

Content

Title :	Regulations Governing Foreign Investments by Insurance Companies Ch
Date :	2021.06.01
Legislative :	Amended on 1 June 2021 per Order No. Jin-Guan-Bao-Cai-Zi- 11004919501 of the Financial Supervisory Commission
Content :	<p>Article 15 Where an insurer has formulated the processing procedure and risk monitoring and management measures concerning the foreign investment and obtained the approval of the board of directors, the insurer may proceed with the foreign investment within the limit of 10% of its funds.</p> <p>The processing procedure concerning the foreign investment according to the preceding Paragraph of this Article shall includes the making of written analysis reports, the records of the implementation of the procedure, and the submittal of the review reports. Relevant documents shall be kept for at least five years.</p> <p>The risk monitoring and management measures for foreign investment mentioned in the first Paragraph of this Article shall include risk management policies, risk management framework and risk management system. The risk management system shall include the identification, assessment and monitoring of the risks of foreign investments, the execution of the control over exposure limit, and the alteration procedure.</p> <p>To increase the limit on foreign investment, the insurer shall submit the application form (as shown in the appendix) according to the following provisions:</p> <ol style="list-style-type: none">1. Where the insurer complies with the following provisions, the limit on its total overseas investment may be enhanced to 25% of its funds:<ol style="list-style-type: none">(1) The insurer complies with the provisions of Paragraph 1 to Paragraph 3 of this Article.(2) There are no major violations of the internal control procedure governing various applications of funds in the immediately preceding year, or the violations have been rectified and the rectification has been affirmed by the competent authority.(3) According to the evaluation of a certified actuary or an external investment organization, the proposed overseas investment is beneficial to the business of the insurer.(4) The insurer produces a complete investment handbook with instructions of risk management system.2. Where the insurer complies with the following provisions, the limit on its total foreign investment may be enhanced to 30% of its funds:<ol style="list-style-type: none">(1) The insurer complies with the provisions of the preceding Subparagraph.(2) In the immediately preceding year, the insurer has not been subject to any major sanctions and penalties by the competent authority, or its rectification of the violations has been done and got affirmed by the competent authority.3. Where the insurer complies with the following provisions, the limit on its total foreign investment may be enhanced to 35% of its funds:<ol style="list-style-type: none">(1) The insurer complies with the provisions of the preceding Subparagraph.(2) The value-at-risk of the foreign investment classified to financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income has been calculated, and the calculation is performed at least once a week.(3) For the foreign investment classified to financial assets measured at amortized cost, an appropriate model has been designed to analyze ,identify and quantify the associated risks and reported that the risk assessment of the situation to the board of directors at least once every half year.(4) In the immediately preceding two years, the insurer has not been subjected to any fine or disciplinary actions by the competent authority,

or the rectification of the violations has been done and got affirmed by the competent authority.

(5) In addition to set up a risk control committee under the board of directors, the insurer has also established a risk control department with an assigned chief risk controller to assume de facto responsibility for the overall risk management of the company. The scope of risk management over the foreign investment at least shall include assessment and management of associated risks and impact on the insurer's solvency.

4. The insurer which applies for increase of limit on total foreign investment to more than 35% of its funds shall comply with the following provisions:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) It has been more than one year since the insurer obtained the approval for increase of the limit on total foreign investment to 35% of its funds.

(3) The board of directors specifies the exposure limit each year and regular risk management is implemented by the risk management committee or risk management department.

(4) The insurer's risk-based capital ratio as of the end of the most recent period reaches 250% or above, or the insurer has a AA- equivalent or higher credit rating from the foreign or local credit rating agencies in the immediately preceding year.

(5) The insurer has not obtained any other approval for increase of the limit on total foreign investment in the current year.

5. The insurer which applies for increase of limit on total foreign investment over 40% of its funds shall comply with the following provisions:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) The insurer's risk-based capital ratio, both in the most recent year and the average of the most recent 3 years, has never fallen below 250%, or the insurer has a AA+ equivalent or higher credit rating from the foreign or domestic credit rating agencies in the immediately preceding year.

(3) The insurer has established an internal risk model to quantify the overall risk of the company.

(4) The insurer has not obtained any other approval for increase of the limit on total foreign investment in the current year.

Calculation of "value at risk" referred to in Item (2) of Subparagraph 3 of the preceding paragraph of this Article means that on the basis of data of the samples which are taken either on a weekly basis for a minimum period of three years or on a daily basis for a minimum period of one year, with the data updated once a week at least, the value at risk for ten trading days is calculated with the confidence level set at 99% and the back testing is performed every month.

The competent authority may, in view of the business performance of the insurer, determine the exact increment in the limit referred to in Subparagraphs 4 or 5 of Paragraph 4.

The aforesaid increment shall be limited to 5% of the insurer's funds.

However, the competent authority may, in view of the overall business performance of the insurer, make proper adjustment thereto year by year.

If the product structure consolidated score of a life insurance company for the most recent year meets the criteria determined by the competent authority, one of the following measures may be adopted:

1. Within the maximum limit stipulated under Paragraph 2, Article 146-4 of the Act, the limit of overseas investment allowed under Paragraph 1 or 4 may be increased by 1% of the funds.

2. In the calculation formula under Paragraph 2, Article 15-2, 40% of various reserves for non-investment-linked life insurance business may be increased to 42%.

Article 15-2 Any insurance company that meets the following conditions may file an application with the competent authority for the amount to be excluded from the calculation of the limit on the total amount of foreign investment under the first part of Paragraph 2, Article 146-4 of the Act (Hereinafter "Excluded Foreign Investment Amount"):

1. Meeting the requirements under Subparagraphs 1 to 3, Paragraph 1 of the previous article.

2. The total amount of funds utilized in domestic investments by the

insurance company as a percentage of the amount of funds that may be utilized, less various reserves for non-investment-linked life insurance business collected and paid in foreign currency, meets the requirement of the applicable limit stipulated under these Regulations.

3. The insurer's risk-based capital ratio for the latest period is 200% or higher.

4. The board of directors will determine the risk limit every year and the risk control committee or the risk control department shall perform regular control.

The Excluded Foreign Investment Amount referred to in the previous paragraph is calculated as follows:

Excluded Foreign Investment Amount = (40% of various reserves for non-investment-linked life insurance business, or various reserves for non-investment-linked life insurance business collected and paid in foreign currency, whichever is lower) x (1 - determined percentage) - total amount of investment from various reserves for non-investment-linked life insurance business collected and paid in foreign currency in securities, bonds or Sukuk denominated in foreign currencies that are listed or traded over-the-counter as specified in Article 5, Subparagraph 12.

"Determined percentage" referred to in the previous paragraph means the percentage of foreign investment by insurance company determined by the competent authority under Paragraph 4, Article 15. If such percentage is changed, the above limit shall be re-calculated based on the changed determined percentage.

In filing an application for Excluded Foreign Investment Amount, the insurance company shall submit the following documents to the competent authority for approval:

1. Documents listed under Paragraph 3 of the previous article.
2. Explanatory or justification document showing compliance with Subparagraphs 2 to 4, Paragraph 1.
3. Other documents as required by the competent authority.

In cases where an insurer meets the relevant requirements as set forth in the preceding paragraph, and has obtained the approval from the competent authority that the investment shall not be included in the foreign investment limits in accordance with Paragraph 2, such company may submit the documents as required in the preceding paragraph, a business development plan, the proposed amount that is not included in the foreign investment limits and an explanation of assessment of reasonableness thereof, to the competent authority for special approval, and the formula set forth in Paragraph 2 is not applicable.

After the competent authority grants an approval for any insurance company to calculate the amount of foreign investment in accordance with the flexible adjustment formula under the previous article, when the competent authority grants approval for the Excluded Foreign Investment Amount in accordance with Paragraph 1, it shall cancel the approval for calculation of foreign investment amount calculated based on such flexible adjustment formula.

In case any of the following occurs after an insurance company is granted approval of Excluded Foreign Investment Amount, it shall prepare an adjustment plan, have it approved by its board of directors and file it with the competent authority for reference. The following correction shall also be completed within one month from the occurrence of the fact:

1. The various reserve funds set aside under the Act for the operation of any non-investment type of personal insurance activity have not been utilized for the fund utilization items for the same currency(ies) under these regulations.
2. Failure to comply with Subparagraph 2, Paragraph 1.

Any insurance company fails to comply with the previous paragraph, fails to complete adjustment in accordance with the adjustment plan or fails to file the adjustment plan as required under the previous paragraph for 2 or more times on accumulated basis, the competent authority may revoke the approval for Excluded Foreign Investment Amount under Paragraph 1 and 5.