Content

Title：	Financial Reinsurance Guidelines Ch
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Content：

Article 1

Article 21 of the "Regulations Governing the Administration of Insurance Enterprises" is utilized as the basis of this guideline.

Article 2

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.

Article 3

"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.

Article 4

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.

Article 5

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.

Article 6

Procedures for handling financial reinsurance must be specific and approved

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.