

# Promoting the New Generation Insurance Solvency Regime: An Inside Look

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01

**Overview of solvency  
supervision**



02

**Changing  
Times**



03

**Roadmap of  
change**

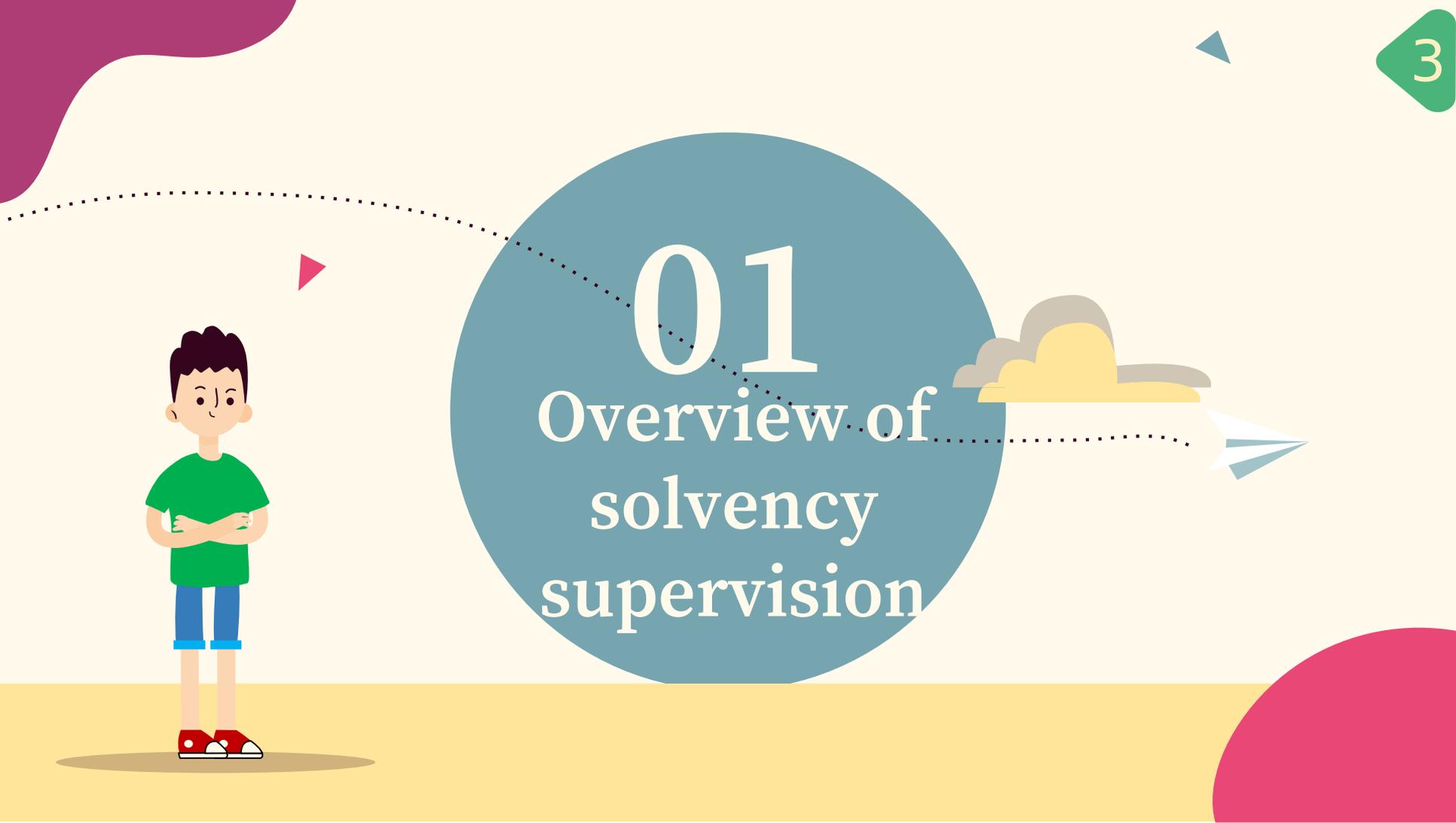
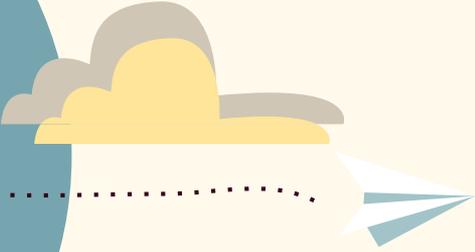


04

**Wonderland**



01  
Overview of  
solvency  
supervision





# What is insurer solvency?

Insurer solvency is the ability of an insurer to  
▶ fulfill its **contractual obligations** and to pay off **financial debts**.



*No worries!  
The next slide will  
clear things up!*

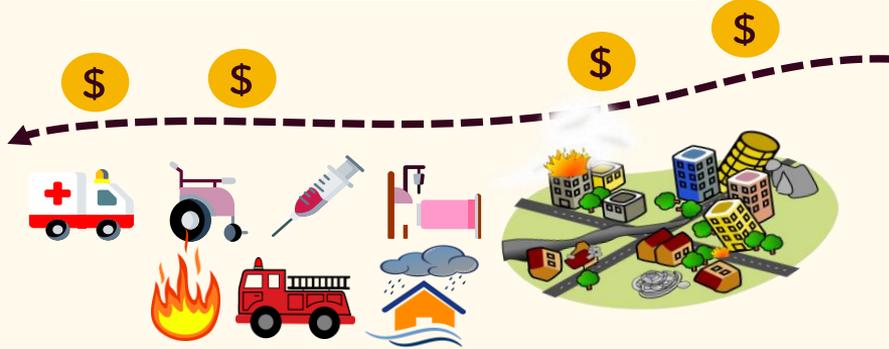
*I didn't quite  
catch that...*



# How fulfilment of contractual obligations works



Indemnification for loss



Sign contracts

Insurance Companies

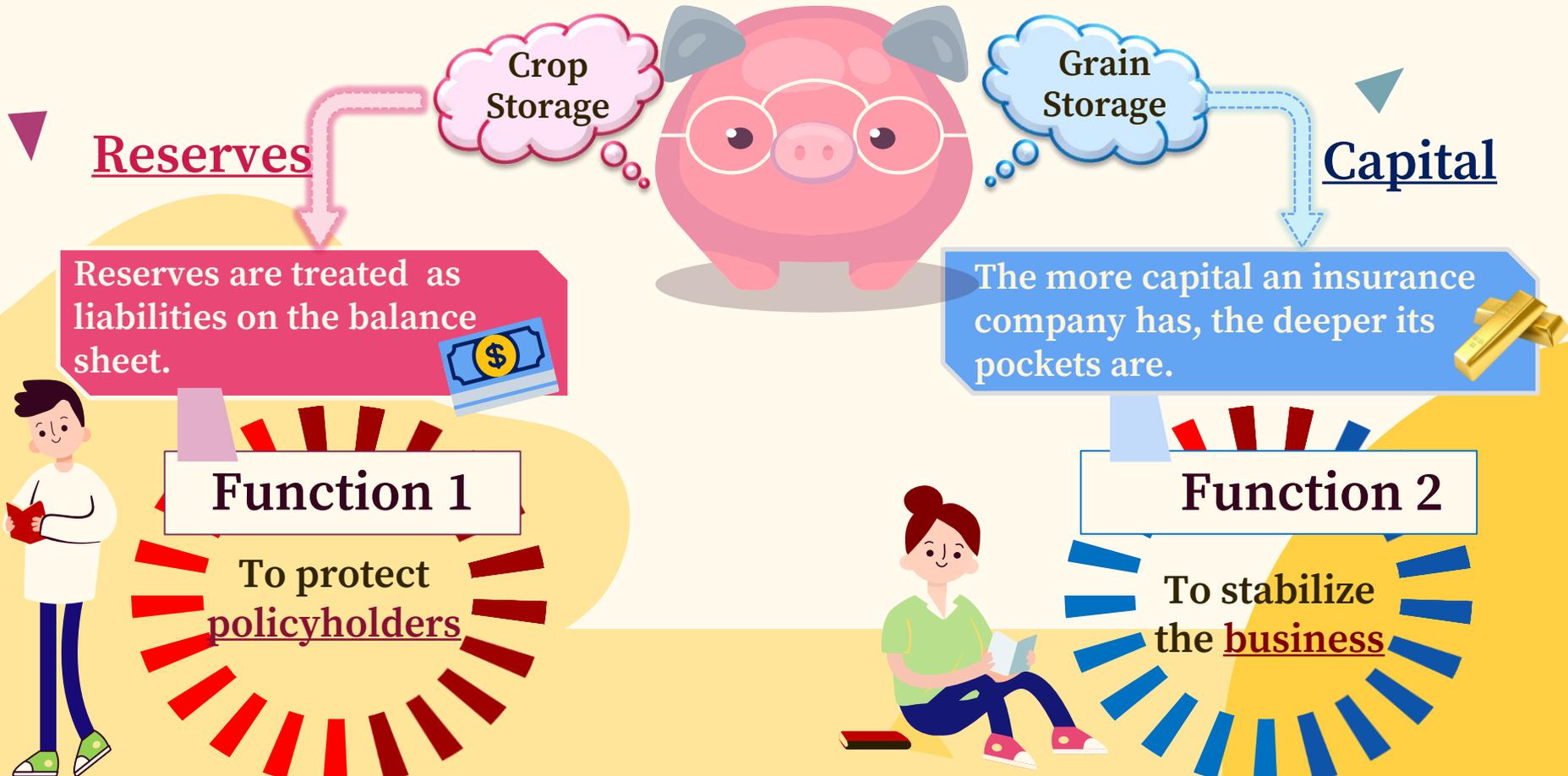
Commit to fulfill contractual obligations



Transfer risk and get coverage



# How the Solvency Piggy Works





Why is solvency  
vitaly important?

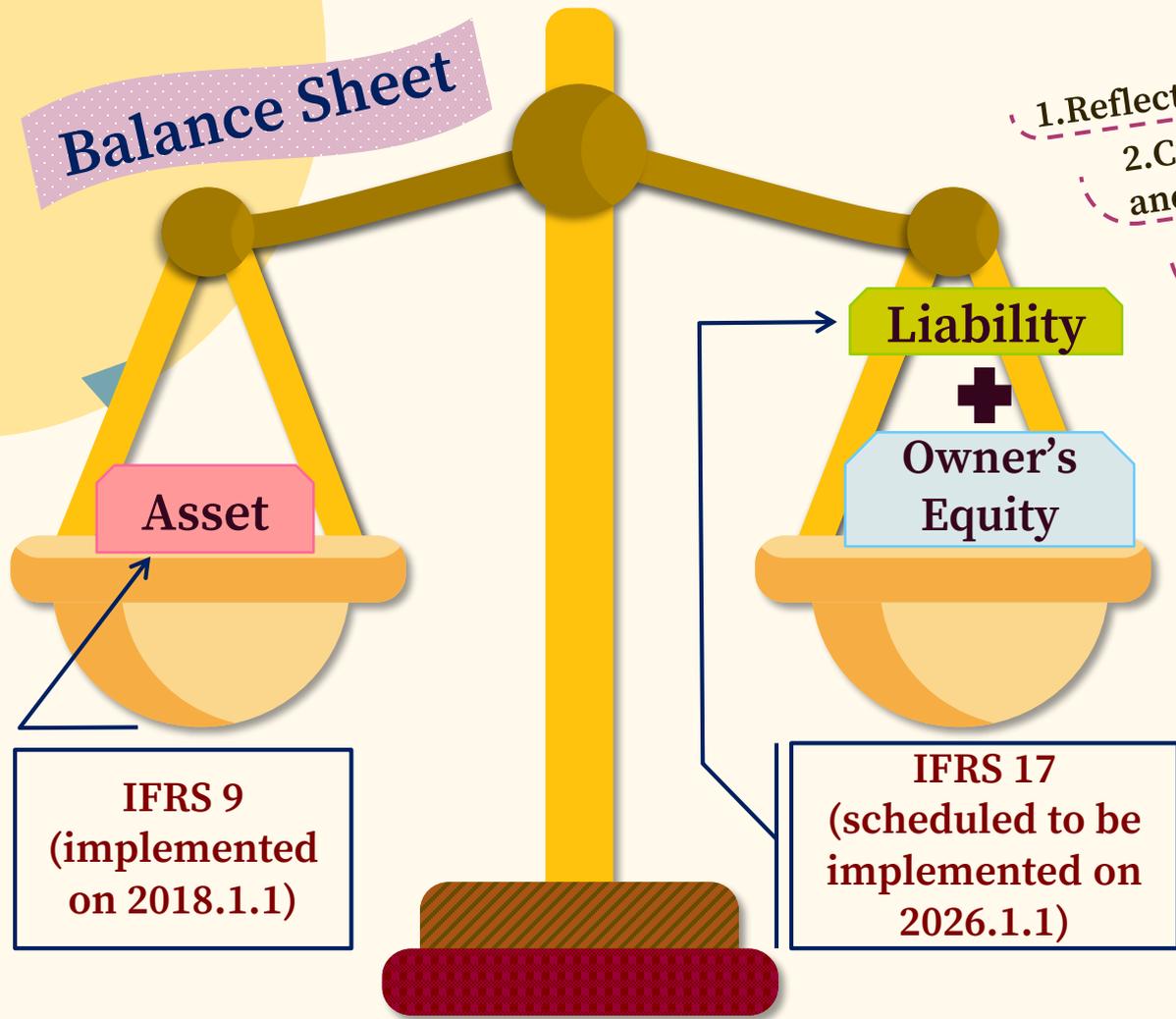
Strengthening the solvency of insurance companies has been the most essential and "most important core principle of Taiwan's insurance regulation!!  
Because...



# 02 Changing Times



# Balance Sheet



- 1. Reflect genuine performance
- 2. Consistent evaluation of assets and liabilities
- 3. Increase the transparency of insurer's financial position
- 4. Improve worldwide comparability

**Financial report**

<b>Asset</b> <b>IFRS 9</b>	<b>Liability</b> <b>IFRS 17</b>
at fair value	
at fair value	

**How ICS evaluates assets and liabilities**

**Solvency Report**

Global trends



Steady operation

Policyholder protection

Asset and liability management

Enhance international competitiveness

New Generation Insurance Solvency Regime



In line with int'l system, reflects risks reasonably

International Accounting Standards Board (IASB)

International Association Of Insurance Supervisors (IAIS)

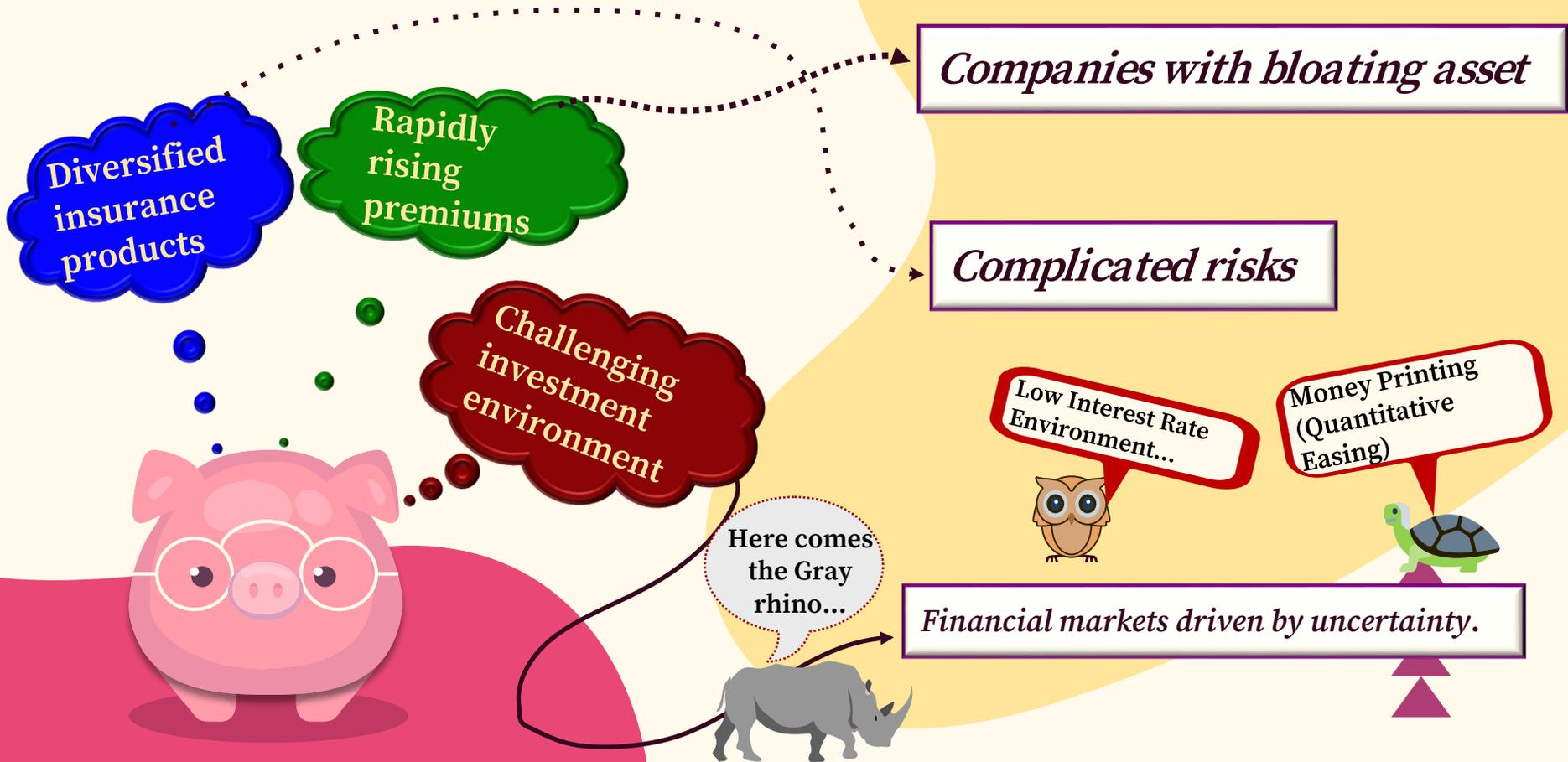
IFRS 17

Insurance Capital Standard

Synchronized evolution : Crop storage(reserves)+ Grain storage (capital)

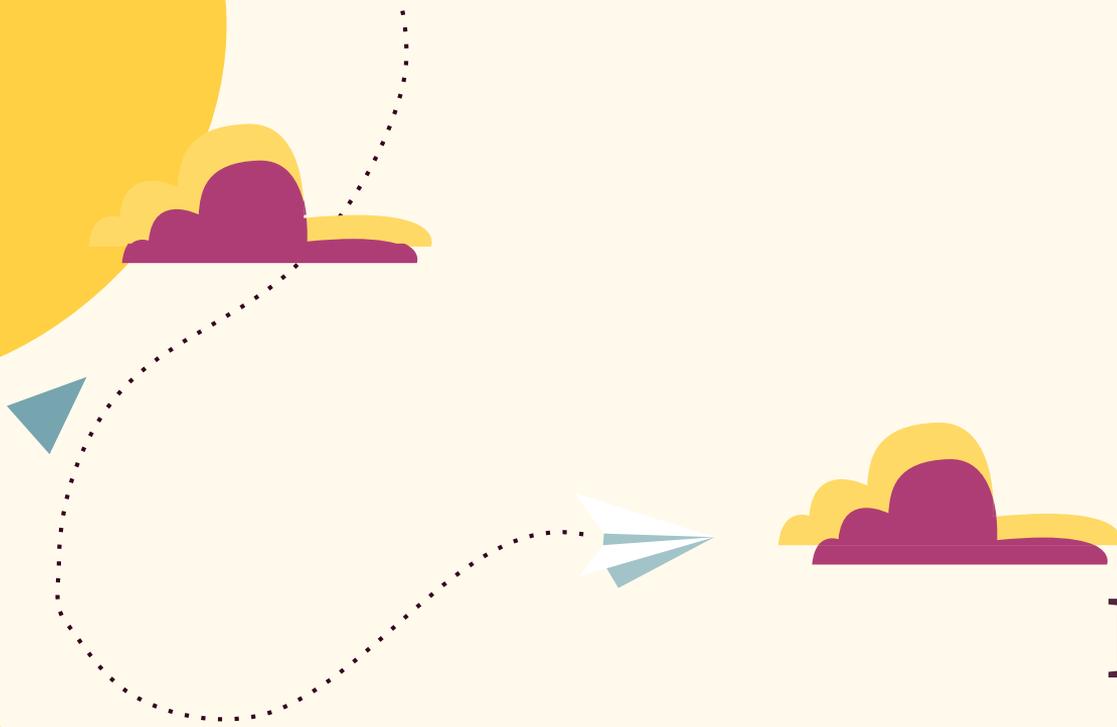


# The Solvency Piggy is worried about....



# IT'S TIME TO CHANGE

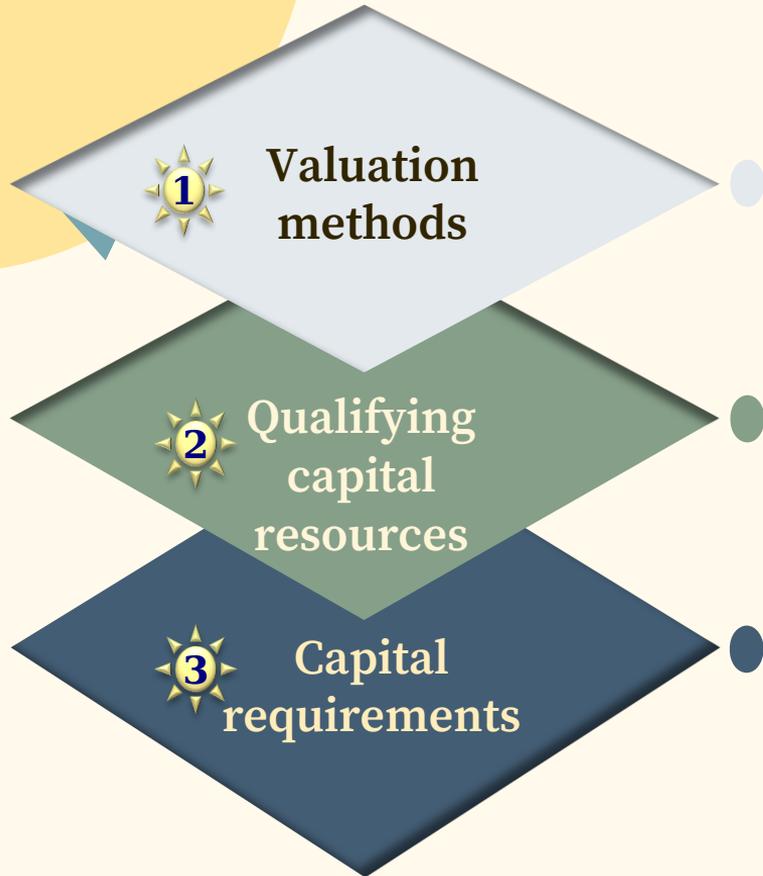




# 03

## Roadmap of change

# The Top 3 elements of reform



New regime

**Market-Adjusted valuation**

Assets and liabilities are measured at Fair value

**Tiering Approach**

Capital is classified into Tier 1 and Tier 2 based on quality considerations.

**Stress approach**

1.Scenario-based measurement of changes in net assets (or liabilities).  
2.Broader risks include catastrophe, etc.



Current regime

**Mixed evaluation approach**

1.Equity : At average prices over the past 6 months  
2.Bond : At amortized cost  
3.Reserves : Adopt an expected fixed interest rate

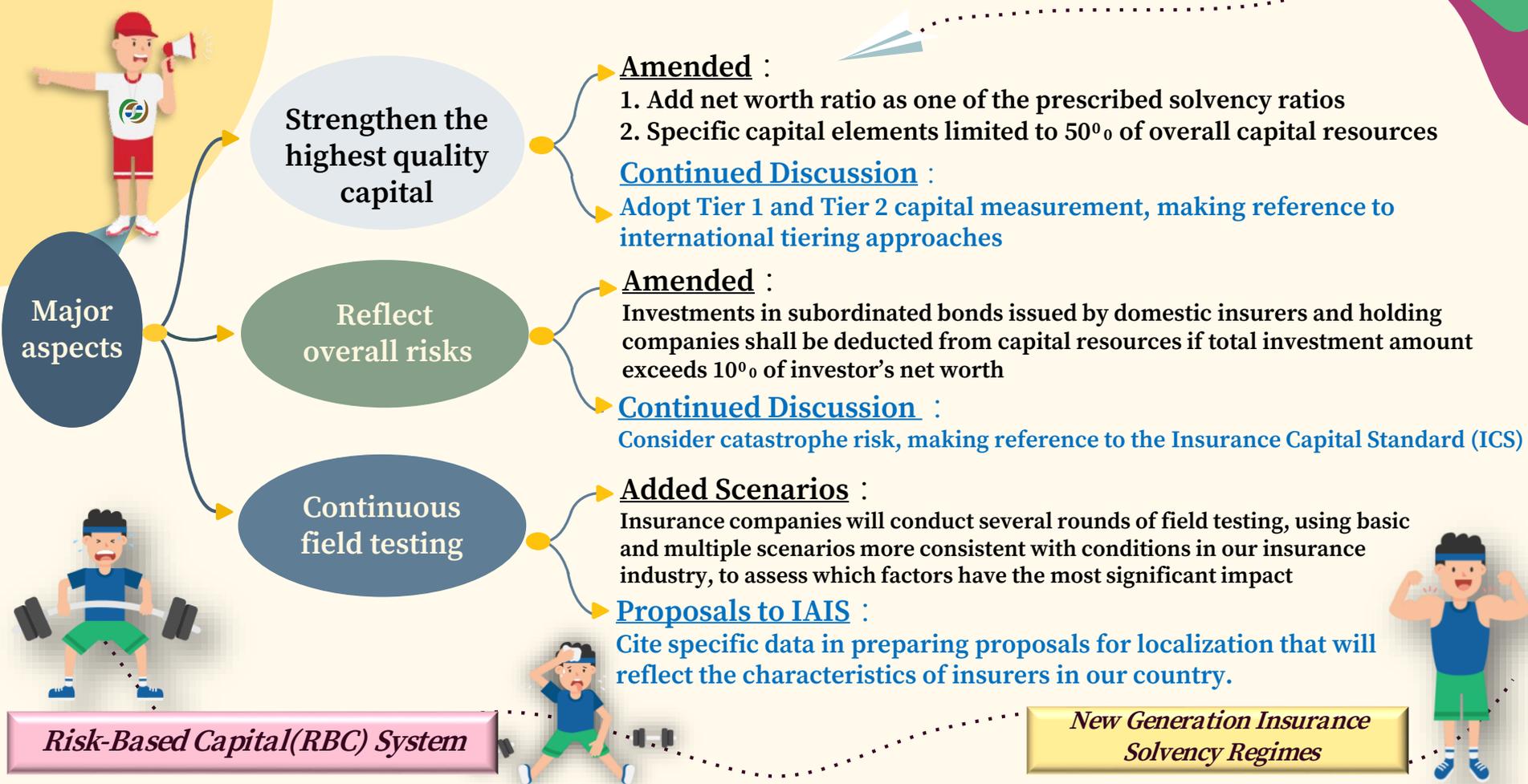
**No-tier approach**

Capital is equal to recognized own funds plus adjustments.

**Factor-based approach**

Factors are applied to specific exposures.

# The Top 3 measures for strength training



# 3 phases for adoption of the New Regime

Align with international standards step by step

Properly localized supervisory rules



## Phase 1

## Phase 2

## Phase 3

Implementation

### On-site field testing phase :



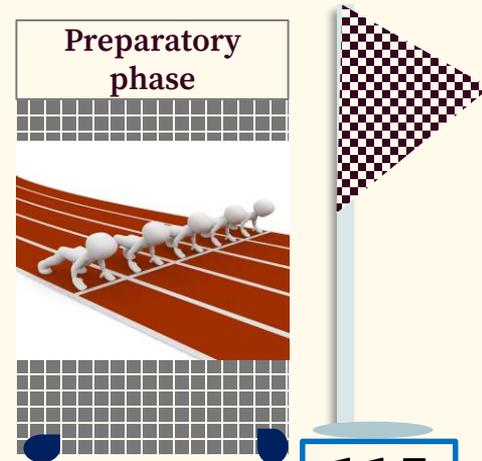
- ✓ Conduct on-site field testing
- ✓ Complete related research projects
- ✓ Draft localized supervisory rules

### Parallel testing phase :

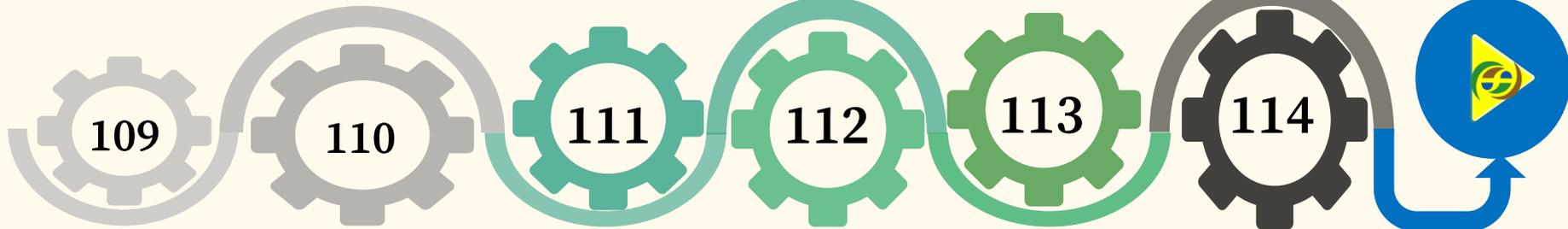


- ✓ Conduct three-year parallel run
- ✓ Draft transitional measures
- ✓ Draft localized supervisory rules
- ✓ Amend supervisory legislation

### Preparatory phase



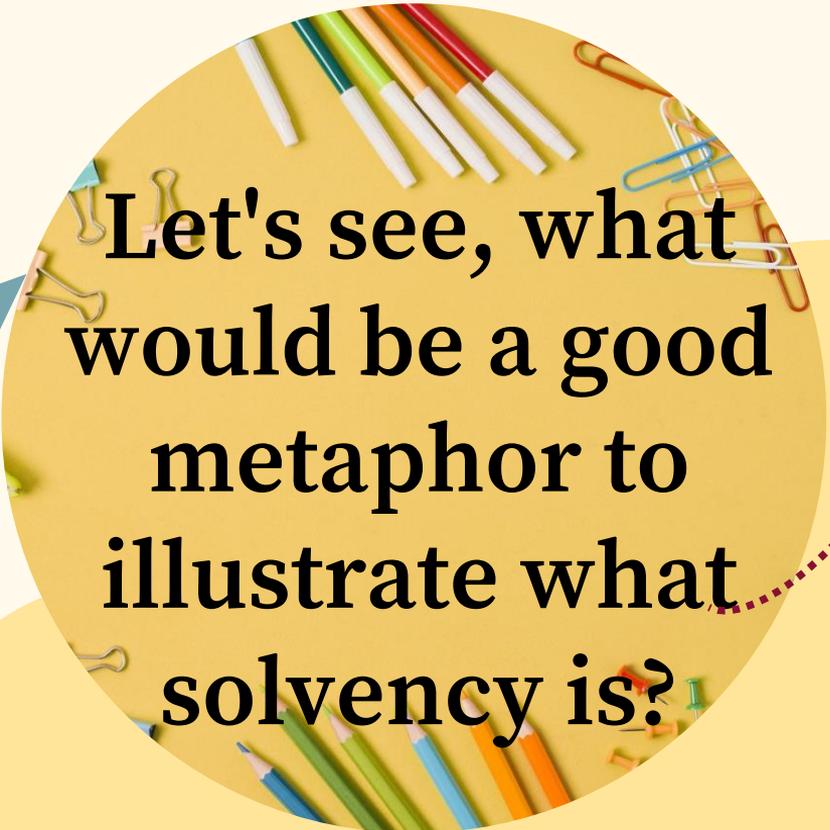
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Let's see, what would be a good metaphor to illustrate what solvency is?

*We could see it as an index for how safe our homes are during typhoons and earthquakes.*



# One night, Typhoon Katrina tore through an island...



Prescribed requirements before 2003

**Minimum Capital  
Standard**



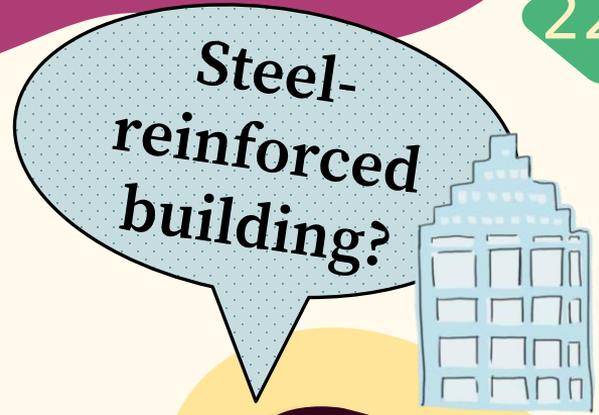
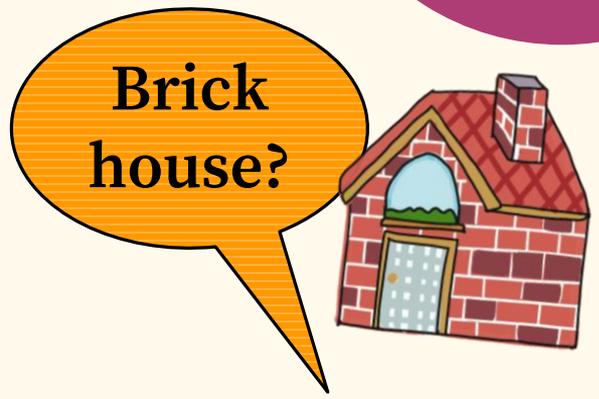
Prescribed requirements  
between 2003 and 2025

**Risk-Based Capital(RBC)  
System**



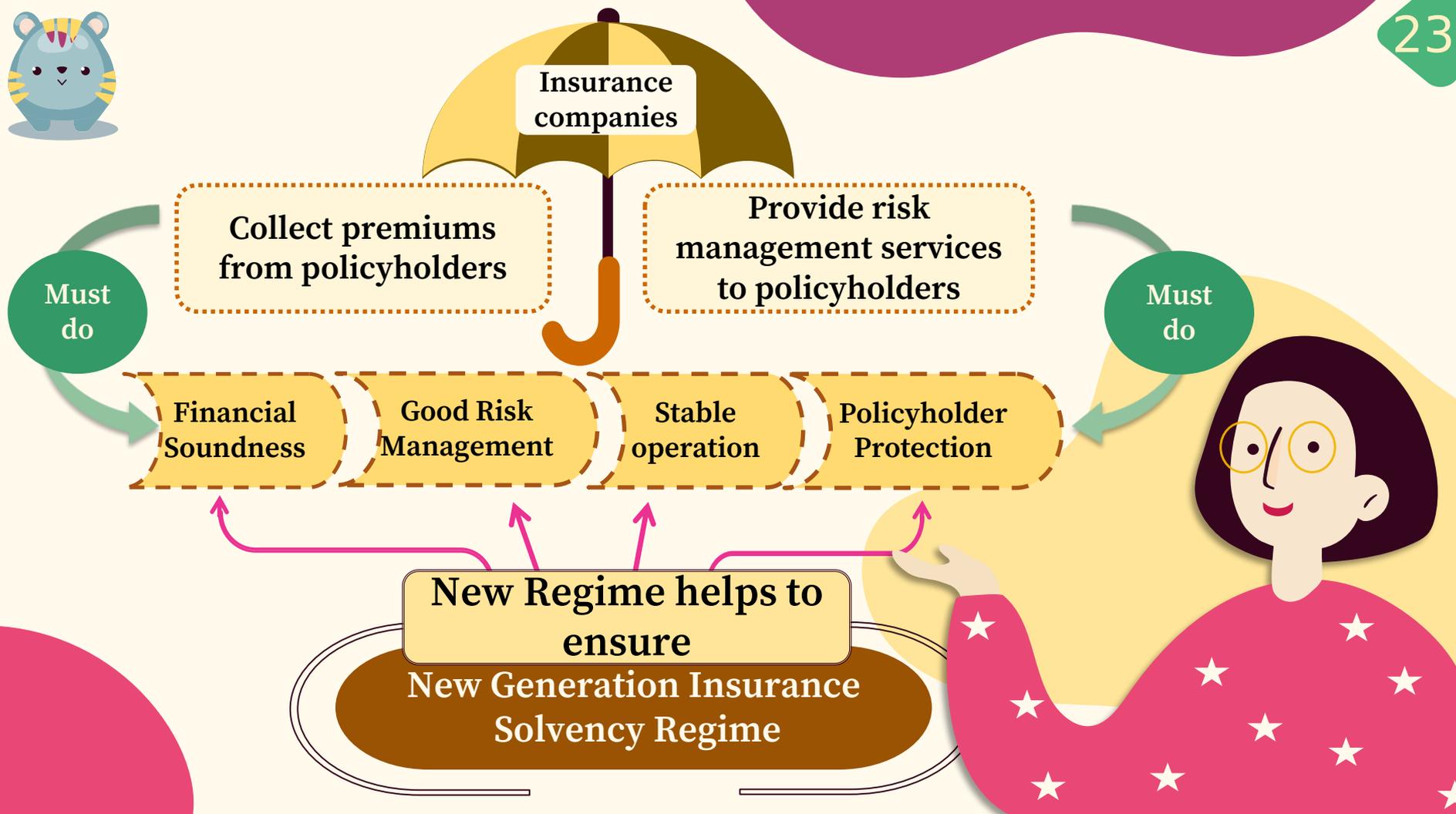
Prescribed requirements after 2026

**New Generation Insurance  
Solvency System**



Which place would you like to stay in tonight?





Thanks!

