

## Content

Title :	Regulations Governing Capital Adequacy of Insurance Companies <b>Ch</b>
Date :	2011.11.02
Legislative :	<p>1.Promulgated by Ministry of Finance (90-tai-tsai-pao No. 0900751413) in total of 6 articles on 2001.12.20; the law comes into force on 2003.7.9.</p> <p>2.Amended on December 28, 2007</p> <p>3.Articles 5 and 9 amended on November 2, 2011; Enforce from January 1, 2012.</p>
Content :	<p>Article 1</p> <p>These Regulations are formulated in accordance with the provisions of Paragraph 3 of Article 143-4 of the Insurance Act (hereinafter referred to as the "Act").</p> <p>Article 2</p> <p>"Adjusted net capital" referred to herein in these Regulations means the total capital of an insurance company as recognized by the competent authority in accordance with these Regulations, and includes:</p> <ol style="list-style-type: none"><li>1. Owners' equity recognized; and</li><li>2. Other adjustment items prescribed by the competent authority.</li></ol> <p>The formula for calculating the adjusted net capital referred to in the preceding paragraph shall be subject to the regulations of the competent authority.</p> <p>Article 3</p> <p>"Risk-based capital" referred to in these Regulations 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:</p> <ol style="list-style-type: none"><li>1. in the case of a life insurance company:<ol style="list-style-type: none"><li>(1) asset risks;</li><li>(2) insurance risks;</li><li>(3) interest risks; and</li><li>(4) other risks.</li></ol></li><li>2. in the case of a non-life insurance company:<ol style="list-style-type: none"><li>(1) asset risks;</li><li>(2) credit risks;</li><li>(3) underwriting risks;</li><li>(4) asset-liability matching risks; and</li><li>(5) other risks.</li></ol></li></ol> <p>The formula for calculating the risk-based capital referred to in the preceding paragraph shall be subject to the regulations of the competent authority.</p> <p>Article 4</p> <p>An insurance company's risk-based capital ratio (hereinafter referred to as the "RBC ratio") shall comply with the provision of Paragraph 1 of Article 143-4 of the Act regarding the risk-based capital ratio.</p> <p>An insurance company's RBC ratio shall be calculated according to the following formula:</p>

RBC ratio = (adjusted net capital / risk-based capital) X 100%

#### Article 5

An insurance company shall file a RBC Ratio Report to the competent authority in according with the following provisions:

1. Within three months after the end of each fiscal year, the insurance company shall file a RBC Ratio Report audited by a certified public accountant and with the computation sheet and relevant information set forth therein; and
2. Within two months after the end of each half of each fiscal year, the insurance company shall file a RBC Ratio Report reviewed by a certified public accountant and with the computation sheet and relevant information set forth therein.

If necessary, the competent authority may require an insurance company to report its RBC 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 6

Where the RBC ratio of an insurance company is lower than 200% or the minimum ratio prescribed by the competent authority, the insurance company shall not buy back its shock shares and distribute the net profit of the year for which the RBC Ratio Report is filed.

For an insurance company with its RBC ratio between 150% and 200%, the competent authority may adopt any or all of the following measures:

1. To order the insurance company and the responsible person thereof to increase the capital or put forward other financial business improvement proposals within the specified period, where the insurance company fails to submit a capital increase or financial business improvement proposals or fails to implement of proposals submitted, the competent authority may take such supervision measures as are provided in Subparagraph 3;
2. To order the insurance company to cease selling insurance products or restrict it to launch new insurance products;
3. To restrict the scope of fund using or take other necessary measures; and
4. To restrict the remuneration, bonus, stock options, or other payments of similar properties to the responsible person of the insurance company.

Where the RBC ratio of the insurance company is lower than 150%, the competent authority may, besides the measures set forth in the preceding Paragraph, take any or all of the following measures according to the circumstances:

1. To dismiss the directors (governors) and/or supervisor of the insurance company, and inform the authority in charge of company registration to cancel the registration of the insurance company;
2. To suspend the directors (governors) and/or supervisor from exercising their duties within a certain period;
3. To require the insurance company to obtain prior approval by the competent authority itself for acquisition or disposal of any specific assets;
4. To order the insurance company to dispose of the assets specified;
5. To restrict or forbid the insurance company to extend loans to or conduct other transactions with the interested parties thereof;

6. To order the responsible person of the insurance company to lower his/her remuneration which shall not exceed the average remuneration paid to the said responsible person in the 12 months before the RBC ratio of the insurance company falls below 150%;
7. To restrict establishment of or order dissolution, within the specified period, of a branch or department; and
8. To assign personnel to supervise the insurance company or take other necessary measures.

#### Article 7

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 8

An insurance company shall disclose the information about the capital adequacy thereof according to the regulations of the competent authority.

An insurance company shall not use the information about its capital adequacy 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 9

These Regulations come into force on January 1, 2008.

Articles amended on November 2, 2011 enforce from January 1, 2012.