

## Content

Title :	Financial Reinsurance Guidelines <b>Ch</b>
Date :	2008.04.01
Legislative :	2.Amendment as of July 18, 2003 3.Abolished on April 01, 2008
Content :	<p><b>Article 1</b> Article 21 of the "Regulations Governing the Administration of Insurance Enterprises" is utilized as the basis of this guideline.</p> <p><b>Article 2</b> Financial reinsurance outlined in this guideline can be defined as a contract in which the reinsured pays the reinsurer the reinsurance premiums, and the reinsurer is responsible for providing financial assistance and reimbursing the reinsured for losses incurred under the Significant Risk inherited in the insurance policy. The duration of a financial reinsurance contract should be at least one year.</p> <p><b>Article 3</b> "Significant Risk" in point 2 is defined as, with reference to the risk transferred by the reinsured, the probability of incurring a loss being greater than 10% and the absolute value of the present value of amounts to be received from the reinsurer to the present value of amounts to be paid to the reinsurer is greater than 10%. If the requirements described above cannot be met, the appointed actuary should refer to the relevant information and make a reasonable forecast to explain the significant risk that has been transferred in the reinsurance contract.</p> <p><b>Article 4</b> For Non-life insurance, the risks transferred in a financial reinsurance contract include underwriting risk and time risk. For Life insurance, based on different types of businesses and durations of contracts, the risks include one or more of the following: mortality, survivorship, morbidity, surrender, investment and expense.</p> <p><b>Article 5</b> A financial reinsurance contract should contain the following provisions: (1) Responsibilities of the reinsurer and its payment conditions. (2) Conditions for termination of the financial reinsurance contract. (3) Handling of insolvency of the reinsured. (4) Handling of insolvency of the reinsurer. (5) Accounting settlement between the reinsured and the reinsurer. (6) Other provisions required by the competent authority.</p> <p><b>Article 6</b> Procedures for handling financial reinsurance must be specific and approved</p>

by the Board of the insurer and reported to the competent authority for review. The procedures should contain the following:

- (1) Purposes and principles of the transaction (including motives, certification documents, segregation of responsibilities, performance evaluation, etc.)
- (2) Operational procedures.
- (3) Accounting settlement entries.
- (4) Internal control and audit.
- (5) Other items required by the competent authority.

When foreign insurance companies intend to deal in financial reinsurance, the person who is authorized by the local head office will be responsible for the procedures.

#### **Article 7**

For proportional financial reinsurance contracts, accounts need to be settled at least on a quarterly basis. For non-proportional financial reinsurance contracts, the accounts must be settled at least annually. Only the financial reinsurance contracts which meet the requirements indicated in this guideline can be recorded under the reinsurance headings in the Income Statement.

#### **Article 8**

The following information must be disclosed in the financial statement of the reinsured insurance company:

- (1) Purposes of and reasons for the financial reinsurance transaction and its expected financial benefits.
- (2) Reinsurance premium expenses, claims and benefits recovered from the reinsurer, and reinsurance commissions (including any and all additional accrued expenses and reinsurance receivables under the experience accounts).
- (3) Net profits or losses produced by financial reinsurance transactions in the current period.
- (4) Any amendments to the existing financial reinsurance contract, including the reasons for such amendments and their potential effects on the profit/loss need to be disclosed.
- (5) Other information required by the competent authority.

#### **Article 9**

Reinsurance companies engaging in financial reinsurance must meet the following requirements:

- (1) Registered reinsurance business licenses approved by the competent authority in Taiwan.
- (2) Foreign reinsurance companies must have ratings that are equivalent to or better than the twAA rating from the Taiwan Ratings Corporation.

#### **Article 10**

When an insurance company enters into, cancels, or terminates a financial reinsurance contract, it must have the approval of its Board. Then, with the written reports in the forms as Attachments I - III must be submitted to the competent authority or the organization that has been authorized by the competent

authority for review.

The organization that has been authorized by the competent authority should report any violations of this guideline to the competent authority.

**Article 11**

When violations of this guideline are made by any insurance company, the competent authority has the right to restrict or terminate a part of or the entire financial reinsurance business of that company. It also has the right to order the insurance company to restate its reserves and financial reports.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System