

Content

Title :	Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance Ch
Date :	2024.06.24
Legislative :	Article 9,10 and 13 were amended and promulgated pursuant to Order No. Jin-Guan-Bao-IV-Zi-11304921251 of the Financial Supervisory Commission, dated 24 June 2024; for the implementation from January 1, 2026.
Content :	<p>Article 9</p> <p>The Insurance shall apply a flat premium rate nationwide, and the rate structure shall be as follows:</p> <ol style="list-style-type: none">1.Pure premium shall account for 85% of insurance premiums.2.Expense loading shall account for 15% of insurance premiums. <p>The premium rate for the Insurance shall be set by the TREIF on the basis of a risk assessment and in light of the status of underwriting and claim settlements, and announced and implemented after approval by the competent authority.</p> <p>The pure premium received by TREIF from non-life insurers to be allocated to the Pool shall be set by the TREIF on the basis of a risk assessment. The total earned pure premium which TREIF receives from non-life insurers shall be accumulated to the credit of TREIF after deduction of premium allocated to the Pool, the costs in connection with spreading risks to domestic, overseas reinsurers or capital markets, retained claim payment, and the difference between loss component in the previous period and the current period.</p> <p>Expense loading under the Insurance shall include at least the following four items: expenses of the underwriting companies, administrative expenses of the TREIF, credit risk reserve, and reserve against adjustment of premiums for risk spread on reinsurance or capital markets. The credit risk reserve and reserve against adjustment of premiums for risk spread on reinsurance or capital markets shall be accumulated to TREIF, and their set-asides and recalls shall be made in accordance with the method specified by competent authorities.</p> <p>Rules governing the allocation of the foresaid expense loading are to be drafted by TREIF in consultation with the NLIA and sent to competent authorities for approval before enforcement. The same also applies to revision.</p> <p>The credit risk reserve as referred to in paragraph 5 is the provision prepared by TREIF for the risk of the loss resulting from the default of underwriting companies, Pool members, reinsurers or reinsurance brokers.</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">1.The assumed unearned premium reserve shall be set aside after calculating liability for remaining coverage in accordance with the International Financial Reporting Standards 17.2.The assumed loss reserve shall be set aside after calculating liability for incurred claims in accordance with the International Financial Reporting Standards 17.3.The earned premium retroceded from the Pool less incurred claims and the difference between loss component in the previous period and the current period, if positive, shall be set aside at the end of each year as a special reserve. In the event 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 Statement of IAS 12 shall be recorded in the account of "Special Reserve" under "Equity."

6. The amount of special reserve that can be offset or released as specified in subparagraph 3 or 4 less income tax pursuant to Statement of IAS 12 may be offset or released by or from special reserve recorded in the account of "Special Reserve" under "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. Articles amended and promulgated on June 24, 2024 shall be implemented from January 1, 2026.