserves to be set aside for this Insurance, with the exception of the special reserve, respective amounts shall be calculated for the direct business, the business of the reinsurance assumed and ceded, and the retained business. The aforementioned reserves shall be respectively calculated in accordance with the provisions of Article 2 and Article 3.

#### Article 11

When an insurer suspends business operations or terminates its operation of this Insurance, the various reserves for this Insurance shall be transferred into the various reserves set aside for handling of this Insurance by the other insurer that assumes the business. If no other insurer is to assume the business, and there is no outstanding liability under this Insurance, and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

#### Article 12

These Regulations shall be implemented from 1 January 2010.

The amended articles of these Regulations shall be implemented from the date of promulgation. Article 2, Article 3, and Article 10-1, however, as amended and promulgated on 16 December 2010, shall be implemented from 1 January 2011, and Articles 3 to 6 as amended and promulgated on 31 December 2013 shall be implemented from 1 January 2014.

