Content

Title：	Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms Ch
Date：	2021.03.03
Legislative：	Articles 3,4,7, 10 and 18 amended on 3 March, 2021.
Content：	Article 3 An insurance enterprise engaging in reinsurance shall comply with the following operational provisions: 1. Arranging cession to reinsurers in conjunction with the established reinsurance risk management plan, and acquiring a written confirmation of acceptance from reinsurer with regard to share of participation, reinsurance premium rate, reinsurance commissions and other terms and conditions before the original insurance policy is in force or before the date the insurance liability for ceded portion starts. The preceding provision does not apply if the insurance enterprise complies with the management guidelines for ceded reinsurance risk management plan provided in subparagraph 2, paragraph 1 of the foregoing article. 2. If the reinsurance in the preceding subparagraph is arranged through an insurance broker, the insurance enterprise shall ensure that the broker has acquired a written confirmation of acceptance from the reinsurer with regard to share of participation, reinsurance premium rates, reinsurance commission, and other terms and conditions before the original insurance contract takes effect or before the date the insurance liability for ceded portion starts, and examine whether the reinsurer and the terms and conditions of reinsurance provided in the confirmation of acceptance fit the instructions given to the broker. If the insurance enterprise has question with regard to the aforementioned matters, it shall confirm directly with the reinsurer. 3. For reinsurance arranged through an insurance broker, if the broker intends to commission a foreign insurance broker to arrange reinsurance, the insurance enterprise shall check in advance whether the foreign insurance broker meets the following conditions: (1) Having been approved by the competent authority of home country to register incorporation and operate reinsurance business. (2) Having acquired valid professional liability insurance with sum insured of not less than an equivalent of US$5 million per occurrence and aggregate sum insured of not less than an equivalent of US$10 million during the policy period, the deductible not exceeding 5% of sum insured, and uninterrupted policy period. 4. Obtaining contract documents signed by the reinsurer within sixty (60) days after the reinsurance contract has taken effect. However for treaty reinsurance, the insurance enterprise should obtain the complete reinsurance contract that contains reinsurance terms and conditions, reinsurance clauses and contents, and all relevant ancillary contracts, and has been signed by all reinsurers within six (6) months after the reinsurance contract has taken effect. An insurance enterprise shall safely file the aforementioned documents, for at least five (5) years after the expiry of insurance liability. Article 4 The reinsurance contract document mentioned in subparagraph 4, paragraph lof the foregoing article shall meet the following criteria: 1. The contract wording and contexts are consistent throughout and the terminologies used are defined. 2. The contract specifies applicable law and court of jurisdiction. 3. The contract specifies rights and obligations of the parties concerned. 4. The contract specifies the scope of coverage, including the types of

risks covered, types of reinsurance and limits of liability.

Article 7
Entities meeting any of the conditions below are eligible reinsurer to whom an insurance enterprise may cede its business to:
1.An insurance enterprise approved by the competent authority to engage in concurrently or exclusively reinsurance business in the Republic of China.
2. A foreign insurance enterprise approved by the competent authority to engage in concurrently or exclusively reinsurance business in the Republic of China.
3. A foreign reinsurance or insurance organization with a credit rating above a certain level from an international credit rating agency.
4. A reinsurance organization, insurance organization or risk spreading mechanism allowed operating reinsurance business according to the laws of the Republic of China.
5. Other reinsurance organizations, insurance organizations or risk spreading mechanisms approved by the competent authority.
If the reinsurer to whom the insurance enterprise cedes its business to does not meet the criteria in the preceding paragraph, the ceded reinsurance is deemed unqualified.

Article 10
In the case a non-life insurance enterprise undertakes assumed reinsurance business, its reinsurance premium rates shall be adequate and reasonable, and reflect costs.
In the case that a Non-Life insurance enterprise arranges proportional reinsurance, the retention premium rate shall not be lower than the reinsurance premium rate and original premium rate.
In the case that a Non-Life insurance enterprise arranges non-proportional reinsurance, each of retention-layers premium rate shall not be lower than the higher-layer premium rate or the weighted average reinsurance premium rate of the same layer, and the premium level for each layer should conform to a reasonable premium allocation proportions.
The Non-Life insurance enterprise should not underwrite the risk of written line by way of facultative reinsurance after the risk ceded. However, aviation insurance, nuclear insurance and captive reinsurance are not included.
Where a Non-Life insurance enterprise violates preceding three paragraphs, in addition to being imposed disciplinary actions according to the Article 170-1 of the Insurance Act, and an Appointed Actuary should provide explanations in its annual certified actuarial report.

Article 18
Entities to whom an insurance enterprise cedes its business provided in Article14 herein shall meet one of the following criteria:
1. A professional reinsurance enterprise registered in the Republic of China.
2. A foreign professional reinsurance enterprise or organization with credit rating specified in Article 12 herein.
3. Other institutions or organizations approved by the competent authority.

Data Source：Financial Supervisory Commission Laws and Regulations Retrieving System