Content

Title：	Regulations Governing Capital Adequacy of Insurance Companies Ch
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Content：

Article 1
These Regulations are formulated in accordance with the provisions of Paragraph 4 of Article 143-4 and Paragraph 3 of Article 148-2 of the Insurance Act (hereinafter referred to as the "Act").

Article 2
The term "adjusted net capital" as used in the Act means the total capital of an insurance company as recognized by the competent authority in accordance with these Regulations, and includes:
1.Owners' equity recognized; and
2.Other adjustment items prescribed by the competent authority.

Article 3
The term "risk-based capital" as used in the Act means such capital as is calculated on the basis of the risks that an insurance company may incur from its actual business operations. The aforesaid risks include:
1. in the case of a life insurance company:
(1) asset risks;
(2) insurance risks;
(3) interest risks; and
(4) other risks.
2. in the case of a non-life insurance company:
(1) asset risks;
(2) credit risks;
(3) underwriting risks;
(4) asset-liability matching risks; and
(5) other risks.

Article 4
The term "An insurance company's ratio of total adjusted net capital to risk-based capital (hereinafter referred to as the "capital adequacy ratio") and the net worth ratio shall not be less than a certain ratio" as used in the Article 143-4 of the Act means shall not be less than the grade of adequate capital as used in the Article 5.
An insurance company's capital adequacy ratio shall be calculated according to the following formula:
Capital adequacy ratio = (adjusted net capital / risk-based capital) X 100%
Adjusted net capital of Article 2 and the risk-based capital of Article 3 must be calculated in accordance with the relevant reports and filled-in manuals using the scope and calculation method for the adjusted net capital and risk-based capital of insurance companies as stipulated by the competent authorities.
The term “the net worth ratio” as used in the Paragraph 1 means that the owner's equity divided by total assets excluding separate accounts for investment-linked insurance specified in the financial report audited by a certified public accountant, except as otherwise provided by the competent authority.

Article 5
The grading of an insurance company’s capital is listed as follows:
1. Adequate capital: the capital adequacy ratio of an insurance company equals or exceeds 200% and the net worth ratio of an insurance company is

more than 3% in one of the most recent two periods.
2. Inadequate capital refers to any of the following circumstances:
(1) The capital adequacy ratio of an insurance company is more than 150% but less than 200%.
(2) The net worth ratio of an insurance company is less than 3% in both of the most recent two periods and more than 2% in at least one period.
3. Significantly inadequate capital refers to any of the following circumstances:
(1) The capital adequacy ratio of an insurance company is more than 50% but less than 150%.
(2) The net worth ratio for both the most recent two periods of an insurance company is less than 2% and more than zero.
4. Seriously inadequate capital: the capital adequacy ratio of an insurance company is less than 50% or the net worth of the insurance company is less than zero, as provided in Paragraph 3, Article 143-4 of the Act.
Where an insurance company meets the requirements of two categories at the same time, the lower grade will be regarded as its capital grade according to the classification standards specified in Paragraph 1.

Article 6
Insurance companies must report their capital grade to the competent authorities as follows:
1. Within three months after the end of each fiscal year, the capital adequacy ratio and the net worth ratio audited by a certified public accountant along with computation sheets and relevant information shall be filed.
2. Within two months after the end of each half of each fiscal year, the capital adequacy ratio reviewed by a certified public accountant and the net worth ratio audited by a certified public accountant along with computation sheets and relevant information shall be filed.
If necessary, the competent authority may require an insurance company to report its capital adequacy ratio with the relevant information submitted for reference.
The provisions of Paragraph 1 are not applicable to such insurance company as has been taken over by the competent authority pursuant to laws.

Article 7
If an insurance company distributes earnings, repurchases shares or refunds capital stock, it must be handled in accordance with the provisions of Article 143-5 of the Act.
If the grading of an insurance company's capital is inadequate, significantly inadequate, or seriously inadequate, the competent authorities must take measures as stipulated by the provisions of Article 143-6 of the Act.

Article 8
The Insurance Associations shall formulate standard operation procedures to help the association members to design such capital adequacy self-assessment procedures as are in keeping with the risk position thereof and the strategies to maintain the capital adequacy.

Article 9
Insurance companies must disclose their capital adequacy ratio and net worth ratio each half of each fiscal year and each fiscal year in accordance with the stipulations of Article 6 of Regulations Governing Public Disclosure of Information by Life Insurance Companies or Non-life Insurance Companies. The first disclosed net worth ratio shall be the figure in the first half of 2019.
An insurance company shall not use the information about its capital grade for improper comparison, propaganda or competition in its business operations, nor shall it have its insurance agents engaging in unfair business competition.
The self-discipline codes regarding "improper comparison, propaganda or competition" and "insurance agents engaging in unfair business competition" shall be formulated by the Insurance Associations.

Article 10
These Regulations shall enter into force from the date of issuance.