

Content

Title :	Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance <b>Ch</b>
Date :	2024.03.27
Legislative :	Article 3,5,10 and 13 were amended and promulgated pursuant to Order No. Jin-Guan-Bao-IV-Zi-11304909161 of the Financial Supervisory Commission, dated 27 March 2024; for the implementation from April 1, 2024.
Content :	<p>Article 3</p> <p>The non-life insurers shall underwrite the residential earthquake risks in which the primary insurance policies shall be totally reinsured by TREIF. Risks assumed by TREIF pursuant to the preceding paragraph shall be spread by means of the following mechanism:</p> <ol style="list-style-type: none"><li>1.First-tier liabilities are limited to NT\$5 billion, and shall be assumed by a residential earthquake insurance pool (hereunder called the Pool).</li><li>2.Second-tier liabilities are limited to NT\$115 billion, and shall be assumed and spread by TREIF.</li></ol> <p>The amount of liabilities assumed in each of the foresaid tiers shall be calculated on the basis of the insurance losses of each earthquake event. The insurance losses refer to the covered loss and the claim handling expenses.</p> <p>The operating rules for the reinsurance referred to in paragraph 1 shall be jointly drafted by TREIF in consultation with the Non-life Insurance Association of the Republic of China (hereunder called NLIA) and implemented following the approval of the competent authorities. The same also applies to revision.</p> <p>Article 5</p> <p>When the TREIF assumes the risks set out in Article 3, paragraph 2, subparagraph 2, it shall do so in the following manner:</p> <ol style="list-style-type: none"><li>1.The portion up to and including NT\$98.2 billion shall be spread in domestic, and/or overseas reinsurance markets and/or capital markets and/or retained by TREIF in accordance with business needs and/or market costs. The aforementioned risk spreading mechanisms shall be reported to the competent authority for recordation. The preceding provision also applies to any subsequent changes thereto.</li><li>2.The portion exceeding NT\$98.2 billion and up to NT\$115 billion shall be assumed by the government, and when a loss occurs the competent authorities shall prepare a funding requirement report and submit it to the Executive Yuan, which shall handle funds appropriation in accordance with the budget process.</li></ol> <p>When the occurrence of a major disaster results in claim payments that exceed the amount of funds accumulated in the TREIF, in order to safeguard the interests of the insured, if necessary, the TREIF may ask the competent authorities and the Ministry of Finance to jointly request Executive Yuan' s approval for the national treasury to provide collateral to obtain the necessary source of funding.</p> <p>Article 10</p> <p>Pool members shall set aside or treat the unearned premium reserve, loss reserve and special reserve for its shares retroceded from the Pool pursuant to the following provisions:</p> <ol style="list-style-type: none"><li>1.The unearned premium reserve of the Insurance shall be set aside by the 1/24 method according to the pure premium to which the Pool member is entitled.</li><li>2.The outstanding loss reserve and IBNR reserve shall be set aside according to the figures provided by TREIF.</li><li>3.The total amount of the earned pure premium plus the loss reserve recovered minus the claim payments and the loss reserve, if positive, shall be set aside at the end of each year as a special reserve. In the event</li></ol>

that the total amount is negative, it shall be deducted from the special reserve.

4. In the event that the cumulative total amount of the special reserve is more than triple of a specific benchmark, one-fifteenth of the excess part can be recalled and handled as profit. The term "specific benchmark" shall mean pure premium income received by the member from the Pool in all past years divided by pure premium allocated to the Pool, then multiplied by the Pool's risk assumption limit for that year.

5. The amount of special reserve as specified in subparagraph 3 hereof set aside each year less income tax pursuant to IAS 12 shall be recorded in the account of "Special Reserve" under "Owner's Equity."

6. After deducting income tax pursuant to IAS 12, the amount specified in subparagraph 3 recorded in the account of "Special Reserve" under "Liabilities" before December 31, 2012 shall be recorded in the account of "Special Reserve" under "Owner's Equity" starting from January 1, 2013, unless otherwise specified by the competent authority for monitoring purposes.

7. The amount of special reserve that can be offset or released as specified in subparagraph 3 or 4 less income tax pursuant to IAS 12 may be offset or released by or from special reserve recorded in the account of "Special Reserve" under "Owner's Equity."

The preceding regulations are not applicable to the non-life insurers and professional reinsurers when they assume the risks as specified in paragraph 1, subparagraph 1 of article 5.

#### Article 13

The Enforcement Rules shall be enforced from January 1, 2012.

Articles of the Enforcement Rules amended and promulgated on December 28, 2012 shall be implemented from January 1, 2013. Articles amended and promulgated on December 25, 2014 shall be implemented from January 1, 2015. Articles amended and promulgated on March 12, 2021 shall be implemented from April 1, 2021. Articles amended and promulgated on March 27, 2024 shall be implemented from April 1, 2024.