

Content

Title :	Regulations Governing Foreign Investments by Insurance Companies <b>Ch</b>
Date :	2023.02.16
Legislative :	Amended on 16 February 2023 per Order No. Jin-Guan-Bao-Cai-Zi- 11204903341 of the Financial Supervisory Commission
Content :	<p>Article 2 Definitions of the phases referred to herein are as follows:</p> <ol style="list-style-type: none"><li>1. "Foreign government" means the central government and local government of a foreign country.</li><li>2. "Foreign bank" means a foreign bank which is ranked among the world' s top five hundred banks in terms of its capital or assets or has established a branch within the territory of the Republic of China ( "ROC").</li><li>3. "Foreign credit rating agencies" means Moody' s Investors Service, Standard &amp; Poor's Corp., Fitch Ratings Ltd., and other credit rating agencies recognized by the Financial Supervisory Commission.</li><li>4. "Local credit rating agencies" mean Taiwan Ratings Corp. and Fitch Ratings Ltd., Taiwan Branch.</li><li>5. "Overseas and Mainland China area real property" means the land in a foreign country and Mainland China area and any buildings thereon, the right to the yields from such land or the right to develop such land and construct buildings thereon.</li><li>6. "Relationships of control and affiliation" have the same meaning as in Articles 369-2 and 369-3 of the Company Act and Article 6 of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.</li><li>7. Major sanctions and penalties mean major sanctions and penalties specified in Article 2 of the Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation.</li></ol> <p>The total amount of the investment items as referred to as being rated by foreign credit rating agencies under these Regulations is calculated in the following manner:</p> <ol style="list-style-type: none"><li>1. In cases where the rating level of such investment is above the minimum credit rating level as set forth hereunder, the total amount of the investment shall be calculated based on the amount of investment that remains at a certain level when or after the investment is made as well as the amount of the investment that is upgraded or downgraded after the investment;</li><li>2. Save as otherwise provided in the preceding paragraph, in cases where such investment meets the minimum credit rating level set forth hereunder, the total amount of investment shall also include the total amount of investment downgraded under a certain rating level after the investment; provided that, however, if such investment is downgraded to a certain rating level that is not permitted hereunder, such investment shall be handled in accordance with the relevant insurance laws and regulations.</li></ol> <p>If no bond issuance ratings are available for meeting the requirements for the credit rating of the bond specified in Subparagraph 1 of Paragraph 1, Item 1 to Item 3 of Subparagraph 1 of Paragraph 4, and Paragraph 7 of Article 6, Subparagraph 1 to Subparagraph 3 of Paragraph 2 and Subparagraph 3 of Paragraph 3 of Article 7, Paragraph 1 of Article 10, and Subparagraph 1 of Paragraph 1 of Article 17, the credit rating of the issuance or guarantee institution from a foreign credit rating agency shall be used instead.</p> <p>Article 13-1 To file an application to invest in an overseas insurance-related enterprise, the insurer must meet the following requirements:</p> <ol style="list-style-type: none"><li>1. The insurer must meet at least one of the following requirements:<ol style="list-style-type: none"><li>(1) The average risk-based capital ratio of the insurer over the most recent 3 years is above 200%.</li></ol></li></ol>

(2) The owner' s equity at the end of the most recent period divided by the total asset excluding separate account is above 6%.

2.The insurer' s various reserve funds amortized during the previous year must be consistent with the legal requirements.

3. The insurer is not subject to any event that may interfere with sound operation, as determined by the competent authority, and in the immediately preceding year, the insurer has not been subject to any major sanctions its and penalties related to the usage of insurer' s funds by the competent authority, except if such event has been substantially improved, as determined by the competent authority.

4. The investment is subject to the approval of the insurer' s board of directors. If the insurer is a subsidiary of a financial holding company, the investment is subject to the approval of the board of directors of such financial holding company.

5. The insurer shall establish an internal procedure related to investment in overseas insurance-related enterprises and the operation and management of the other businesses invested by such enterprises, where the procedure of establishment and content thereof shall comply with the following provisions:

(1)Such procedure, including any amendment shall be implemented after approval by the insurer' s board of directors.

(2) If the insurer is a subsidiary of a financial holding company, such internal procedure, including any amendment, shall be implemented after approval by the board of directors of the financial holding company.

(3)For overseas insurance-related enterprises having a relationship of control and affiliation with the insurer or having a director or supervisor appointed by the insurer, the internal procedure related to their operation and management shall include control mechanism for timely access to the enterprise' s business audit report, accountant' s report and financial examination report issued by the home-country government.

6. The insurer' s board of directors shall establish a risk management committee or an interior risk management department and one chief risk officer shall assume responsibility for the overall risk management of the company.

7. An effective investment management and risk control procedure shall be established and implemented after approval by the board of directors.

To file an application to invest in an overseas insurance-related enterprise other than foreign insurance companies, insurance agent companies and insurance broker companies, in addition to complying with the provisions set forth in each subparagraph of the preceding paragraph, the insurer must also meet the following requirements:

1. The average risk-based capital ratio of the insurer over the most recent 3 years is above 250%.

2. The insurer shall possess the professional capability and experience for sound operations and management of the insurance-related enterprise.

3. When the insurer applies for investing in an overseas banking enterprise, it shall jointly invest with the banking subsidiary of the affiliated financial holding company, and its capital contribution to the invested banking enterprise may not be higher than that of the banking subsidiary.

The insurer shall ensure, before and after making the investment, that it is able to obtain and provide relevant data or documents that it should obtain or file pursuant to Subparagraphs 1, 4, 6, 7, 9-12 and 15 of Article 13-3 herein. If any of the aforementioned data or documents is not obtainable after the investment due to regulatory change of the home country, the preceding provision does not apply, provided the insurer has submitted a report to the competent authority that describes relevant situation and reasons within 2 days from the next day following the date of becoming aware of the situation, and submitted relevant proof documents to the competent authority for approval within 15 days.

Article 13-3 An insurer who has received approval from the competent authority for the investment of overseas insurance-related enterprise shall comply with the following:

1. If any of the following circumstances exist in an insurer' s invested insurance-related enterprise, which has the approval of the competent authority, the reasons and relevant information shall be reported to the

competent authority within seven days after the occurrence of event:

- (1) Change of business scope or significant operation policy.
- (2) A change of capital amount of the invested insurance-related enterprise resulting in a change of the shareholding ratio of the insurer or the insurer's overseas subsidiary in a third territory, that has an impact on the relationship of control and affiliation as defined in the Chapter of Affiliates under the Company Act of the Republic of China between the insurer and the invested insurance-related enterprise or between the insurer's overseas subsidiary in a third territory and the invested insurance-related enterprise.
- (3) An important financial or business decision that requires the approval of the majority of directors attending a meeting of the board of directors that is attended by 2/3 or more of all directors of the company, or a resolution approved by a majority of voting rights represented by shareholders at a meeting attended by representatives of 2/3 or more of the total number of outstanding shares.
- (4) Dissolution or cessation of business.
- (5) Change of entity name or business address.
- (6) Merger with any other financial institution, assignment or taking assignment of all or a substantial part of assets or business.
- (7) Reorganization, liquidation or bankruptcy.
- (8) Significant loss that has occurred or is expected to occur.
- (9) A material breach of the law or the cancellation or withdrawal of a business permit by the competent authority of an overseas territory.
- (10) Other material breach of corporate governance or internal control.

2. When an insurer invests in an overseas insurance-related enterprise other than foreign insurance companies, insurance agent companies and insurance broker companies by itself or together with the affiliated financial holding company and subsidiaries thereof, and the investment amount combined has reached 10% or more of the total number of outstanding shares already issued by the invested enterprise, the insurer's investment and risk management mechanism shall include at least the following particulars:

- (1) A task force is set up to take charge of supervising and managing risks and businesses of the invested overseas insurance-related enterprise. The task force members shall include at least investment, risk management and compliance related department personnel and director and supervisor appointed to the enterprise.
- (2) The mode of operation, management responsibility and relevant matters of the task force should be included in the insurer's internal control system.
- (3) In case of a joint investment, the task force members shall also include relevant responsible personnel of the affiliated financial holding company or subsidiaries thereof.
- (4) In case of a joint investment under the preceding item, the convening, establishment, mode of operation and responsibility of the task force should be commensurate with the amount of capital contribution and consented by the affiliated financial holding company. The convener should be responsible for providing essential investment and management information to each investor for them to report to their board of directors or authorized internal management unit.

3. Any insurer investing in the overseas insurance-related enterprise shall report or discuss the matter with their board of directors for the review and approval of all important financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of such overseas insurance-related enterprise at least every quarter. Where the overseas insurance-related enterprise is a foreign insurance company, insurance agent company or insurance broker company and has a relationship of control and affiliation with the insurer, the matter may be reported or discussed to or with a designated unit authorized by the insurer's board of directors. If the insurer is a subsidiary of a financial holding company, such report shall also be submitted to the board of directors of such financial holding company, or such events shall be reported or discussed at meetings organized by the responsible department authorized by the board of directors of the financial holding company.

4. Important motions at the board of directors meetings of the overseas

insurance-related enterprise invested by the insurer shall be handled according to the following provisions:

(1) For an overseas insurance-related enterprise having a relationship of control and affiliation with the insurer, the director and supervisor of the overseas insurance-related appointed by the insurer should report such important motions to the boards of the insurer and the affiliated financial holding company for discussion in advance. However if prior reporting cannot take place due to some specific reasons such as time constraint, the matter may be handled in accordance with the procedure authorized by the board of directors and reported to the boards of the insurer and the affiliated financial holding company afterwards.

(2) For an overseas insurance-related enterprise not having a relationship of control and affiliation with the insurer but having a director or supervisor appointed by the insurer, resolutions on important motions adopted by the enterprise' s board of directors shall be reported to the boards of the insurer and the affiliated financial holding company afterwards.

5. Neither the insurer' s overseas subsidiary, nor any invested business that constitutes a relationship of control and affiliation as defined in the Chapter of Affiliates under the Company Act of the Republic of China, shall further invest in any domestic insurance-related enterprise.

6. If the insurer' s overseas subsidiary invests in any other entity, or if the entity invested in by the overseas subsidiary further invests in any other entity, and if there is a relationship of control and affiliation defined in the Chapter of Affiliates under the Company Act with the invested entity, such investment shall be subject to a prior request to the competent authority for approval. Relevant documents of proof shall also be filed with the competent authority for reference within 10 days of approval and actual investment.

7. Before the end of April of each year, a business report covering all overseas insurance-related enterprises in which investment has been made during the previous year shall be submitted to the competent authority. Such business report shall include the status of the business, profit and loss situation and performance review.

8. The insurer shall develop in its annual audit plan an audit plan or a plan to engage an accountant or other professionals to conduct audit on overseas insurance-related enterprises having a relationship of control and affiliation with the insurer, and present the audit report to the boards of the insurer and the affiliated financial holding company.

9. The business audit report and accountant' s report of the following entities, as well as the examination report issued by the financial examination authority of their home country, shall be filed with the competent authority for reference within 15 days from the receipt of such reports. However, if any such report involves any material breach of law, it shall be filed immediately with the competent authority for reference:

(1) Invested overseas insurance-related enterprises.

(2) For invested overseas insurance-related enterprise having a relationship of control and affiliation with the insurer, its subsidiaries having a relationship of control and affiliation with the enterprise and having actual operating activities.

(3) For invested overseas insurance-related enterprise jointly invested by the insurer together with its affiliated financial holding company and subsidiaries thereof and having a relationship of control and affiliation with them, its subsidiaries having a relationship of control and affiliation with the enterprise and having actual operating activities.

10. Information about the operation of the overseas insurance-related enterprise should be provided in the information reporting system designated by the competent authority. Any change should be duly updated.

11. Pursuant to the requirements set forth in Article 11 of Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises and Article 11 of Regulations Governing Public Disclosure of Information by Life Insurance Enterprises, the non-life and life insurance companies shall, respectively, make disclosures to the public in the notes which are to be made in the information disclosure website area concerning the names of the insurance-related enterprises in which investment has been made by the overseas insurance-related enterprise, the countries where such

businesses are located, the amount of investment and investment profit and loss from each year , and shall renew such information on an annual basis.

12. After investment in an overseas insurance-related enterprise, if the insurer meets the requirements under Paragraph 1 or 2, Article 13-1, the insurer may participate in the capital increase in cash of such business within the original investment ratio. An application form (Table 1) and the documents listed under Paragraphs 1 to 8 of the attachment shall be filed with the competent authority for reference within 15 days of the investment.

13. The transactions between the insurer and the overseas insurance-related enterprise in which investment has been made shall be consistent with the relevant requirements of Articles 146-3 and 146-7 of the Act.

14. The insurer has duly enforced the evaluation mechanism or internal regulation listed under Paragraphs 4 and 9 to 11 of the attachment.

15. Provide any other information or document required by the competent authority.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System