



Taiwan Residential Earthquake Insurance Program (TREIP)

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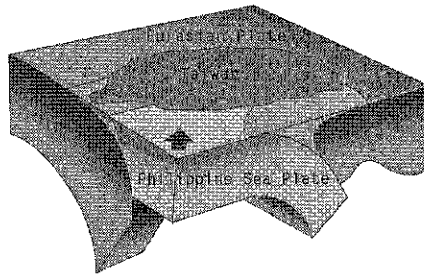
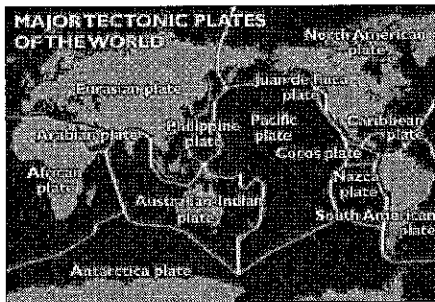


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Geographic Features in Taiwan (1)

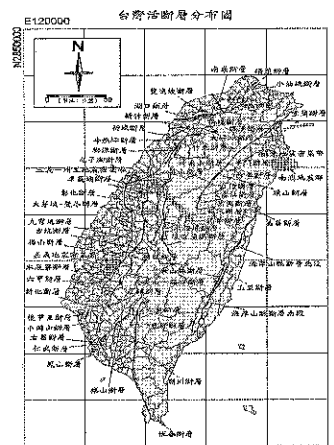
- Taiwan is located at the intersection of the Philippines Sea Plate and the Eurasian Plate, which are part of the circum-Pacific volcano and seismic zone



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Geographic Features in Taiwan (2)

- Total Area:**
35,980 sq km
- Population:**
22.4 million
- Faults in Taiwan**
– 51 active faults island wide




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Geographic Features in Taiwan (3)

- Taiwan experiences more than 200 perceivable earthquakes every year



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Background (1)

- ◆ **Sep. 21, 1999** : Following Chi-Chi earthquake, government initiated the idea of setting up Taiwan Residential Earthquake Insurance Scheme
- ◆ **July 9, 2001** : Article 138-1 of Insurance ACT was amended
 - ◆ Non-life insurance companies should undertake residential earthquake risk
 - ◆ Government needs to set up residential earthquake insurance fund to manage the risk assuming and transfer scheme
 - ◆ Risk assuming and transfer scheme should include local pooling, fund retention, reinsurance, and risk taken by the government

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Background (2)

- ◆ **Jan. 17, 2002** : Taiwan Residential Earthquake Insurance Fund (so called TREIF) was established
- ◆ **April 01, 2002** : Taiwan Residential Earthquake Insurance Program (so called TREIP”) began to operate
- ◆ **Dec. 1, 2005** : TREIF was designated as the pivotal organization (the final risk taker) of TREIP



Characteristics of TREIP Scheme (1)


- ◆ Residential earthquake insurance is a statutory insurance – providing people with the basic coverage for residential earthquake risk
- ◆ One policy for one household and basic cover for the householder with limited sum insured
- ◆ Combined policy covering residential fire and earthquake risks


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Characteristics of TREIP Scheme (2)

<ul style="list-style-type: none"> ◆ Wide Spread <ul style="list-style-type: none"> ◆ Insurance for all ◆ Beneficial to all ◆ Simplicity <ul style="list-style-type: none"> ◆ Easy to buy insurance ◆ Prompt to pay claims ◆ Indemnification <ul style="list-style-type: none"> ◆ Earthquake ◆ Other consequential losses ◆ Basic coverage, limit of insured amount 	<ul style="list-style-type: none"> ◆ Affordability <ul style="list-style-type: none"> ◆ Premium affordable by public ◆ Flat premium ◆ Government Support <ul style="list-style-type: none"> ◆ Part of the risk shared by the government ◆ guarantee loan
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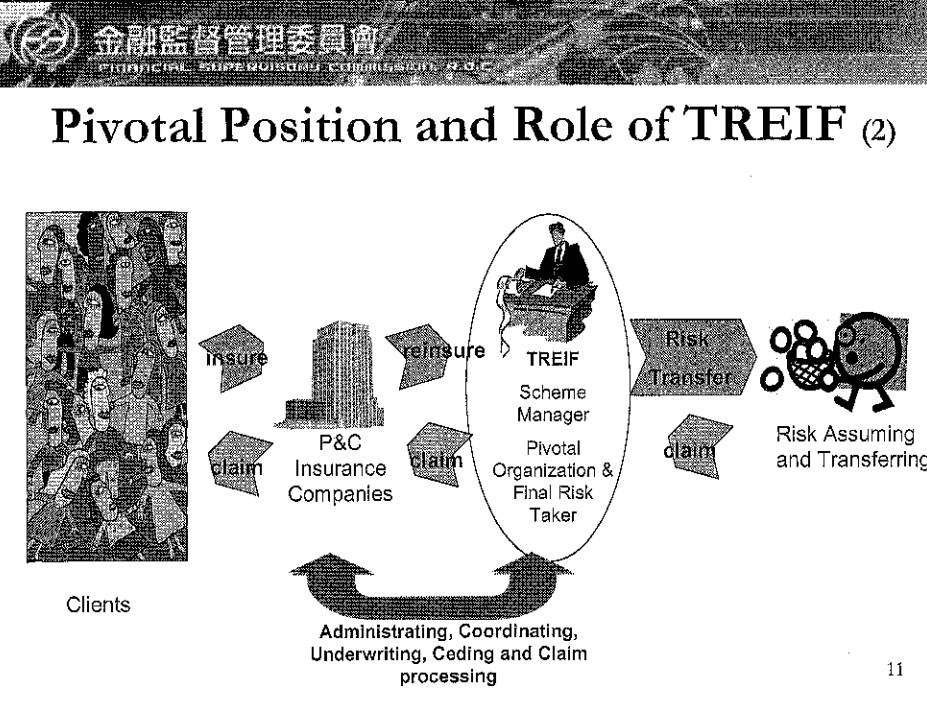

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Pivotal Position and Role of TREIF (1)


TREIF Mission and Goal:

- To promote the awareness of earthquake risk and to be the professional residential earthquake insurance organization
- To implement government policy by offering the basic protection of earthquake exposure and to satisfy the public needs

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- ## TREIP Scheme: Coverage (1)
- Only basic earthquake insurance cover provided by TREIP.
 - Clients can buy additional or expanded earthquake cover from Non-life Insurance Companies to expand the scope of coverage and policy limit
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TREIP Scheme : Coverage (2)

- **Existing Earthquake Policy**
 - Perils Insured**
 - Earthquake shock
 - Fire or explosion caused by earthquake
 - Landslide, subsidence, earth movement, rupture caused by earthquake
 - Tsunami, tidal waves or flood caused by earthquake
 - Subject Matter Insured**
 - Household building
 - Insured Period**
 - One year

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TREIP Scheme : Sum Insured and Premium

- **Existing Earthquake Policy (Con'd)**
 - Maximum Sum Insured**
 - NT\$1,500,000 (US\$50,000)
 - Contingent Living Expenses**
 - NT\$200,000 (US\$6,667)
 - Annual Flat Premium**
 - NT\$1,459 per policy (US\$49) -Before April 01, 2009
 - NT\$1,350 per policy (US\$45) -Modified with effect from April 01, 2009

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TREIP Scheme: Loss Criteria

- Existing Earthquake Policy (Con'd)

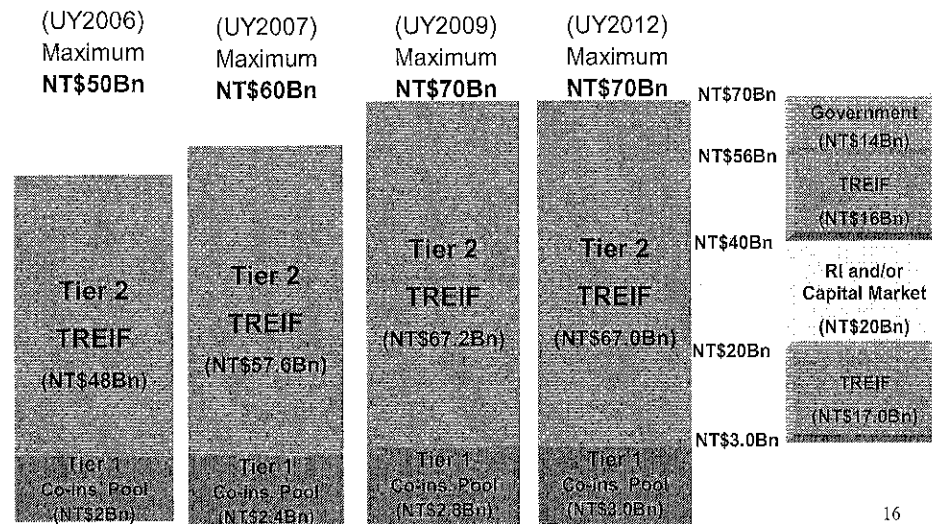
Loss Trigger

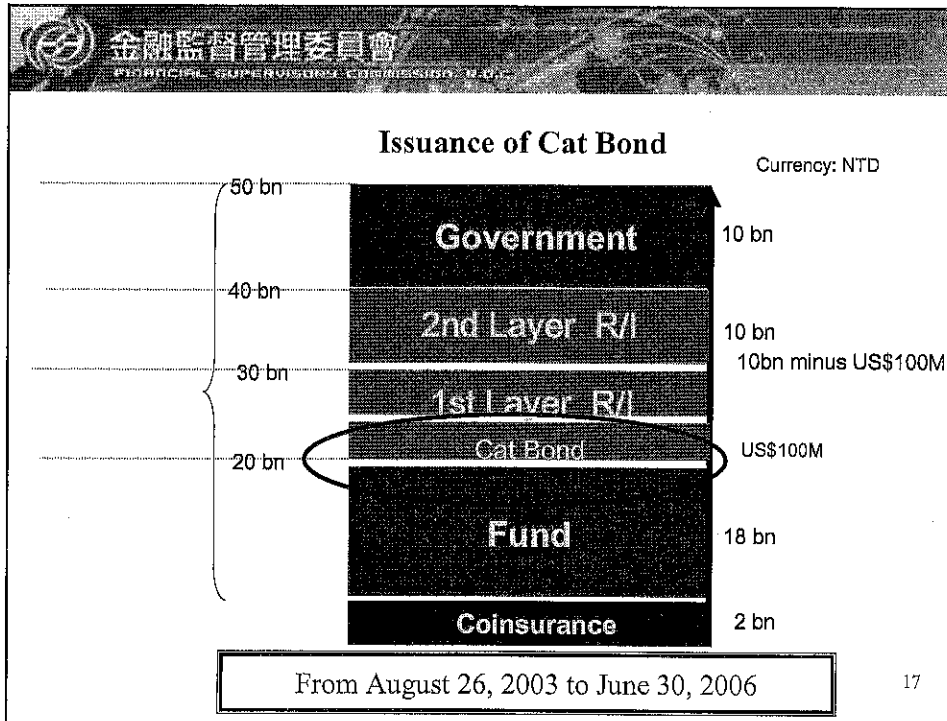
- Actual Total Loss or Constructive Total Loss
- The criteria of Constructive Total Loss
 - Repair cost for the damaged building exceeding (\geq) 50% of the replacement cost of the building
 - No deductible for each and every loss

Aggregate Limitation Per Earthquake Event

- NT\$70 billion (US\$2.3billion)
- Over Aggregate Limitation, on Pro-rata basis

TREIP Scheme: Risk Assuming and Transfer Structure (1)





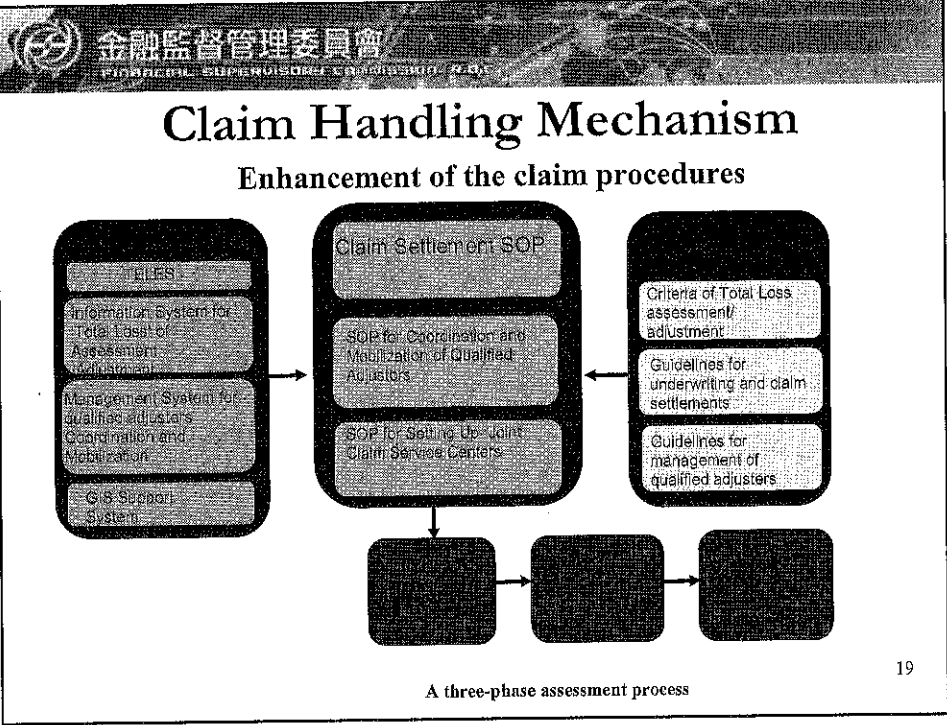
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TREIP Scheme: Risk Assuming and Transfer Structure (2)

- **Basis for the Aggregate Limit Setting**
 - Estimation of PML of one earthquake event as the cap limit based on Return period of 400 years and TREIF-ERA risk model analysis
 - Assumption of the risk model analysis
 - Take-up rate and the aggregate sum insured
 - Geological risk factors
 - Types of constructions, classification risk factors

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- ## TREIP Business Promotion (1)
- **Face-to-face promotion** : promotional events for general public
 - **Sales channel promotion** : promotional events for banks, insurance company and insurance agents
 - **School education** : educational events in elementary school, high schools and colleges
 - **Major promotion events** : big events such as trade shows and fairs
 - **Media advertisement** : newspapers, magazines, radio, TV, outdoor LED billboard and various printed media using promotion films and advertisements
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TREIP Business Promotion (2)

- ◆ **TREIP 10th Anniversary**
 - ◆ Special public promotion activity
 - ◆ Commemorative publication / album
 - ◆ International conference / seminar

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Development of TREIF-ERA Model

- ◆ **Purpose of setting up TREIF-ERA Model**
 - ◆ Enhancing the autonomy and the credibility of the earthquake risk assessment conducted by TREIF
 - ◆ Facilitating the development of risk spreading mechanism, insured amount, premium rate, claim settlement criteria, and reinsurance placement for the scheme

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Business and Finance of TREIP

- **Key Figures (As at June 30, 2012)**

- Policies in Force**

- 2,425,654 policies

- Take-up Rate**

- 29.70% of 8,166,245 households

- Total Aggregate Liabilities**

- NT\$3.97 trillion (US\$132 billion)

- Total Reserve**

- Over NT\$18 billion (US\$ 0.6 billion)

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Future Perspectives

- ◆ **Continuously review and improve the scheme**
- ◆ **Enhance the relationship and cooperation with international natural disaster insurance schemes managers**
- ◆ **Strengthen the business promotion for TREIP and Increase the take-up rate of TREIP**

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Thank you for your attention

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