

Content

Title : Insurance Act [Ch](#)

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2.Promulgated by National Government in total of 92 articles on 1937.1.11 (listed in National Government Bulletin 2250)
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10.Revised and promulgated by President Order (Tsung-tung-hua-tsung-yi-yi-tzu No. 9200011690) on 2003.1.22 regarding Article 131、146-4.
11.Revised and promulgated by President Order (Hua-tsung-yi-yi-tzu No. 09300016541) on 2004.2.4 regarding Article 167、168、168-2、172-1; augmented Article 168-3~68-5.
12.Amended on May 18, 2005
15.Amended on July 18, 2007
16.Amended on February 01, 2010
17.Additions of Articles 139-1, 139-2, and 171-2 per Presidential Decree No. Hua-Zong-Yi-Yi-Zi-09900331481 dated December 8, 2010
18.Amendment to Articles 163, 165, 167-1, 167-2, 177, 178, and title of Chapter V, Section 4, addition of Articles 164-1, 167-3~167-5, and 177-1, and deletion of Article 164 promulgated per Presidential Decree No. Hua-Zong-Yi-Yi-Zi-10000135291 dated June 29, 2011. With the exception of Article 177-1 that will enter into force on a date as determined by the Executive Yuan, the amended provisions will enter into force from the date of promulgation.
19.Amended on November 30, 2011
20.Amended on June 6, 2012
21.Amended on January 8, 2014
22.Amended by Presidential Decree No. Hua-Zong-Yi-Yi-Zi-10300085121 on June 4, 2014

Section 1. Definitions and Categories

Article 1

The term "insurance" as used in this Act means an act whereby the parties concerned agree that one party pays a premium to the other party, and the other party is liable for pecuniary indemnification for damage caused by unforeseeable events or force majeure.

A contract entered into on the basis of the preceding paragraph is called an "insurance contract."

Article 2

The term "insurer" as used in this Act means any of various organizations engaged in the business of insurance that has the right to claim a premium upon entering into an insurance contract and is liable for indemnification, in accordance with the contracted insurance obligations, when an insured peril occurs.

Article 3

The term "proposer" as used in this Act means a person having an insurable interest in the subject matter insured who applies to an insurer to enter into an insurance contract and is obligated to pay a premium.

Article 4

The term "insured" as used in this Act means a person who, upon incurring damage as the result of an insured peril, enjoys the right to claim indemnification. A proposer may also be the insured.

Article 5

The term "beneficiary" as used in this Act means a person stipulated by the insured or the proposer as the person who enjoys the right to claim indemnification. A proposer or insured may also be a beneficiary.

Article 6

The term "insurance enterprise" as used in this Act means an entity organized and registered pursuant to this Act and engaged in insurance business.

The term "foreign insurance enterprise" as used in this Act means an entity organized and registered pursuant to foreign law and engaged in insurance business in the Republic of China with permission from the competent authority.

Article 7

The term "responsible person of an insurance enterprise" as used in this Act means a person who shall be held responsible in accordance with the Company Act or the Cooperative Act.

Article 8

The term "insurance agent" as used in this Act means a person who, on the basis of a contract of agency or a letter of authorization, collects remuneration from an insurer and acts as a business agent on the insurer's behalf.

Article 8-1

The term "insurance solicitor" as used in this Act means a person who solicits insurance business on behalf of an insurance enterprise, an insurance broker company, or an insurance agent company.

Article 9

The term "insurance broker" as used in this Act means a person who, on the basis of the interests of the insured, negotiates an insurance contract or

provides related services and collects a commission or remuneration.

Article 10

The term "surveyor" as used in this Act means a person who collects remuneration from the insurer or the insured, and on behalf of the hiring party inspects, assesses, and appraises the subject matter insured, adjusts and negotiates indemnification, and gives attestation thereof.

Article 11

The reserve funds set out in this Act include policy reserves, unearned premium reserves, special reserves, loss reserves, and other reserve funds as may be specified by the competent authority.

Article 12

The term "competent authority" as used in this Act means the Financial Supervisory Commission. However, in the case of insurance cooperatives, the Financial Supervisory Commission is the competent authority for the business operated by the cooperatives, while the competent authority in charge of cooperatives is the competent authority for the administrative affairs of the cooperatives.

Article 13

Insurance is categorized into non-life insurance and insurance of the person.

Non-life insurance includes fire insurance, marine insurance, land and air insurance, liability insurance, bonding insurance, and any other type of insurance approved by the competent authority.

Insurance of the person includes life insurance, health insurance, personal injury insurance, and annuities.

Section 2. Insurable Interest

Article 14

A proposer has an insurable interest in current interest in a property, or expected future interest deriving from current interest in a property.

Article 15

A transporter or custodian of goods has an insurable interest in goods that it transports or keeps in custody, within the extent to which the transporter or custodian bears liability for the goods.

Article 16

A proposer has an insurable interest in the life or body of any of the following persons:

1. The proposer or the proposer's family members.
2. Persons upon whom the proposer depends for living expenses or educational expenses.
3. The proposer's obligors.
4. Persons who manage the proposer's assets or interests on the proposer's behalf.

Article 17

If the proposer or insured has no insurable interest in the subject matter insured, the insurance contract shall become void.

Article 18

If the insured dies or ownership of the subject matter insured is transferred, the insurance contract remains valid for the benefit of the heir or the transferee unless otherwise stipulated in the contract.

Article 19

When partners or co-owners are jointly insured, the assignment of one or more insured persons' insurable interest to another does not void the insurance contract.

Article 20

Any interest deriving from an in-force contract may also be an insurable interest.

Section 3. Premiums

Article 21

Premiums are categorized into two kinds: those to be paid in a lump sum, and those to be paid in installments. A lump-sum premium, if such is stipulated in the insurance contract, or the first installment of the premium, shall be paid before the contract takes effect. However, this requirement does not apply where the premium has not yet been determined at the time the insurance contract is entered into.

Article 22

Premium shall be paid by the proposer in accordance with the provisions of the insurance contract. Where a trust enterprise is obligated under a trust agreement to pay the insurance premiums, the trust enterprise shall pay the insurance premiums in the proposer's stead.

The insured amount, set forth in the trust agreement referred to in the preceding paragraph, which the insurer is obligated to pay in accordance with the insurance contract shall be deemed to be a trust property of the trust agreement.

When a proposer enters into an insurance contract for the benefit of another person, the insurer may raise the same defense against the beneficiary that it may raise against the proposer.

Article 23

If multiple insurance contracts entered into in good faith cover the same insurable interest and the same insured event, and the total insured amount exceeds the value of the subject matter insured, the proposer may, prior to occurrence of the risk, claim a refund of the premium in proportion to the excess value.

If an insurance contract becomes void due to the circumstances set forth in Article 37, the insurer may still collect premium during the period in which the insurer is unaware that the contract has become void.

Article 24

If an insurer is not bound by an insurance contract because of circumstances set forth in Article 51, paragraph 2, the insurer may claim reimbursement of expenses. Premium already collected need not be refunded.

If a proposer is not bound by an insurance contract because of circumstances set forth in Article 51, paragraph 3, the insurer may not claim payment of premium or reimbursement of expenses; where already collected, they shall be refunded.

If an insurance contract is terminated or partially terminated because of circumstances set forth in Article 60 or Article 81, premium paid for the period subsequent to termination shall be refunded, except where the premium is not calculated on the basis of time.

Article 25

If an insurance contract is rescinded because of circumstances set forth in Article 64, paragraph 2, the insurer need not refund premium already

collected.

Article 26

Where premium is calculated based on special circumstances pertaining to increased risk as stipulated in the insurance contract, and such circumstances cease to exist during the term of the contract, the proposer may demand a pro rata reduction of premium based on the premium rate at the time the contract was entered into, to apply from the time the circumstances ceased to exist.

If the insurer does not agree to a reduction of premium as set forth in the preceding paragraph, the proposer may terminate the contract, and any premium paid for the period subsequent to termination shall be refunded.

Article 27

If an insurer becomes bankrupt, its insurance contracts terminate on the day that bankruptcy is adjudicated, and any premium paid for the period subsequent to termination shall be refunded by the insurer.

Article 28

If a proposer becomes bankrupt, the insurance contract remains valid for the benefit of the creditors of the bankrupt party. However, the bankruptcy trustee or insurer may terminate the contract within three months from the day of the bankruptcy adjudication. Any premium paid for the period subsequent to termination shall be refunded.

Section 4. Obligations of the Insurer

Article 29

An insurer is liable to indemnify for damage caused by unforeseeable events or force majeure. However, this requirement is not applicable when limitations are expressly stated in the insurance contract.

An insurer is liable to indemnify for damage caused by the fault of the proposer or insured. However, this rule is not applicable to loss caused by a willful act of the proposer or insured.

Article 30

An insurer shall be liable to indemnify for damage caused by the fulfillment of a moral obligation.

Article 31

An insurer shall be liable to indemnify for damage caused by employees, objects, or animals of the proposer or the insured.

Article 32

The insurer shall be liable to indemnify for damage caused by war unless the insurance contract stipulates otherwise.

Article 33

The insurer is liable to reimburse the proposer or insured for expenses resulting from any necessary action taken to avoid or mitigate damage. Even if the combined total of reimbursement and indemnification exceeds the total insured amount, the insurer shall pay the full combined amount.

When an insurer makes reimbursement for expenses referred to in the preceding paragraph, such reimbursement is to be determined according to the ratio of the insured amount to the value of the subject matter insured.

Article 34

After a proposer or insured has submitted all supporting documents for a claim, the insurer shall pay indemnification within the stipulated time period. Where no time period has been stipulated, payment shall be effected

within 15 days from receipt of notification.

If, for reasons attributable to itself, the insurer fails to make payment within the time period referred to in the preceding paragraph, it shall pay default interest at the rate of 10% per annum.

Section 5. Double Insurance

Article 35

The term "double insurance" means an act of contracting whereby a proposer separately enters into multiple insurance contracts with multiple insurers covering the same insurable interest and the same insured event.

Article 36

In double insurance, a proposer shall, unless otherwise stipulated, notify each insurer of the names of the other insurers and the amounts insured thereby.

Article 37

If a proposer willfully fails to make the notification referred to in the preceding Article, or obtains double insurance with the intent to acquire undue profit, the contract shall be void.

Article 38

Where double insurance has been obtained in good faith and the total insured amount exceeds the value of the subject matter insured, each insurer, unless otherwise stipulated, is liable only to provide a share of the indemnification for the total value of the subject matter insured pro rata to the amount it has insured. However, the total indemnification may not exceed the value of the subject matter insured.

Section 6. Reinsurance

Article 39

The term "reinsurance" means an act of contracting whereby an insurer effects insurance with another insurer to cede risk that it has insured.

Article 40

The insured of the original insurance contract has no right to claim indemnification from a reinsurer. However, this restriction does not apply where otherwise provided by the original insurance contract or the reinsurance contract.

Article 41

A reinsurer may not claim payment of premium from the proposer of the original insurance contract.

Article 42

An original insurer may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation to make reinsurance payment.

Chapter II. Insurance Contracts

Section 1. General Provisions

Article 43

An insurance contract shall be made in the form of a policy or a binder.

Article 44

An insurance contract is to be signed and executed by the insurer after it agrees to an application submitted by the proposer.

Any interested party may request a copy of the insurance contract from the insurer.

Article 45

A proposer may, without having been mandated, enter into an insurance contract for the benefit of another person. Should there be any doubt as to the beneficiary, it will be presumed that the proposer entered into the contract for its own benefit.

Article 46

If an insurance contract is entered into by an agent [on behalf of another], a statement to such effect shall be made in the insurance contract.

Article 47

If an insurance contract is entered into by one or several partners or co-owners for the benefit of all the partners or co-owners, a statement to such effect shall be made in the insurance contract.

Article 48

An insurer may stipulate in the contract that loss to a portion of the subject matter insured arising from risk shall be borne by the proposer. When the type of stipulation set forth in the preceding paragraph is made, the proposer may not enter into an insurance contract with another insurer for the portion that has not been insured.

Article 49

Except in the case of insurance of the person, an insurance contract may have either a specified or an unspecified beneficiary.

The insurer may raise against the assignee of an insurance contract the same defense that it may raise against the proposer.

Article 50

Insurance contracts are classified into unvalued and valued insurance contracts.

An unvalued insurance contract is an insurance contract which expressly states that the value of the subject matter insured must be estimated after occurrence of the insured risk.

A valued insurance contract is an insurance contract that expressly states a definite value for the subject matter insured.

Article 51

If the risk associated with the subject matter insured has already occurred or ceased to exist at the time an insurance contract is entered into, the contract shall be void, provided that this rule does not apply when neither of the contracting parties is aware of the occurrence or cessation of existence.

If, at the time an insurance contract is entered into, only the proposer knows that the risk has already occurred, the insurer is not bound by the contract.

If, at the time an insurance contract is entered into, only the insurer knows that the risk has ceased to exist, the proposer is not bound by the contract.

Article 52

When an insurance contract is entered into for the benefit of another person, if that person has not yet been determined at the time the contract is entered into, the proposer, or such beneficiary as may be determined in accordance with the content of the insurance contract, shall enjoy the benefit.

Article 53

If an insured has a right to claim indemnification from a third party due to occurrence of loss for which the insurer bears insurance liability, the insurer may, after paying indemnification, be subrogated to the insured's right of claim against the third party. However, the amount of the subrogated claim may not exceed the amount of the indemnification.

If the third party referred to in the preceding paragraph is a family member or employee of the insured, the insurer has no right of claim by subrogation. However, this rule is not applicable when the loss has resulted from the willful misconduct of such third party.

Article 54

Compulsory provisions of this Act may not be modified by contract. However, this restriction does not apply to modifications favorable to the insured. Interpretation of insurance contracts shall seek the true intent of the parties, and may not adhere blindly to the language employed. Where there is doubt, interpretations should in principle be favorable to the insured.

Article 54-1

If an insurance contract contains any term or condition as follows, and such term or condition would have been obviously unfair under the circumstances at the time of signing, such part of the contract shall be void:

1. A term or condition that exempts the insurer from or diminishes its obligations under this Act.
2. A term or condition that causes the proposer, beneficiary, or insured to waive or limit any right they enjoy under this Act.
3. A term or condition that increases the obligations of the proposer or the insured.
4. Any other term or condition that is materially disadvantageous to the proposer, beneficiary, or insured.

Section 2. Basic Provisions

Article 55

Except where otherwise provided in this Act, an insurance contract shall specify the following particulars:

1. Names and domiciles of the contracting parties.
2. The subject matter insured.
3. The type of risk insured.
4. The date and hour from which the insurance liability commences and the period of insurance.
5. The insured amount.
6. The premium.
7. Causes for voidance of contract or loss of rights.
8. The date the contract is entered into.

Article 56

When an insurance contract is modified or a suspended contract is reinstated, failure by the insurer to reject the modification or reinstatement within 10 days from receipt of notification shall be deemed acceptance. However, where this Act has special provisions for insurance of the person, such provisions shall govern.

Article 57

Except when due to a force majeure event, the failure of a party to an insurance contract to provide a required notification of any matter to

another party, whether intentional or unintentional, may be cause for rescission of the contract by the other party.

Article 58

When a proposer, insured, or beneficiary experiences an event for which the insurer bears insurance liability, such party shall notify the insurer within five days from becoming aware of the occurrence, except where otherwise provided in this Act or stipulated in the contract.

Article 59

A proposer required to serve notice of circumstances that increase risk as stated in the insurance contract shall notify the insurer upon becoming aware of the circumstances.

If the increase in risk is caused by an act of the proposer or the insured, and the risk is increased to the extent that the premium should be increased or the contract terminated, the proposer or the insured shall serve prior notice to the insurer.

If the increase in risk is not caused by an act of the proposer or the insured, the proposer or the insured shall notify the insurer within 10 days of becoming aware of the increase in risk.

When risk is diminished, the insured may request the insurer to adjust the premium.

Article 60

In the event of circumstances referred to in the preceding article, the insurer may terminate the contract or propose revision of the premium. If the proposer does not agree to the premium adjustment, the contract is terminated forthwith. However, where the contract is terminated on account of circumstances stated in paragraph 2 of the preceding article, the insurer may also claim compensation if it has sustained any loss.

An insurer that continues to accept the premium after becoming aware of an increase in risk, or that pays a claim after occurrence of the risk, or that otherwise expresses intent to maintain the contract, loses the rights stated in the preceding paragraph.

Article 61

The provisions of Article 59 does not apply to an increase in risk under any of the following circumstances:

1. Where the occurrence of damage does not affect the burden of the insurer.
2. Where the act is done to protect the interests of the insurer.
3. Where the act is done to fulfill a moral obligation.

Article 62

A party shall be free of obligation of notification with regard to any matter enumerated below:

1. A matter of which the other party is aware.
2. A matter of which the other party should be aware by paying normal attention or for which it would have no excuse for being unaware.
3. A matter of which the other party has stated that no notice need be served.

Article 63

A proposer or an insured who fails to serve notice within the time limit stated in Article 58 or Article 59, paragraph 3 shall be liable for loss sustained by the insurer as a result.

Article 64

At the time a contract is entered into, the proposer shall make truthful representations in response to the written inquiries of the insurer. If the proposer has made any willful concealment, nondisclosure through its own fault, or misrepresentation, and such concealment, nondisclosure, or misrepresentation is sufficient to alter or diminish the insurer's estimation of the risk to be undertaken, the insurer may rescind the contract; the same shall apply after the risk has occurred, provided that this provision does not apply where the proposer proves that the occurrence of the risk was not based upon any fact that it did or did not represent. The right to rescind as stated in the preceding paragraph shall be extinguished if not exercised within one month of the time the insurer knows of the cause for rescission. Once two years have elapsed after the contract is entered into, the contract may not be rescinded even if cause for rescission exists.

Article 65

Any right arising out of an insurance contract shall be extinguished if not exercised within two years from the day when it becomes possible to exercise the right. If any of the following circumstances exists, the two-year time period commences as set forth in the following subparagraphs:

1. If there is concealment, non-disclosure, or misrepresentation on the part of the proposer or insured in the disclosure of risk, the period commences from the day on which the insurer becomes aware of the situation.
2. If, after a risk occurs, an interested party can prove that its lack of awareness was not due to negligence, the period will begin from the day on which it becomes aware of the situation.
3. If the claim of a proposer or insured against an insurer arises out of the claim of a third party, the period will begin from the day on which the proposer or insured is presented with the third-party claim.

Section 3. Special Provisions

Article 66

A special provision is a provision whereby the parties represent and warrant performance of a special obligation apart from the basic provisions of the insurance contract.

Article 67

All matters, whether past, present, or future, that relate to an insurance contract may be stipulated by a special provision.

Article 68

When a party to an insurance contract breaches a special provision, the other party may rescind the contract. The same rule also applies after the risk has occurred.

The provisions of Article 64, paragraph 3 apply mutatis mutandis to the circumstances in the preceding paragraph.

Article 69

With regard to any special provision relating to a future matter, if the related risk has already occurred before the time for performance of the provision has commenced, or performance of the provision is impossible, or the provision has not been performed because it is illegal in the place where the contract was entered into, the insurance contract does not for that reason become void.

Chapter III. Non-life Insurance

Section 1. Fire Insurance

Article 70

A fire insurer is liable, unless otherwise stipulated in the contract, to indemnify for damage or loss of the subject matter insured as a result of fire.

Loss to the subject matter insured that occurs in the course of attempting to save or protect it is deemed to have arisen out of the insured risk.

Article 71

When insurance is effected to cover a group of things collectively, the belongings of family members, employees, or cohabitants of the insured may also be specified in the insurance contract as part of the subject matter insured, and indemnification for loss to such items shall be made upon occurrence of the insured risk.

An insurance contract referred to in the preceding paragraph shall be deemed as having also been entered into for the benefit of the third parties.

Article 72

The insured amount is the maximum liability to be borne by the insurer during the term of insurance. Before underwriting an insurance policy, the insurer shall appraise the market value of the subject matter to be insured, and may not over-insure the subject matter.

Article 73

A proposer may apply for either valued or unvalued insurance coverage of any given subject matter, at a premium rate and under provisions approved by the competent authority.

When the stipulated value of the subject matter insured is the insured amount, if total loss or partial loss is sustained, indemnification shall be calculated on the basis of the stipulated value.

When the value of the subject matter insured is not stipulated, if loss is sustained, indemnification shall be calculated on the basis of the actual value at the time of occurrence of the insured peril. Indemnification may not exceed the insured amount.

Article 74

The term "total loss" as used in Article 73 means total destruction or loss of the subject matter insured, to such an extent that it cannot be restored, or the cost of restoration exceeds the value of the subject matter insured after restoration to its original condition.

Article 75

If the value of the subject matter insured cannot be appraised on the basis of market value, the contracting parties may stipulate its value. Any indemnification shall be based on the stipulated value.

Article 76

Where the insured amount exceeds the value of the subject matter insured, if the contract is entered into through the fraud of one of the contracting parties, the other party may rescind the contract. If loss is sustained, the other party may also claim indemnification. If no fraud is involved, the contract shall, except in the case of valued insurance, be valid only within the limits of the value of the subject matter insured.

For contracts where fraud is not at issue, after one of the contracting

parties has notified the other party of the fact that the subject matter is over-insured, the insured amount and the premium shall both be reduced pro rata according to the value of the subject matter insured.

Article 77

If the insured amount is below the value of the subject matter insured, the burden of the insurer, unless otherwise stipulated in the contract, is to be determined by the ratio of the insured amount to the value of the subject matter insured.

Article 78

If appraisal of loss is delayed due to causes attributable to the insurer, additional interest shall accrue beginning one month from the day on which the insured presents a statement of loss. If appraisal of loss remains unfinalized two months after presentation of the statement of loss, the insured may claim pre-payment of the minimum amount of indemnification to which it is entitled.

Article 79

Any necessary expenses incurred by an insurer or an insured to prove and appraise a loss are to be borne by the insurer unless otherwise stipulated in the contract.

If the insured amount is less than the value of the subject matter insured, the expenses mentioned in the preceding paragraph are to be borne pro rata by the insurer in accordance with the ratio set forth in Article 77.

Article 80

Before appraisal of loss has been finalized, the proposer or the insured may not, except in order to ensure the public interest or avoid aggravation of loss, make any alteration to the subject matter insured without the insurer's consent.

Article 81

When something other than an insured peril specified in the insurance contract causes complete destruction or loss of the subject matter insured, the insurance contract shall be forthwith terminated.

Article 82

If the subject matter insured sustains partial loss, both the insurer and the proposer have the right to terminate the contract. After termination, premium already paid for the portion not affected by the loss shall be refunded.

The right to terminate the contract as stated in the preceding paragraph shall be extinguished if not exercised within one month after indemnification is paid.

The insurer shall notify the proposer fifteen days prior to terminating the contract.

If neither the proposer nor the insurer terminates the contract, the liability of the insurer for any future loss resulting from insured perils shall, unless otherwise stipulated in the contract, be limited to the balance of the insured amount after indemnification.

Article 82-1

The provisions of Article 73 to 81 apply mutatis mutandis to marine insurance, land and air insurance, liability insurance, bonding insurance, and other types of non-life insurance.

The provisions of Article 123 and 124 apply mutatis mutandis to non-life

insurance of term length exceeding one year.

Section 2. Marine Insurance

Article 83

Unless otherwise stipulated in the contract, a marine insurer is liable, with respect to the subject matter insured, to indemnify for damage, loss, and expenses arising out of all accidents and calamities at sea.

Article 84

Marine insurance is governed by the provisions of the Marine Insurance Chapter of the Maritime Act.

Section 3. Land and Air Insurance

Article 85

Unless otherwise stipulated in the contract, land, inland waterway, and aviation insurers are liable, with respect to the subject matter insured, to indemnify for damage, loss, and expenses arising out of all accidents and calamities on land, inland waterways, or in the air.

Article 86

With regard to cargo insurance, unless otherwise stipulated in the contract, the term of insurance begins from the time of delivery for transport and continues to the time the cargo is received at the place of destination.

Article 87

An insurance contract, in addition to specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Route and method of transportation.
2. Personal name and business name of transporter.
3. Place of delivery for transport and place of cargo collection.
4. Deadline for transportation, if any.

Article 88

If, due to transportation needs, transportation is temporarily suspended or the route or method of transportation is altered, the insurance contract remains valid unless otherwise stipulated therein.

Article 89

Unless otherwise provided for in this Section, the relevant provisions for marine insurance apply mutatis mutandis to hull, freight, and cargo insurance for vessels navigating inland waterways.

Section 4. Liability Insurance

Article 90

When the insured is legally obligated to indemnify a third party and receives a claim in connection therewith, the liability insurer is liable to provide indemnification.

Article 91

All necessary litigation or non-litigation expenses incurred by the insured to raise a defense against a third party's claim shall, unless otherwise stipulated in the contract, be borne by the insurer.

The insured may request that the insurer advance the expenses referred to in the preceding paragraph.

Article 92

Where an insurance contract has been entered into to cover the liability of an enterprise run by the insured for loss indemnification, liability for loss indemnification borne by any agent, manager, or supervisor of the

insured shall also be entitled to the benefit of the insurance, and the contract shall be deemed to have been entered into concurrently for the benefit of third parties.

Article 93

An insurer may stipulate in a contract that any acknowledgment, settlement, or indemnification made by the insured in connection with its liability toward a third party without the participation of the insurer is not binding on the insurer, provided that this rule does not apply where the insurer, having been requested by the proposer or insured to participate, has refused to do so without legitimate reason or has delayed its participation on pretext.

Article 94

Prior to indemnification of a third party for loss caused by an event attributable to the insured, an insurer may not pay all or any part of the insured amount to an insured.

Where the insured has been determined liable to indemnify a third party for loss, the third party may claim for payment of indemnification, within the scope of the insured amount and based on the ratio to which the third party is entitled, directly from the insurer.

Article 95

The insurer may, upon being notified by the insured, indemnify the third party directly.

Section 4-1. Bonding Insurance

Article 95-1

A bonding insurer is liable to indemnify the insured for loss incurred through dishonest acts by the insured's employees or through non-performance of obligations by its obligors.

Article 95-2

Bonding insurance contracts for which dishonest acts by the insured's employees constitute the insured peril shall, in addition to the particulars provided in Article 55, also contain the following particulars:

1. Insured's name and domicile.

2. Employee's name and title or other means of identifying the employee.

Article 95-3

Bonding insurance contracts for which non-performance of obligations by the insured's obligors constitute the insured peril shall, in addition to the particulars provided for in Article 55, also contain the following particulars:

1. Insured's name and domicile.

2. Obligor's name or other means of identifying the obligor.

Section 5. Other Non-life Insurance

Article 96

The term "other non-life insurance" refers to insurance of various kinds not within the scope of fire insurance, marine insurance, land and air insurance, liability insurance, and bonding insurance, and in which property or intangible interests constitute the subject matter insured.

Article 97

An insurer has the right to inspect the subject matter insured at any time. If the insurer discovers that all or part of it is in abnormal condition, the insurer has the right to suggest that the proposer or the insured

should repair it before further use. If the proposer or the insured refuses the suggestion, the insurer may terminate the insurance contract or relevant parts of it by written notice.

Article 98

An insurer is not liable to indemnify for any loss resulting from failure of the proposer or the insured to fulfill its contractual duty to protect the subject matter insured.

If, after occurrence of the risk insured, assessment shows that loss was increased due to failure of the proposer or the insured to take reasonable measures to protect the subject matter insured, the insurer is not liable to indemnify for such increased loss.

Article 99

If the subject matter insured sustains partial loss, the insurance contract shall remain valid after indemnification has been made or the subject matter has been restored to its original condition. However, the premium may be increased or decreased if the condition of the subject matter differs from that originally insured.

Article 100

(Deleted)

Chapter IV. Insurance of the Person

Section 1. Life Insurance

Article 101

A life insurer is obligated to pay the insured amount in accordance with the contract when the insured dies within the time limit set forth in the contract or is still alive when the time limit set forth in the contract expires.

Article 102

The insured amount in life insurance is that set forth in the insurance contract.

Article 103

A life insurer may not be subrogated to a right of claim of the proposer or the beneficiary against a third party, where such claim arises out of occurrence of an insured peril.

Article 104

A life insurance contract may be entered into by the insured, or by a third party.

Article 105

A life insurance contract against death entered into by a third party without written consent of the insured and stipulation of the insured amount shall be void.

An insured who has given consent as stated in the preceding paragraph may withdraw the consent at any time. Such withdrawal of consent shall be made in writing to the insurer and the proposer.

When the insured exercises the right to withdraw consent as stated in the preceding paragraph, the contract shall be deemed terminated by the proposer.

Article 106

Transfer or pledge of rights under a life insurance contract entered into by a third party shall not take effect without the written acknowledgement of the insured.

Article 107

If, at the time a life insurance contract is entered into, the insured is a minor under fifteen years of age, the death benefits shall take effect on the date the insured reaches fifteen years of age. If the insured dies before reaching fifteen years of age, the insurer shall refund all premiums paid with or without interest, or refund the account value of the insured in a separate account set up for investment-linked insurance.

The calculation of interest mentioned in the preceding paragraph will be set forth by the competent authority.

If, at the time a life insurance contract is entered into, the insured is mentally impaired or of diminished mental capacity that he or she is incapable of comprehending his or her own action or lacks the ability to act based on his or her comprehension, all death benefits other than funeral expense benefits shall be void.

The insured amount for the funeral expenses referred to in the preceding paragraph may not exceed one half of the funeral expense deduction allowed for estate tax under Article 17 of the Estate and Gift Tax Act.

If the provisions in paragraph 1 to paragraph 4 are otherwise provided in other laws, such other laws shall prevail.

Article 108

A life insurance contract, besides specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Name, sex, age, and domicile of the insured.
2. Names of beneficiaries and their relation to the insured, or a means of identifying the beneficiaries.
3. The insured perils for which the insured amount may be claimed, and the period for making the claim.
4. The conditions, if any, for reduction of the insured amount in accordance with the provisions of Article 118.

Article 109

If the insured willfully commits suicide, the insurer is not obligated to pay the insured amount, but the non-forfeiture value shall be refunded to the person entitled to receive it.

If an insurance contract contains a provision specifying that the insurer shall still pay the insured amount even if the insured willfully commits suicide, such a provision shall come into effect only two years after the date on which the contract is entered into. In the case of reinstatement of a suspended insurance contract, such two-year period shall commence from the date of reinstatement.

If the insured is executed for a crime or dies as the result of resisting arrest or escaping from jail, the insurer is not obligated to pay the insured amount. However, if premium has been paid in full for not less than two years, the insurer shall refund the amount of the non-forfeiture value to the person entitled to receive it.

Article 110

A proposer may notify the insurer to pay all or part of the insured amount to one or several of the designated beneficiaries.

The designated beneficiaries referred to in the preceding paragraph are limited to those alive at the time the insured amount is claimed.

Article 111

After the beneficiaries have been designated, the proposer may still dispose of his or her insurable interest by contract or by will unless he or she has declared to waive the right of disposition.

Exercise by the proposer of the right of disposition referred to in the preceding paragraph may not be raised as a defense against the insurer unless the insurer was given notice of such exercise.

Article 112

If it has been stipulated that the insured amount is to be paid upon death of the insured to the beneficiaries named thereby, such amount shall not be treated as part of the insured's estate.

Article 113

Where no beneficiary has been designated in a life insurance contract against death, the insured amount therein shall be treated as part of the insured's estate.

Article 114

A beneficiary may not assign its benefits to other persons unless the proposer consents or the insurance contract expressly permits such assignment.

Article 115

Any interested party may pay the premium on behalf of the proposer.

Article 116

Unless otherwise stipulated in the contract, when a life insurance premium is due and unpaid, and remains unpaid upon thirty days after receipt of notice of payment due, the validity of the insurance contract shall be suspended.

Notice of payment due shall be served to the most recent domicile or residence of the proposer or of the person under obligation to pay the premium. After notice of payment due has been served, the premium shall be paid at the business office of the insurer.

A suspended insurance contract as referred to in paragraph 1 shall be reinstated at zero hours on the morning of the day after the premium, the interest stipulated in the insurance contract, and other expenses are paid, provided that such payment is made within six months from the date of suspension. Where the proposer applies for reinstatement more than six months after the date of suspension, the insurer may, within five days from the date on which the proposer applies for reinstatement, require that the proposer furnish proof of insurability for the insured, and the insurer may not refuse reinstatement unless the insured's degree of risk has undergone a change that is sufficiently material as to justify refusal to insure.

Where the insurer does not require that the proposer furnish proof of insurability within the time period set out in the preceding paragraph, or it does not refuse reinstatement within 15 days from its receipt of the proof of insurability referred to in the preceding paragraph, it shall be deemed to have consented to reinstatement.

The time period for applying for reinstatement stipulated in the insurance contract may not be less than two years from the date of suspension, nor may it extend beyond the expiration date of the policy period.

The insurer has the right to terminate the contract upon expiration of the time period set forth in the preceding paragraph.

Where the premium has been paid in full for two years or more at the time

the insurance contract is terminated, if there is any non-forfeiture value, the insurer shall refund the non-forfeiture value.

Where the insurance contract stipulates that the insurer shall provide premium loans, when the principal and interest of such a loan exceeds the non-forfeiture value, suspension of the contract and application for reinstatement shall be subject mutatis mutandis to the provisions of paragraph 1 to paragraph 6.

Article 117

An insurer may not demand payment of premium by means of litigation.

In regard to a whole life insurance contract against death which does not include benefits conditional upon survival, or a contract in which it is stipulated that the insured amount or annuity is to be paid after a certain number of years, if premium has been paid in full for two years or more at the time of nonpayment, after expiration of the time period set out in paragraph 5 of the preceding article, the insurer may only reduce the insured amount or the annuities.

Article 118

The insurer may, in accordance with the provisions of the preceding Article or at the request of the proposer, reduce the insured amount or the annuities. The conditions for such a reduction and the allowable amount thereof shall be specified in the insurance contract.

An insurance contract of the same kind, executed based on the conditions at the time the original contract was entered into, shall be taken as the standard for calculating the reduction of the insured amount or the annuities. The insured amount after reduction may not be less than the amount obtainable if the non-forfeiture value existing at the time the original contract is terminated, minus business expenses, were paid as a lump-sum premium.

The said business expenses are limited to 1 percent of the originally insured amount.

If part of the insured amount has been determined on the basis of the premium thereof being paid in one lump sum, that part shall not be affected by nonpayment of the premium on the remaining part that is payable in installments.

Article 119

If a proposer terminates an insurance contract for which the premium has been fully paid for one year or more, the insurer shall pay the surrender value within one month from receipt of such notice. The amount thereof may not be less than three-quarters of the non-forfeiture value that the proposer is entitled to receive.

The conditions and amount for payment of surrender value shall be specified in the insurance contract.

Article 120

If premium has been fully paid for one year or more, the proposer may obtain loans from the insurer by using the insurance contract as collateral.

Upon receipt of a proposer's loan notification, the insurer may, within a period of one month, lend such amount as may be borrowed with the collateral.

For a loan secured by an insurance contract, by 30 days before the date on

which loan principal and interest exceeds non-forfeiture value the insurer shall notify the proposer in writing to repay the loan principal and interest. If the proposer fails to make repayment by said date, the insurance contract shall be suspended from the date on which loan principal and interest exceeds non-forfeiture value.

Where the insurer does not observe the requirements of the preceding paragraph in making the notification referred to therein, if the proposer fails to make repayment within 30 days from the date on which the insurer notifies the proposer in writing to repay the loan principal and interest, the insurance contract shall be suspended from the day next following the thirtieth day.

Application for reinstatement of an insurance contract suspended under either of the preceding two paragraphs shall be subject mutatis mutandis to the provisions of Article 116, paragraphs 3 to 6.

Article 121

A beneficiary who willfully causes the death of the insured, or attempts unsuccessfully to do so, shall lose the right to receive benefits.

If a beneficiary loses the right to receive benefits because of circumstances set forth in the preceding paragraph, and as a result there is no beneficiary to receive the insured amount, the insured amount shall be treated as part of the insured's estate.

If a proposer willfully causes the death of the insured, the insurer is not obligated to pay the insured amount. If the premium has been fully paid for two years or more, the insurer shall pay the non-forfeiture value to the person who is entitled to receive it. If there is no person entitled to receive it, it shall be turned over to the national treasury.

Article 122

If the age of the insured has been misrepresented and the insured's actual age surpasses the limits on insurable age set by the insurer, the contract shall be void.

If misrepresentation of the insured's age results in premium payments that are lower than what they should be, the insured amount shall be reduced pro rata on the basis of the premium paid and the actual age of the insured.

Article 123

If an insurer becomes bankrupt, the amount a beneficiary may claim against the insurer with respect to the insured amount is to be calculated pro rata according to the ratio of the non-forfeiture value to the premium rate at the time the contract was entered into. If the proposer becomes bankrupt, insurance contracts in which the beneficiary has been specified shall remain valid for the benefit of the beneficiary.

With respect to the invested assets of an investment-linked insurance contract, persons other than the beneficiary may not lay any claim thereto, nor shall they demand attachment or exercise any other rights.

Article 124

The proposer, insured, and beneficiary of life insurance have right of preference for payment of the insured's non-forfeiture value.

Section 2. Health Insurance

Article 125

A health insurer is obligated to pay the insured amount when the insured falls sick or gives birth, or becomes disabled or dies due to sickness or

childbirth.

Article 126

An insurer may, before entering into an insurance contract, require the insured to undergo a medical examination.

The cost of the medical examination referred to in the preceding paragraph is to be borne by the insurer.

Article 127

If, at the time an insurance contract is entered into, the insured is already sick or pregnant, the insurer is not obligated to pay the insured amount for the sickness or pregnancy.

Article 128

The insurer is not obligated to pay the insured amount for sickness, disability, miscarriage, or death resulting from suicide or abortion that the insured has willfully committed.

Article 129

If the insured and proposer are not one and the same person, the insurance contract, besides specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Name, age, and domicile of the insured.
2. Relationship of the insured to the proposer.

Article 130

The provisions of Articles 102 to Article 105, Article 115, Article 116, Article 123, and Article 124 apply mutatis mutandis to health insurance.

Section 3. Personal Injury Insurance

Article 131

A personal accident insurer is obligated to pay the insured amount when the insured suffers injury by accident, or becomes disabled or dies on account of such injury.

The term "injury by accident" as used in the preceding paragraph refers to physical harm caused by unforeseen external events other than illness.

Article 132

A personal injury insurance contract, besides specifying the particulars as provided in Article 55, shall also specify the following particulars:

1. Name, age, and domicile of the insured and relationship of the insured to the proposer.
2. Names of the beneficiaries and their relation to the insured, or a method for determining the beneficiaries.
3. The events for which, and the period during which, the insured amount may be claimed.

Article 133

If the insured willfully commits suicide, or is injured, becomes disabled, or dies as the result of a criminal act, the insurer is not obligated to pay the insured amount.

Article 134

A beneficiary who willfully injures the insured is not entitled to claim the insured amount.

When a beneficiary willfully attempts to injure the insured but fails to do so, the insured may revoke such beneficiary's right to receive benefits.

Article 135

The provisions of Articles 102 to Article 105, Article 107, Articles 110 to

Article 116, Article 123, and Article 124 apply mutatis mutandis to personal injury insurance.

Section 4. Annuity Insurance

Article 135-1

An annuity insurer is liable to pay a fixed amount of money in a lump sum or in installments during the life of the insured or during a specified period of time in accordance with the contract.

Article 135-2

An annuity insurance contract, in addition to specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Insured's name, sex, age, and domicile.
2. Amount of annuity or method for determining the amount of annuity.
3. Names of beneficiaries, and their relationship to the insured.
4. Term of annuity, dates and method of payment of annuity.
5. Conditions attaching to any reduction in the annuity amount carried out in accordance with Article 118.

Article 135-3

During the lifetime of the insured, the beneficiary of annuity insurance shall be the insured himself or herself.

If an insurance contract provides for payment of annuity after death of the insured, the provisions of Articles 110 to Article 113 apply mutatis mutandis to the beneficiary.

Article 135-4

The provisions of Article 103, Article 104, Article 106, and Articles 114 through Article 124 apply mutatis mutandis to annuity insurance. However, during the annuity payment period, the proposer may not terminate the contract or pledge such contract to the insurer as loan collateral.

Chapter V. Insurance Enterprises

Section 1. General Provisions

Article 136

Except with the approval of the competent authority, an insurance enterprise may only be organized as a company limited by shares or as a cooperative.

Business organizations other than insurance enterprises may not engage concurrently in the insurance business or a business similar to insurance. Where violations of the provisions in the preceding paragraph occur, the competent authority or the authority with jurisdiction over the line of business operated by the violator will act in conjunction with the judicial police authorities to suppress the illegal activity, and the case will be referred for prosecution. In the case of a legal entity, its representatives shall be jointly and severally liable for its relevant debts.

When carrying out the tasks referred to in the preceding paragraph, the authorities may search and attach account books and documents of the violators, remove signs and other fixtures, or take other necessary actions in accordance with the law.

An insurance enterprise organized as a company limited by shares shall issue its stock publicly unless another law provides otherwise or the competent authority has granted permission

When an insurance enterprise does not have publicly issued stock pursuant

to the exclusions in the preceding paragraph, there shall be independent directors and a Board of Auditors. The Board of Auditors shall exercise the function of supervisor.

For the establishment of the independent directors and the Board of Auditors in the preceding paragraph and other matters to be followed, applicable provisions of Articles 14-2 to 14-5 of the Securities and Exchange Act shall apply.

When the tenure of incumbent directors or supervisors at insurance enterprises as is specified in Paragraph 6 is yet to expire upon enforcement of the articles amended on May 20, 2014, the said provisions shall apply as soon as their tenure expires. When the tenure of incumbent directors or supervisors expires within a year following enforcement of the amended articles, the provisions shall not apply until the tenure of re-elected directors or supervisors expires.

Article 137

An insurance enterprise may not commence operations unless it has received permission from the competent authority, completed establishment registration, posted bond, and secured a business license in accordance with the law.

The eligibility conditions, business scope, documentation required in order to apply for approval and other compliance matters. with respect to the conduct of personal injury insurance or health insurance business by non-life insurance enterprises in accordance with the proviso of the preceding paragraph, shall be prescribed by the competent authority.

A foreign insurance enterprise may not commence operations unless it has received permission from the competent authority, completed establishment registration, posted bond, and secured a business license in accordance with the law.

Unless otherwise provided by this Act, the provisions of this Act regarding insurance enterprises shall apply mutatis mutandis to foreign insurance enterprises.

With respect to applications by foreign insurance enterprises for establishment permits, the competent authority shall prescribe regulations governing the following matters: eligibility conditions and procedures for application; required documentation, revocation of permits, issuance of business licenses, conditions for the establishment of branch offices, any change in line(s) of business, replacement of responsible person, funds allocations; and other compliance matters.

With respect to an insurance enterprise established in accordance with another act, the provisions of this Act pertaining to insurance enterprises shall apply mutatis mutandis except as otherwise provided by the other act.

Article 137-1

The necessary qualifications of the responsible persons of an insurance enterprise shall be prescribed by the competent authority.

Article 138

An insurance enterprise in the "non-life insurance" category shall engage in the business of non-life insurance only, an insurance enterprise in the "insurance of the person" category shall engage in the business of insurance of the person only, and the same insurance enterprise may not engage concurrently in non-life insurance and insurance of the person,

provided that this restriction does not apply where a non-life insurance enterprise is approved by the competent authority to engage in personal injury insurance or health insurance.

The eligibility conditions, business scope, documentation required in order to apply for approval and other compliance matters, with respect to the conduct of personal injury insurance or health insurance business by non-life insurance enterprises in accordance with the proviso of the preceding paragraph, shall be prescribed by the competent authority.

An insurance enterprise may not engage concurrently in any business other than that prescribed by this Act. However, this restriction does not apply where the competent authority has given its approval for an insurance enterprise to engage in other businesses related to insurance.

Where an insurance enterprise conducts another business related to insurance as provided for in the preceding paragraph, the permission of the Central Bank shall first be obtained if the business involves foreign exchange business.

An insurance cooperative may not engage in any insurance business with any person who is not a member of the cooperative.

Article 138-1

Non-life insurance enterprises shall underwrite residential earthquake risk, and shall do so by means of the risk spreading mechanism established by the competent authority.

The Taiwan Residential Earthquake Insurance Fund shall be established to manage the risk spreading mechanism referred to in the preceding paragraph. The portion of risk that exceeds the co-insurance underwriting assumption limit for non-life insurance enterprises shall be assumed by the Taiwan Residential Earthquake Insurance Fund, cede to domestic and/or foreign reinsurers, be assumed by the manner prescribed by the competent authority or assumed by the government.

With respect to the risk spreading mechanism under the preceding two paragraphs, the competent authority shall prescribe regulations governing the risk assumption limits, insured amounts, insurance premium rates, provision for various reserve funds, and other compliance matters.

The competent authority shall prescribe regulations governing the Taiwan Residential Earthquake Insurance Fund's articles of incorporation, business scope, funds allocations, and other administrative matters.

When the occurrence of a major earthquake results in payable claims that exceed the amount of funds accumulated in the Taiwan Residential Earthquake Insurance Fund, in order to safeguard the interests of insured the Fund may as necessary request the competent authority and the Ministry of Finance to jointly apply for Executive Yuan's approval of collateral provided by the national treasury to obtain the necessary source of funding.

Article 138-2

An insurance enterprise engaging in insurance of the person may stipulate an insurance contract that policy proceeds be paid either in a lump sum or in installments.

With respect to the portion of policy proceeds in a contract for insurance of the person that are for death or disablement, the proposer may, prior to occurrence of an insured peril, negotiate a trust contract whereunder the insurance enterprise acts as trustee of the insurance trust. Such an

arrangement may only be made where a single person is both proposer and insured, where the beneficiaries of the trust contract are also the beneficiaries of the insurance contract, and where the arrangement is for the benefit of an insured or a person who is a minor, mentally impaired, or of diminished mental capacity.

With respect to trust benefits paid out pursuant to the preceding paragraph, that part which constitutes trust principal shall be deemed insurance benefits.

An insurance enterprise providing insurance trust services shall set up segregated trust accounts named as trust asset accounts.

Where the trust assets of the preceding paragraph are subject to a registration requirement, registration of trust shall be carried out in accordance with the applicable provisions.

Where the trust assets of paragraph 4 are securities, when the insurance enterprise sets up a segregated trust account named as a trust asset account and engages in a transaction involving the trust assets, the trust shall be effective against third parties, and Article 4, paragraph 2 of the Trust Act does not apply.

The scope of funds allocations of an insurance enterprise operating insurance trusts shall be limited to the following:

1. Cash or bank deposits.
2. Government bonds or financial bonds.
3. Short-term bills.
4. Other methods of funds allocation as approved by the competent authority.

Article 138-3

An insurance enterprise shall obtain permission from the competent authority to provide insurance trust services, which must have independent operations and accounting.

An insurance enterprise shall set aside a compensation reserve fund to secure the performance of indemnities, giving back profits, or other obligations to bailors at violation of its duties as trustee.

With respect to applications by insurance enterprises for permission to provide insurance trust services, the competent authority shall prescribe regulations governing the following matters: eligibility conditions; required documentation; conditions for the revocation of permits; amount defined for the compensation reserve fund, and the way of depositing; and other compliance matters.

Article 139

The minimum capital or fund for each of the various kinds of insurance enterprises will be approved separately by the Executive Yuan, acting upon the recommendation of the competent authority, which shall take into consideration the economic conditions in each locality and the needs of each kind of insurance business.

Article 139-1

A same person or same related party who singly, jointly or collectively acquires more than 5 percent of the total outstanding voting shares of an insurance company shall report such fact to the competent authority within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares held the same person

or same related party by more than one percent (1%) thereafter. A same person or same related party who intends to singly, jointly or collectively acquire more than 10 percent, 25 percent, or 50 percent of the total outstanding voting shares of an insurance company shall apply for prior approval of the competent authority.

A third party who holds shares of an insurance company on behalf of a same person or same related party in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of a related party.

A same person or same related party who singly, jointly or collectively holds more than 5 percent of the total outstanding voting shares of an insurance company prior to the implementation of the amendment to the Act dated November 12, 2010 shall report such fact to the competent authority within six (6) months from the implementation date of said amendment. A same person or same related party whose shareholding (in an insurance company) will exceed 10 percent when they intend to increase or decrease their shareholding for the first time after the aforementioned reporting shall apply for the prior approval of the competent authority. The provisions in the first paragraph and the second paragraph hereof shall be followed for increase or decrease in shareholding for the second time and subsequently thereafter.

The regulations governing the qualifications and requirements for a same person or same related party who applies for approval pursuant to the second paragraph or the preceding paragraph hereof, required documentation, shares to be acquired, purpose of acquisition, sources of funding, pledging of shares held, shares held, reporting and announcement of other important changes, and other matters to be complied with shall be prescribed by the competent authority.

Where a same person or same related party who holds voting shares issued by an insurance company without filing a report with the competent authority or obtaining approval from the competent authority in accordance with the provisions set forth in Paragraphs 1, 2 or 4 hereof, the excess shares held by such same person or same related party shall not have voting rights and shall be disposed of within the given time period as ordered by the competent authority.

If the total number of an insurance company's shares held by a same person or by a principal, his/her spouse and children under twenty (20) years of age combined exceeds 1 percent of the insurance company's outstanding voting shares, such principal shall notify the insurance company thereof.

Article 139-2

The term "same person" as used in the preceding article shall mean a same natural or juristic person.

The term "same related party" as used in the preceding article shall mean parties related to a same natural or juristic person, including:

1. Parties related to the same natural person:

(1) The principal, his/her spouse and relatives by blood within the second degree of kinship.

(2) An enterprise in which the persons referred to in the preceding subparagraph hold more than one third (1/3) of its outstanding voting shares or more than one third of its capital.

(3) An enterprise or a foundation in which the persons referred to in subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

2. Parties related to the same juristic person:

(1) The same juristic person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

(2) Enterprises in which the same juristic person and natural persons referred to in the preceding subparagraph hold more than one third (1/3) of their outstanding voting shares or more than one third of their capital, or enterprises or foundations in which the same juristic person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

(3) The affiliates of the same juristic person. The term "affiliate" shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Act.

The calculation of shares of an insurance company held by a same person or same related party under the preceding two paragraphs shall exclude shares held under the following circumstances

1. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the competent authority.
2. Shares acquired by a financial institution under a collateral agreement and four years have not elapsed since the date of acquisition.
3. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 140

An insurance company may enter into an insurance contract that includes participation in policy dividends.

An insurance cooperative shall enter only into insurance contracts that include participation in policy dividends.

The basis and method of calculating the policy dividends in the preceding two paragraphs shall be expressly provided in the insurance contract.

Article 141

An insurance enterprise shall post bond at the national treasury in an amount equal to 15 percent of the total amount of its paid-in capital or paid-in fund.

Article 142

The bond shall be posted in cash. However, upon approval of the competent authority, government bonds or notes may be posted instead.

The bond posted as provided in the preceding paragraph is not to be returned except under any of the following circumstances:

- I. The insurance enterprise is declared bankrupt by the court.
- II. The insurance enterprise is placed into receivership, ordered to suspend business and undergo rehabilitation, or ordered to liquidate by the competent authority according to the provisions herein and the return has been filed for by the receiver, rehabilitator, or liquidator and approved by the competent authority.
- III. The insurance enterprise is ordered to suspend business and has completed liquidation according to the law.

In order for the receiver to be qualified to file for approval of the return of bond with the competent authority in accordance with the provisions of Subparagraph 2 in the preceding paragraph, the receiver has to be assigned all of the business of the insurance enterprise placed into receivership during the receiving period.

Where marketable securities are used to post bond, when cessation of business has been declared and liquidation is duly performed, the interest coupon attached thereto may be used to offset liquidation expenses.

Article 143

An insurance enterprise may not borrow funds from an outside party, act as guarantor for an outside party, or provide its assets as collateral for the debt of another; provided, that this restriction does not apply where any one of the following circumstances obtains with respect to the insurance enterprise and the enterprise reports to and obtains the approval of the competent authority to borrow funds from an outside party:

1. The borrowing is to meet cash flow needs arising from payment of major benefits, a large amount of policy surrenders, or a large amount of policy loans.
2. The borrowing is needed for a merger or for assumption of the in-force contracts of a troubled insurer.
3. The borrowing is done by issuing bonds with capital characteristics, for the purpose of strengthening financial structure.

Article 143-1

In order to preserve the insured's basic interests and to maintain financial stability, enterprises engaged in non-life insurance and insurance of the person shall make contributions to set up separate stabilization funds as incorporated foundations.

Regulations governing the organization, administration, and other matters of the incorporated stabilization fund foundations shall be prescribed by the competent authority.

The stabilization funds shall be supported by contributions from each insurance enterprise. The contribution rate of each enterprise shall be determined by the competent authority, taking into consideration the condition of the economy, the state of development of the financial industry, and the ability of insurance enterprises to pay, and may not be lower for any given insurance enterprise than 1/1000th of gross premium income.

When the amount of funds accumulated in a stabilization fund is insufficient to safeguard the interests of insured parties and there is a likelihood of serious threat to financial stability, the fund may report to the competent authority for permission to borrow funds from the financial institutions.

Article 143-2

(Deleted)

Article 143-3

The stabilization funds shall handle the following matters:

1. Extend loans to insurance enterprises experiencing business difficulties.
2. A stabilization fund may provide low-interest loans or advance expenditures to insurance enterprises that incur losses by merging with

troubled insurance enterprises or assuming their contracts and may make claims against the said troubled insurance enterprises for the value of the said advance expenditures.

3. When, in accordance with the provisions of Article 149, Paragraph 3, an insurance enterprise is placed into receivership, ordered to suspend business and undergo rehabilitation, or ordered to dissolve, or when a receiver applies to a court for reorganization in accordance with provisions of Articles 149-2, Paragraph 2, Subparagraph 4, the appropriate stabilization fund shall, as necessary, advance funds on behalf of the insurance enterprise to settle claims which proposers, insured parties, and beneficiaries are entitled to make under in-force contracts, and with respect to the amount thus advanced shall succeed to and exercise the rights of claim of those proposers, insured parties, and beneficiaries against the insurance enterprise.

4. In order to safeguard the interests of insured parties and help expedite reorganization proceedings, when an insurance enterprise undergoes reorganization in accordance with the provisions of this Act, proposers, insured parties, and beneficiaries shall, unless they object in writing, be deemed to have granted consent for the stabilization fund to act as their agent in attending meetings of related parties and exercising rights related to the reorganization. The stabilization funds shall adopt procedures for actions they take when serving as agent, as well as other compliance matters, and shall file them with the competent authority for recordation.

5. A stabilization fund may act as conservator, receiver, rehabilitator, or liquidator upon appointment by the competent authority.

6. Assume, upon approval by the competent authority, the insurance contracts of insolvent insurance companies.

7. A stabilization fund may involve contributions from non-life insurance enterprises and life insurance enterprises.

8. A stabilization fund may be designated by the competent authority to handle related financial, business, and operation risk information to be compiled and reported by insurance enterprises in accordance with provisions herein within the scope of the designation.

9. Undertake other matters, as approved by the competent authority, to stabilize the insurance market or safeguard the interests of insured parties.

When handling matters indicated in Subparagraphs 1 to 3 and Subparagraph 9 in the preceding paragraph, restrictions with regard to the utilization timing, scope, unit value, and total value shall be established by the stabilization fund and submitted to the competent authority for approval.

The stabilization fund shall submit to the competent authority for approval the value of advance expenditures being applied for in accordance with the provisions of Paragraph 1, Subparagraph 2 to cover the losses that incur as a result of insurance enterprises merging with troubled counterparts or assuming their contracts.

When the stabilization fund handles matters indicated in Paragraph 1, Subparagraphs 7 and 8, the competent authority may provide necessary insurance enterprise operation information if necessary.

When the stabilization fund handles matters indicated in Paragraph 1,

Subparagraphs 7 and 8 with prior approval from the competent authority, the insurance enterprise shall prepare electronic data files of various reserve funds and provide the stabilization fund with electronic data files considered necessary in the format and with the content established by the stabilization fund.

The stabilization fund may audit the following areas of insurance enterprises:

I. Accuracy of the contribution ratio and contents to be included in the electronic data files specified in the preceding paragraph.

II. Assets, liabilities, and business operation-related matters of insurance enterprises whose ratio of total adjusted net capital to risk-based capital fails to comply with the provisions of Article 143-4.

When the conservator, receiver, rehabilitator, and liquidator's person in charge and employees perform conservatorship, receivership, rehabilitation, and liquidation tasks in accordance with the Act or the person in charge and employees of the stabilization fund processes advance expenditures or advance payments in accordance with the Act but unlawfully infringe upon other people's rights on purpose or due to negligence, the conservator, receiver, rehabilitator, liquidator, or the stabilization fund shall be responsible for compensation.

When the person-in-charge and employees did it on purpose or are found with major negligence in the preceding conditions, the conservator, receiver, rehabilitator, liquidator, or stabilization fund is entitled to make a claim against them.

Article 143-4

An insurance enterprise's ratio of total adjusted net capital to risk-based capital may not be lower than 200%. Where necessary, the competent authority may adjust the ratio according to international standards.

An insurance enterprise with a ratio of total adjusted net capital to risk-based capital below the ratio set out in the preceding paragraph may not distribute earnings, and the competent authority may, according to the severity of the circumstances, adopt other necessary actions or restrictions.

With regard to total adjusted net capital and risk-based capital as referred to in the preceding two paragraphs, the competent authority shall prescribe regulations governing the following matters: their scope; the method for calculating their amounts; administration thereof; the methods for adopting necessary actions or restrictions; and other compliance matters.

Article 144

With respect to the policy provisions, premiums, and other relevant content for a given type of insurance policy, the competent authority shall prescribe regulations governing the following matters, taking into account the state of development of that type of insurance: procedures to be carried out before a policy is marketed; product review; and the actions to be taken when the content of a policy is incorrect, false, or in violation of the law.

In order to ensure sound operation of its insurance business, an insurance enterprise shall employ actuaries and appoint one of them as appointed actuary, who shall be responsible for setting premium rates, certifying

various reserve , and handling other matters specified by the competent authority. Regulations governing qualification requirements, items to be certified, education and training, penalties, and other compliance matters shall be prescribed by the competent authority.

Appointment of the appointed actuary shall be subject to the consent of the board of directors and shall be filed to the competent authority.

The appointed actuary shall, in accordance with the principles of impartiality and fairness, provide various certified reports to the board of directors, as well as to the competent authority. Where a report that he or she has certified has any misrepresentation, concealment, omission, or incorrect information, the competent authority may, according to the severity of the circumstances, issue a warning, suspend the actuary from providing certification for a period of up to one year, or revoke appointment.

Article 144-1

Insurance enterprises may underwrite insurance by way of co-insurance under the following circumstances:

1. When insuring against catastrophic loss.
2. When coordinating with government policy.
3. When seeking to further the public interest.
4. When seeking to effectively enhance services to the insurance-buying public.
5. When seeking to accomplish other objectives approved by the competent authority.

Article 145

At the end of each business year, an insurance enterprise shall calculate the reserves for each type of insurance, and shall record such reserves in special account books.

The competent authority shall prescribe regulations governing the reserving, calculation methods, and other compliance matters for the various reserves referred to in the preceding paragraph.

Article 145-1

After paying all taxes, an insurance enterprise preparing to distribute earnings shall first set aside 20 percent to legal capital reserves; provided, that this requirement does not apply where legal capital reserves are already equal to the enterprise's authorized capital or authorized fund.

An insurance enterprise may additionally set aside special capital reserve in accordance with the provisions of its articles of incorporation or a resolution of a shareholders meeting or general assembly of cooperative members. The competent authority may as necessary order an insurance enterprise to set aside such reserve.

The provisions of paragraph 1 shall enter into force from the next fiscal year after the provisions of this Act amended on [DATE] take effect.

Article 146

Except for savings deposits, the funds allocations of an insurance enterprise shall be limited to the following:

1. Securities.
2. Real estate.
3. Loans.

4. Allocation of funds to special projects and investments in public utilities and social welfare enterprises, with the approval of the competent authority.

5. Foreign investments.

6. Investments in insurance-related businesses.

7. Derivatives trading.

8. Other funds allocations as approved by the competent authority.

The term "funds" in the preceding paragraph includes owner's equity and various reserve funds.

The savings of paragraph 1 deposited in any single financial institution may not, unless approved by the competent authority, exceed 10 percent of the insurance enterprise's funds; provided, this restriction does not apply where the competent authority has granted approval.

"Insurance-related businesses" in paragraph 1, subparagraph 6 means the businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognized by the competent authority.

An insurance enterprise that engages in investment-linked insurance business or labor pension annuity insurance business shall set up a separate account to record the value of the assets in which it invests.

The competent authority shall prescribe regulations governing administration and custody of separate account, allocation of investment assets, and other compliance matters pertaining to investment-linked insurance business, which are not subject to the restrictions set forth in paragraph 1; paragraph 3; Article 146-1; Article 146-2; Article 146-4; Article 146-5; and Article 146-7.

With respect to assets for which a separate account is required under paragraph 5, if a proposer retains an insurance enterprise by means of an insurance contract to exercise discretionary allocation of the assets and those assets are allocated to the purchase of the securities defined in Article 6 of the Securities and Exchange Act, application for concurrent operation of discretionary investment services shall be made in accordance with the Securities Investment Trust and Consulting Act.

With respect to the derivatives trading of paragraph 1, subparagraph 7, the competent authority shall prescribe regulations governing the terms and conditions of such trading, the scope thereof, transaction limits, internal handling procedures, and other compliance matters.

Article 146-1

The funds of an insurance enterprise may be used to purchase the following marketable securities:

1. Government bonds and treasury bills.

2. Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial promissory notes guaranteed by a financial institution, the aggregate amount of which may not exceed 35 percent of the funds of the insurance enterprise.

3. Company stock whose public issuance is approved by law: The stock purchased from each company plus stock option-based securities approved by the competent authority to be purchased may not total over 5% of a specific insurance enterprise's capital and 10% of the paid-in capital of the

issuing company.

4. Publicly issued guaranteed corporate bonds or corporate bonds issued by a company rated by a rating agency at no lower than a specified rating and approved in accordance with the law, provided that the aggregate amount made by an insurance enterprise in such corporate bonds may not exceed 5 percent of the funds of the insurance enterprise, and the aggregate amount of bonds from any one company may not exceed 10 percent of the paid-in capital of the company issuing the corporate bonds.

5. Beneficial interest certificates for securities investment trust funds and mutual trust funds for which public issue has been duly approved. The aggregate amount of such investment made by an insurance enterprise may not exceed 10 percent of the funds of the insurance enterprise, and an insurance enterprise may not invest in more than 10 percent of the aggregate amount of the beneficial interest certificates issued by any fund.

6. Securitization products and other marketable securities that the competent authority has granted approval for insurance enterprises to purchase, the aggregate amount of which may not exceed 10 percent of the funds of the insurance enterprise.

The aggregate amount of the investments contemplated under subparagraphs 3 and 4 of the preceding paragraph may not exceed 35 percent of the funds of the insurance enterprise.

Investments made by insurance enterprises in accordance with Paragraph 1, Subparagraphs 3 and 6 may not be found with any of the following conditions:

I. For the insurance enterprise or a representative thereof to be a director or supervisor of the investee company.

II. The insurance enterprise can cast a vote in the election of directors or supervisors at the company being invested.

III. The insurance enterprise's designee is hired as manager at the company being invested.

IV. The insurance enterprise serves as trust supervisor for securitization products being invested.

V. The insurance enterprise participates in the operation of the company being invested and the operation and management of real-estate investment trust funds being invested by means of entrustment, delegation, or a contract or agreement entered into with a third party, authorization, or other, excluding liquidation of the fund.

When an insurance enterprise is found with any of the foregoing conditions, the position held by the insurance enterprise or its representative as director or supervisor, the vote it casts, the hiring of its designee as manager, and the contract, agreement, or authorization with a third party will be invalid..

With respect to investments by an insurance enterprise pursuant to paragraph 1, subparagraphs 3 to 6 in publicly issued securities not listed on an exchange or OTC market, or in privately placed securities, the competent authority shall prescribe regulations governing eligibility conditions, scope and type of investments, investment rules, and other compliance matters.

Article 146-2

Investments in real estate by an insurance enterprise shall be limited to real estate that can be used immediately and from which benefit may be derived. The total amount of such investments, apart from real estate held for an insurance enterprise's own use, may not exceed 30 percent of an insurance enterprise's funds. In the case of real estate purchased for self-use, the total amount invested in by an insurance enterprise may not exceed the total amount of its owner's equity.

The acquisition and disposal of real estate by an insurance enterprise shall be evaluated by a legally established real estate appraisal organization.

When an insurance enterprise initiates social housing for rental only in accordance with the Housing Act, it will not be subjected to the restrictions of instantaneous utilization with yield as indicated in Paragraph 1.

Article 146-3

Loans made by an insurance enterprise shall be limited to the following items:

1. Loans guaranteed by a bank, or by a credit guarantee institution recognized by the competent authority.
2. Loans secured by personal property or real property.
3. Loans secured by qualified securities as defined in Article 146-1.
4. For life insurance enterprises, loans secured by life insurance policies issued by said life insurance business.

For loans made pursuant to subparagraphs 1 to 3 of the preceding paragraph, the amount loaned to each borrower may not exceed 5 percent of an insurance enterprise's funds, and the total amount of all loans shall not exceed 35 percent of an insurance enterprise's funds.

Where an insurance enterprise provides a secured loan pursuant to paragraph 1, subparagraphs 1, 2, or 3 to one of its responsible persons, employees, major shareholders, or to a person having an interested party relationship with one of its responsible persons or with an employee in charge of administering the loan, the loan shall be fully secured, and the conditions may not be better than those extended to other loanees of the same class. A loan that is equal to or more than the dollar amount specified by the competent authority shall also be approved by three-fourths of the directors present at a board of directors meeting attended by at least two-thirds of the directors. The competent authority shall prescribe regulations governing the definition of interested parties, loan limits and aggregate loan balances, and other compliance matters.

The combined total amount of (i) an insurance enterprise's investment in corporate stocks and corporate bonds of a given company in accordance with Article 146-1, paragraph 1, subparagraphs 3 and 4, and (ii) loans made in accordance with paragraph 1, subparagraph 3 that are secured by corporate stocks and corporate bonds issued by that same company, shall exceed neither 10 percent of the insurance enterprise's funds nor 10 percent of the paid-in capital of the company issuing the stocks and corporate bonds.

Article 146-4

Foreign investments of insurance enterprise funds shall be limited to the following:

1. Foreign currency deposits.

2. Foreign securities.
3. Establishment of or investment in a foreign insurance company, insurance agent company, insurance broker company, or other insurance-related enterprise approved by the competent authority.
4. Such other foreign investments as may be approved by the competent authority.

Insurance enterprises shall apply for the foreign investment value in accordance with the provisions of the preceding paragraph for its funds, which shall be approved by the competent authority based on the operation status of respective insurance enterprises. The value may not exceed 45% of the funds of each of the said insurance enterprises. The following, however, may not be included as part of the overseas investment ceiling:

1. The value of non-investment-linked life insurance products distributed in foreign currencies and not to be included as part of the overseas investment ceiling with prior approval from the competent authority.
2. The value for foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds that are invested in by insurance enterprises in accordance with provisions of the Act.
3. The value of insurance-related enterprise established by or invested in by insurance enterprises and not to be included as part of the foreign investment ceiling with prior approval from the competent authority.
4. Other foreign investments and their values with prior approval from the competent authority.

The competent authority shall prescribe regulations setting forth investment rules, investment limits, review procedures, and other compliance matters pertaining to foreign investments of insurance enterprise funds.

Article 146-5

Application shall be made to the competent authority for approval of allocations of insurance enterprise funds to special projects and investments in public utilities and social welfare enterprises. With respect to applications for approval, the competent authority shall prescribe regulations governing required documentation, procedures, scope of and limits upon allocations and investments, and other compliance matters.

Where the funds referred to in the preceding paragraph are allocated to investment in corporate stocks, the provisions of Article 146-1, paragraph 3 and 4 shall apply mutatis mutandis. The conditions and percentages related thereto shall not be subject to the restrictions set forth in Article 146-1, paragraph 1, subparagraph 3.

Article 146-6

When the owner's equity of an insurance enterprise exceeds the minimum capital or the minimum fund provided for in Article 139, it may, with the approval of the competent authority, invest in shares issued by insurance-related enterprises without being subject to Article 146-1, paragraph 1, subparagraph 3, or to paragraph 3 of that same article. The aggregate dollar amount of such investments may not exceed the owner's equity of the insurance enterprise.

Where an insurance enterprise makes an investment in accordance with the provisions of the preceding paragraph and it has a relationship of control

or subordination with the investee company, the total dollar amount of the investment may not exceed 40 percent of the owner's equity of the insurance enterprise.

With respect to insurance enterprise investments in insurance-related enterprises made in accordance with the provisions of paragraph 1, the competent authority shall prescribe regulations defining the scope of relationships of control or subordination, the method of reporting investments, and other compliance matters.

Article 146-7

The competent authority may limit the ability of insurance enterprises to make loans to, or engage in other transactions with, a single party, a single related party, or a single related enterprise. The competent authority shall prescribe regulations to set such limits, define the scope of "other transactions," and set out other compliance matters.

The term "a single party" in the preceding paragraph means a single natural person or a single juristic person. The scope of a "single related party" includes the principal, his/her spouse, blood relatives within two degrees of kinship, and any enterprise of which the principal himself/herself or his/her spouse is the responsible person. The scope of "a single related enterprise" shall be governed by Articles 369-1 to 369-3, Article 369-9, and Article 369-11 of the Company Act.

The competent authority may limit the ability of an insurance enterprise to engage in non-loan transactions with an interested party. The competent authority shall prescribe regulations defining the scope of interested parties and regulated transactions, procedures for the adoption of resolutions, limits on transaction size, and other compliance matters.

Article 146-8

For any prospective loan recipient listed in Article 146-3, paragraph 3 who applies under the name of another person to an insurance enterprise for a loan, the provisions of Article 146-3, paragraph 3, shall apply.

If money obtained through a loan from an insurance enterprise is used by a person using another person's name, or the money is transferred to the ownership of a person using another person's name, it shall be presumed that the loan was obtained from the insurance enterprise by the person applying in the name of another person as referred to in the preceding paragraph.

Article 146-9

When insurance enterprises exercise shareholder's rights for the securities they hold, they may not be engaged in stock right exchanges or benefits transfers and may not undermine the interest of proposers, insured parties, or beneficiaries by means of entrustment, delegation, or a contract or agreement entered into with the company being invested in or a third party, authorization, or other.

Before attending a shareholders meeting of an investee company, an insurance enterprise shall prepare an explanation of how it has evaluated and analyzed the exercise of voting rights, and after each such shareholders meeting shall submit to its board of directors a written record of the exercise of voting rights.

An insurance enterprise and any subordinate company thereof may not act as proxy solicitor for an investee company or mandate another party to act as

proxy solicitor for an investee company.

Article 147

The competent authority shall prescribe regulations governing the manner in which insurance enterprises cede or assume reinsurance or operate other risk spreading mechanisms, limits applying thereto, and other compliance matters.

Article 147-1

An insurance enterprise that engages exclusively in reinsurance business is a professional reinsurer, and is not subject to the provisions of Article 138, paragraph 1, Article 143-1, Article 143-3, or Article 144, paragraph 1.

The competent authority shall prescribe regulations governing the business, financial, and other related management matters of the professional reinsurers referred to in the preceding paragraph.

Article 148

The competent authority may, at any time, dispatch officers to inspect the business and financial conditions of an insurance enterprise, or order an insurance enterprise to report, within a prescribed limit of time, the condition of its business.

The competent authority may engage an appropriate agency or professional expert to conduct the inspection referred to in the preceding paragraph. Expenses thus incurred shall be borne by the insurance enterprise that is inspected.

In performing the tasks referred to in the preceding two paragraphs, inspectors may take any of the following actions, which the responsible person and relevant persons of the insurance enterprise may not evade, obstruct, or refuse:

1. Ordering the insurance enterprise to provide the types of documents and forms described in Article 148-1, paragraph 1, and to present evidencing documents, vouchers, books, lists, and related materials.

2. Making inquiries of the persons in charge of (and other personnel involved in) relevant business operations of the insurance enterprise.

3. Assessing the assets and liabilities of the insurance enterprise.

In performing the tasks in paragraphs 1 and 2, inspectors may, after receiving permission from the competent authority, take any of the following actions as necessary in order to investigate the facts and evidence of a case:

1. Requesting that enterprises affiliated with the insurance enterprise being inspected provide financial statements, allow inspection of their related books or documents, or permit questioning of their relevant employees.

2. Inspecting the records of other financial institutions of transactions of the insurance enterprise, its affiliates, and others whose names are suspected to have been used by it for transactions.

The scope of "affiliates" in the preceding paragraph shall be governed by Articles 369-1 to 369-3, Article 369-9, and Article 369-11 of the Company Act.

Article 148-1

At the end of every fiscal year, an insurance enterprise shall (i) compile a report detailing its operational status and the use of its funds,

attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items certified by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and (iv) thereafter submit the above items to the competent authority within fifteen days for recordation.

In addition to the financial and business reports that an insurance enterprise must submit pursuant to the preceding paragraph, the competent authority may, as the need arises, require either that an insurance enterprise report, within a specified time limit and observing all format and content requirements, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance enterprise furnish account books, statements, vouchers, or other related financial and operational documents.

Standards governing preparation of the financial reports referred to in the preceding two paragraphs shall be prescribed by the competent authority.

Article 148-2

An insurance enterprise shall, in compliance with regulations, truthfully prepare explanatory documents detailing the enterprise's financial and business matters, and shall make such documents publicly available for inspection.

If an insurance enterprise becomes aware of any material information with a bearing upon the rights and interests of consumers, it shall report to the competent authority in writing within two days and explain the matter publicly.

The explanatory documents referred to in paragraph 1, and the contents as well as the timing and manner of disclosure of the major information referred to in the preceding paragraph, shall be prescribed by the competent authority.

Article 148-3

An insurance enterprise shall establish internal control and auditing systems. Regulations governing such systems shall be prescribed by the competent authority.

An insurance enterprise shall establish internal handling systems and procedures for: assessment of asset quality; provision for various kinds of reserves; resolution of overdue loans and non-accrual loans; write-off of bad debts; and policy solicitation, underwriting, and claims settlement. Regulations governing such systems and procedures shall be prescribed by the competent authority.

Article 149

If an insurance enterprise violates laws, regulations, or its articles of incorporation, or is suspected of improper management, the competent authority may issue an official reprimand or order it to take corrective action within a specified period of time, and may, depending on the circumstances, take the following disciplinary actions:

1. Restrict the scope of its business or funds allocations.
2. Order the insurance enterprise to suspend sales of an insurance product or products or restrict its launch of new insurance products.

3. Order the insurance enterprise to increase its capital.
4. Order removal of its managers or employees from their positions.
5. Revoke the resolutions of statutory meetings.
6. Dismiss its directors or supervisor(s), or suspend them from their duties for a certain period of time.
7. Any other necessary disposition.

If directors or supervisors are dismissed pursuant to the provisions of preceding paragraph, subparagraph 6, the competent authority shall notify the competent authority for company (cooperative) registration to cancel the registration of the directors and supervisors.

When an insurance enterprise is incapable of paying its debts or fulfilling its contract obligations or is likely to undermine the rights of insured parties due to significantly deteriorating business or financial standing, the competent authority shall first mandate that the insurance enterprise submit a financial or business improvement plan. The plan must be approved by the competent authority. Unless it is caused by major domestic or international events and systematic factors that have a significant influence on the financial market, the competent authority may impose dispositions as follows in light of the varied severities of the conditions if the gains and losses or net value of the insurance enterprise show speedy deterioration or fail to show improvements despite assistance and accordingly result in the insurance enterprise being unable to pay its debts or fulfill its contract obligations.

1. Place the enterprise under conservatorship.
2. Place the enterprise under receivership.
3. Order the enterprise to suspend business and undergo rehabilitation.
4. Order dissolution of the insurance enterprise.

In case of conservatorship, receivership, suspended business, rehabilitation, or dissolution as indicated in the foregoing paragraph, the competent authority may authorize another insurance enterprise, insurance-related institution, or professional to serve as conservator, receiver, rehabilitator, or liquidator. When the matters fall within the scope of the stabilization fund's jurisdiction as indicated in Article 143-3, the stabilization fund shall cooperate in related management.

When an insurance enterprise is placed under receivership or ordered to suspend business and undergo rehabilitation, the provisions of the Company Act pertaining to temporary managers and inspectors do not apply, and with the exception of a reorganization filed for in accordance with the provisions of this Act, any other petition for reorganization, bankruptcy, or composition shall be automatically stayed, as shall any compulsory execution proceeding.

A receiver filing for reorganization in accordance with the provisions of this Act may petition the court to hear or rule upon its petition together with any petition for reorganization filed by the insurance enterprise under receivership before it was placed under receivership. The court may as necessary question interested parties before issuing a ruling.

If an insurance enterprise has been placed under conservatorship by the competent authority pursuant to the provisions of paragraph 4, subparagraph 1, the insurance enterprise may not perform any of the following acts without the consent of the conservator:

1. Make payments or dispose of property in excess of a limit prescribed by the competent authority.
2. Enter into any contract or undertake material obligations.
3. Any other matter that would significantly affect its finances.

The relevant provisions of Article 148 shall apply mutatis mutandis to the conservator's performance of his/her duties as conservator.

The competent authority shall prescribe regulations governing the procedures for conservatorship or receivership of insurance enterprises, the duties of conservators and receivers, fee burdens, and other compliance matters.

Article 149-1

When someone is sent to receive an insurance enterprise by the competent authority, the receiver shall exercise its management power and manage or dispose of the property. The original functions of the shareholders' meeting, Board of Directors, directors, supervisors, Board of Auditors, or similar institutions are discontinued immediately.

The receiver indicated in the preceding paragraph is entitled to take all legal and non-legal actions on behalf of the insurance enterprise it receives and may assign a natural person to exercise the said duties on its behalf. Provisions of Article 17 of the Administrative Execution Act and Article 24, Paragraph 3 of the Tax Collection Act do not apply to the performance of duties by the receiver.

Directors, managers, or persons holding other similar positions in the insurance enterprise shall transfer all account books, documents, and property relating to business and financial matters to the receiver along with a list of what has been transferred. The directors, supervisors, managers, and other staff shall be obligated to respond to the receiver's inquiries concerning business and financial matters.

Collateral warranty may be waived when the receiver files for provisional attachment or provisional injunction while performing duties.

Article 149-2

During the period in which an insurance enterprise is under receivership, the competent authority may restrict its ability to write new business, modify or terminate in-force insurance contracts, provide proposers with loans secured by insurance contracts, or pay the surrender value of insurance contracts.

In cases of the following acts while performing duties, the receiver shall prepare substantial solutions to be approved by the competent authority in advance:

- I. Carry out a capital increase, or capital decrease followed by capital increase.
- II. Assign operations, assets, or liabilities in whole or in part.
- III. Separation from or merge with another insurance enterprise.
- IV. Restructuring to be filed for with the court when reconstruction and regeneration are possible
- V. Other important matters required by the competent authority

When after evaluation, the receiver believes that it helps protect the basic rights of the insured or financial stability while the insurance enterprise is placed under receivership, the receiver may stipulate a transition insurance mechanism and solution that shall be enforced with

prior approval from the competent authority.

The provisions of Article 139-1 do not apply when the receiver holds issued voting shares of the insurance enterprise placed into receivership in accordance with Paragraph 2, Subparagraph 1 or 3.

When a court receives a petition for reorganization filed by a receiver in accordance with the provisions of this Act, it may proceed forthwith to issue a ruling within 30 days on the basis of operational and final examination reports and opinions provided by the competent authority.

When an insurance enterprise is undergoing reorganization, rights arising out of its insurance contracts shall constitute preferential claims and need not be declared as rights of creditors in reorganization.

The insurance enterprises for which a receiver may file for reorganization are not limited to companies that have publicly issued stock or corporate bonds, and except as otherwise provided in this Act, the reorganization thereof shall be subject *mutatis mutandis* to the provisions of the Company Act relating to reorganization.

When a receiver intends to assign operations, assets, or liabilities in whole or in part in accordance with paragraph 2, subparagraph 2, if premium rates on the in-force contracts of the insurance enterprise under receivership are significantly out of line given current conditions and the other insurance enterprise will not accept the assignment unless premium rates are increased or insured amounts are reduced, the receiver may adjust premium rates or insured amounts after approval is granted by the competent authority.

Article 149-3

The period of conservatorship or receivership shall be determined by the competent authority. If during the period of conservatorship or receivership, the reason for conservatorship or receivership ceases to exist, the conservator or receiver shall report to the competent authority and request termination of conservatorship or receivership.

When the period of receivership expires, or if the competent authority decides to terminate the receivership prior to expiration of the period of receivership, the receiver shall transfer all relevant account books, documents, and property relating to business and financial matters of the insurance enterprise to the representative of the insurance enterprise along with a list of what has been transferred.

Article 149-4

When an insurance enterprise organized as a company is ordered to dissolve in accordance with the provisions of Article 149, the provisions of the Company Act concerning liquidation of a company limited by shares shall apply *mutatis mutandis* to the enterprise's liquidation procedures unless otherwise provided in this Act. If the insurance enterprise is organized as a cooperative, the provisions of the Cooperative Act concerning liquidation shall apply *mutatis mutandis*, provided that if special liquidation procedures are required for any of the reasons contained in Article 335 of the Company Act, the procedures for special liquidation of a company limited by shares, as set forth in the Company Act, shall apply *mutatis mutandis*.

Article 149-5

Remuneration of the conservator, receiver, rehabilitator, or liquidator,

and expenses arising from the performance of their duties, shall be borne by the insurance enterprise under conservatorship, receivership, rehabilitation, or liquidation, and shall take precedence over the rights of other creditors.

The remuneration referred to in the preceding paragraph shall be submitted to the competent authority for approval.

Article 149-6

When an insurance enterprise is ordered by the competent authority, pursuant to the provisions of Article 149, paragraph 3, into conservatorship, receivership, suspension of business and rehabilitation, or dissolution, the competent authority may instruct the relevant authorities or institutions to prohibit the insurance enterprise, its responsible person, or any of its employees suspected of violating the law, from transferring, delivering, or otherwise encumbering property of the enterprise, and may also request by letter that immigration authorities prevent such persons from leaving the country.

Article 149-7

When an insurance enterprise organized in the form of a company limited by shares takes assignment of the operations, assets, or liabilities of another insurance enterprise that is under receivership pursuant to Article 149-2, paragraph 2, subparagraph 2, the following provisions shall apply:

1. For a company limited by shares, assumption in whole of operations, assets, or liabilities shall proceed upon adoption of a resolution by a majority vote of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares. Dissenting shareholders may not request repurchase of their shares and the requirements of Article 185 to 187 of the Company Act shall be waived.

2. Notice of the assignment of creditors' rights shall be given by public announcement, and the requirements of Article 297 of the Civil Code shall be waived.

3. Where debt is assumed, the provision of Article 301 of the Civil Code requiring acknowledgement by the creditor shall be waived.

4. Where the competent authority deems that there is a need for urgent measures and that there will be no material adverse impact on market competition, the requirement to report a business combination to the Fair Trade Commission under Article 11, paragraph 1 of the Fair Trade Act shall be waived.

Where an insurance enterprise merges, pursuant to Article 149-2, paragraph 2, subparagraph 2, with an insurance enterprise under receivership, the provisions of subparagraphs 1 and 4 of the preceding paragraph shall apply, notice of merger or dissolution may be given by public announcement, and the requirements of Article 316, paragraph 4 of the Company Act shall be waived.

Article 149-8

For rehabilitation of an insurance enterprise, the competent authority shall appoint a rehabilitator, and may dispatch personnel to supervise the rehabilitation.

The duties of the rehabilitator are as follows:

1. To wind up pending matters.

2. To collect assets and discharge liabilities.

3. Assign remaining properties.

When an insurance enterprise is ordered by the competent authority to suspend business and undergo rehabilitation, the provisions of Article 149-1, Article 149-2, Paragraphs 1, 2, 4, and 8 shall apply.

When an insurance enterprise takes assignment of the operations, assets, or liabilities of, or merges with, an insurance enterprise under rehabilitation, it shall comply with the provisions of the preceding article.

Article 149-9

After being instated, the rehabilitator shall immediately make public announcement for at least three days in a daily newspaper published in the area where the insurance enterprise is located, notifying creditors to file their claims within thirty days and stating that in case of failure to file within the time limit such claims will not be included in the rehabilitation proceeding, provided that this restriction does not apply to claims known to the rehabilitator.

The rehabilitator shall immediately ascertain the status of the insurance enterprise's assets; prepare a balance sheet and list of property within three months from the expiration of the time limit for filing a claim; prepare a rehabilitation plan; submit all of the above to the competent authority; and publicize the balance sheet in a daily newspaper published in the area where the insurance enterprise is located.

During the filing period set forth in paragraph 1, the rehabilitator may not make payment to creditors, provided that employee salaries that are due are not subject to this restriction.

Article 149-10

For an insurance enterprise that has been ordered by the competent authority into suspension of business and rehabilitation, creditors' rights shall not be exercised by any third party against the insurance enterprise other than through the rehabilitation proceeding set forth in paragraph 1 of the preceding article, except for rights that have been ascertained through litigation procedures.

If the distribution of payment of creditors' rights referred to in the preceding paragraph is likely to be delayed due to litigation, the rehabilitator may set aside an amount based on the rehabilitation distribution ratio, and distribute the balance of the property to other creditors.

The following creditors' rights shall be excluded from rehabilitation:

1. Expenses incurred by creditors for personal benefit while taking part in the rehabilitation proceeding.

2. Damages and penalties owed by the insurance enterprise due to non-performance of debt obligations after the day of suspension of business.

3. Criminal fines, administrative fines, and arrears fees.

Those holding pledges, mortgages, or liens on property of the insurance enterprise prior to the day of suspension of business shall enjoy the right of exclusion with respect to such property. Creditors with the right of exclusion may exercise their creditors' rights independently of the rehabilitation proceeding, provided that for debts that remain unsettled after exercise of the right of exclusion, such creditors may file a claim

in accordance with the rehabilitation proceeding.

Expenses and debts incurred by the rehabilitator in the execution of rehabilitation duties have priority over payment of creditors, and shall be reimbursed on a running basis from the property of the insurance enterprise under rehabilitation.

The limitations period for claiming payment for creditors' rights shall be interrupted from the time that a claim is filed or that rights known to the rehabilitator are included in the rehabilitation pursuant to paragraph 1 of the preceding article, and shall resume from the day the rehabilitation is completed.

Where a creditor has received payment through the rehabilitation proceeding, right of claim against the insurance enterprise for the portion of credit not fully paid up shall be deemed extinguished. After completion of rehabilitation, if distributable property is discovered, supplemental distribution shall be carried out. If there is any balance after paying those creditors who are listed in the rehabilitation proceeding, the creditors referred to in paragraph 3 shall be entitled to claim it.

Article 149-11

When an insurance enterprise is ordered by the competent authority to suspend business and undergo rehabilitation, after rehabilitation liquidation in accordance with the provisions of the Company Act or the Cooperative Act is not required.

Within fifteen days of completion of the rehabilitation, the rehabilitator shall: prepare a revenue and expense statement, a profit and loss statement, and various account books for the rehabilitation period; publicize the revenue and expense statement and the profit and loss statement in newspapers published in the area where the insurance enterprise is located, and on a website designated by the competent authority; and submit a report to the competent authority requesting that it revoke insurance the enterprise's business permit.

After rehabilitation is completed, the insurance enterprise shall use the date its permit is abolished by the competent authority as the date when voidance of registration is applied for with the competent authority for companies or cooperatives, with the date for closing of an account for the immediate term being applied for in accordance with the provisions of Article 75, Paragraph 1 of the Income Tax Act.

Article 150

When an insurance enterprise is dissolved and liquidated, its business license shall be revoked.

Section 2. Insurance Companies

Article 151

Except as otherwise provided for in this Act, the provisions of the Company Act relating to companies limited by shares are applicable to insurance companies.

Article 152

The shares of an insurance company may not be in bearer form.

Article 153

Where an insurance company violates insurance laws or regulations in conducting its business, and this results in a situation where its assets are insufficient to pay off its debts, its chairman of the board of

directors, directors, supervisors, president, and managers responsible for deciding such business matters shall bear unlimited joint and several liability to the company's creditors.

The competent authority may notify the relevant authorities or institutions that they are prohibited from transferring, delivering, or otherwise encumbering property of persons who shall bear the unlimited joint and several liability referred to in the preceding paragraph, and may also instruct immigration authorities in writing to prevent such persons from leaving the country.

Each of the said responsible persons shall be discharged from the liability referred to in paragraph 1 three years after the date of registration of dismissal from his/her position.

Article 154

(Deleted)

Article 155

(Deleted)

Section 3. Insurance Cooperatives

Article 156

In addition to the provisions of this Act, an insurance cooperative shall also be governed by the provisions of the Cooperative Act and other relevant laws and regulations.

Article 157

In addition to raising membership share capital in accordance with the Cooperative Act, an insurance cooperative shall, as necessary, take other measures pursuant to this Act to ensure that its authorized fund meets the legal requirement.

The fund referred to in the preceding paragraph may not be retired until the surplus has accumulated to an amount equal to the total amount of the fund.

Article 158

Where an insurance cooperative does not have sufficient existing assets to pay off its debts when a member withdraws from the cooperative, the withdrawing member shall continue to bear the liability that he/she bore prior to withdrawal.

Article 159

A director of an insurance cooperative may not concurrently serve as a director, supervisor, or member with unlimited liability of another cooperative.

Article 160

(Deleted)

Article 161

Members of an insurance cooperative may not use their creditors' rights with respect to the cooperative to offset their subscriptions to membership share capital or other elements of the cooperative's fund.

Article 162

The start-up membership of a cooperative engaged in non-life insurance may not be less than three hundred persons. The start-up membership of a cooperative engaged in insurance of the person may not be less than five hundred persons.

Section 4. Insurance Agents, Brokers, and Surveyors

Article 163

An insurance agent, broker or surveyor shall have obtained permission from the competent authority, posted bond and obtained related insurance, and obtained a practice license before beginning business operation or practice.

The related insurance set out in the preceding paragraph means liability insurance for insurance agents and surveyors, and liability insurance as well as bonding insurance for insurance brokers.

The minimum amount of bond to be posted and the related insurance to be obtained as referred to in the preceding paragraph and the method of implementation shall be determined by the competent authority in consideration of the business operations, scope of business, and business size of insurance agents, brokers and surveyors.

Regulations governing compliance matters concerning insurance agents, brokers and surveyors, including obtaining of qualifications, eligibility conditions, procedures, and required documentation for application of permit, qualification requirements for directors, supervisors, and managerial officers and causes for dismissal, criteria for establishment of branch units, business and financial management, education and training, revocation of permit, and other matters of compliance shall be set forth by the competent authority.

Insurance agents, brokers, and surveyors that have obtained a practice license prior to the enforcement of this article amended on 14 June 2011 shall, within six months from the date of enforcement, post bond and obtain related insurance. For insurance agents, brokers and surveyors that fail to do so before the specified deadline, the competent authority will revoke their permit and cancel their practice license.

Article 164

(deleted)

Article 164-1

If an insurance agent, broker or surveyor violates laws or regulations, or is suspected of improper management, the competent authority may issue an official reprimand or order it to take corrective action within a specified period of time, and may, depending on the circumstances, take the following disciplinary actions:

1. Restrict the scope of business operation or business practice of the insurance agent, broker or surveyor.
2. Order the company to remove its manager(s) or employee(s) from their positions.
3. Dismiss its director(s) or supervisor(s), or suspend them from their duties for a certain period of time.
4. Any other necessary disposition.

If a director or supervisor of an insurance agent, broker or surveyor is dismissed pursuant to subparagraph 3 of the preceding paragraph, the competent authority shall notify the authority for company registration to cancel the registration of said director or supervisor.

Article 165

An insurance agent, broker, or surveyor shall have a fixed place of business and set up separate ledgers to record his or her business income and expenditures.

A person with simultaneous qualifications of insurance agent, and/or broker, and/or surveyor may only apply for practice license for one of the businesses.

An insurance agency company or broker company of certain sizes shall establish internal control and audit systems as well as business solicitation systems and procedures. Regulations governing such systems shall be set forth by the competent authority.

The provisions of Article 142 and Article 148 herein shall apply mutatis mutandis to insurance agents, brokers and surveyors.

Section 4-1. Trade associations

Article 165-1

An insurance enterprise, agent, broker, or surveyor company may not engage in business until it has became a member of the association; without legitimate reason, the association may not deny an application for membership thereby or attach improper conditions to it.

Article 165-2

To ensure sound operations and maintain the reputations of its members, the association shall carry out the following matters:

1. Draw up general operating bylaws, self-regulatory, and practical codes, and then provide these, to members for their compliance as the competent authority agreed to file for recordation.
2. Exercise necessary guidance for members' running business and coordinate disputes between them.
3. Handle matters required and entrusted by the competent authority.
4. Handle other matters as necessary to develop insurance business and achieve the mission of the association.

To carry out the matters set forth in the preceding paragraph, the association may require members to provide relevant information or make explanations.

Article 165-3

The competent authority shall prescribe regulations for the supervision of operational and financial affairs of the association, the contents of constitution, the required qualifications of responsible men and related persons, and other compliance matters.

Article 165-4

Where a director or supervisor of the association violates laws or regulations, fails to obey the association's constitution or bylaws, abuses his or her authority, or breaches the principle of good faith, the competent authority may issue an official reprimand or order the association to dismiss the actor.

Article 165-5

When necessary to ensure the soundness of insurance market or safeguard interests of the insured, the competent authority may order the association to amend its constitution, bylaws, rules, resolutions, or to provide reference materials, reports, or to perform other certain acts.

Article 165-6

The association may, in accordance with its constitution, impose necessary sanctions against members or members' representatives who violate the constitution, bylaws, self-regulatory rules, or resolutions made by the convention or the board of directors.

Article 165-7

Amendments to the association's constitution, and minutes of the board of directors and of supervisors, shall be filed for recordation as the competent authority agreed.

Section 5. Penal Provisions

Article 166

Enterprises that engage in the business of insurance without obtaining approval from the competent authority in accordance with the provisions of Article 137 of this Act shall be ordered to suspend business, and shall be assessed an administrative fine of not less than New Taiwan Dollars three million but not more than New Taiwan Dollars fifteen million.

Article 166-1

People who spread rumors or apply illegitimate tactics to smear an insurance enterprise or the credit of a foreign insurance enterprise will be sentenced up to 5 years in prison, which may be offset with a fine of no more than NTD 10 million.

Article 167

A non-insurance enterprise that engages in the operation of insurance business or of a business similar to insurance shall be punished by a prison term of not less than three years but not more than 10 years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars 10 million but not more than New Taiwan Dollars two hundred million. Where its gains from the crime are New Taiwan Dollars one hundred million or more, it shall be punished by a prison term of not less than seven years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars twenty-five million but not more than New Taiwan Dollars five hundred million.

Where a juristic person commits the offense described in the preceding paragraph, the persons responsible for the offense shall be punished.

Article 167-1

Any person who provides agent, broker, surveyor services for insurance enterprises or foreign insurance enterprises not approved under the Act shall be subject to a prison term of not more than three (3) years, and in addition thereto, a fine of not less than New Taiwan Dollars three million (NT\$3,000,000) but not more than New Taiwan Dollars twenty million (NT\$20,000,000). For violations deemed severe, the competent authority may order the violating insurance agent, broker or surveyor to suspend business or revoke the offender's practice license.

Where the offender in the preceding paragraph is a juristic person, the responsible person of the offender shall be punished.

Any person who operates or practices the business of an insurance agent, broker or surveyor without a practice license as provided in Paragraph 1 of Article 163 herein is subject to a fine of not less than New Taiwan Dollars nine hundred thousand (NT\$900,000) but not more than New Taiwan Dollars four million five hundred thousand (NT\$4,500,000).

Article 167-2

In case of a violation of the regulations set forth in accordance with Paragraph 4 of Article 163 herein regarding business or financial management, or violation of Paragraph 1 of Article 165 herein, a time limit for rectification shall be specified, and in addition thereto, an

administrative fine of not less than New Taiwan Dollars six hundred thousand (NT\$600,000) but not more than New Taiwan Dollars three million (NT\$3,000,000) may also be assessed. For violations deemed severe, an order may be issued to revoke the offender's permit and cancel his or her practice license.

Article 167-3

Insurance agency companies and insurance broker companies that fail to establish or diligently implement internal control and audit systems, or business solicitation systems or procedures are subject to a fine of not less than New Taiwan Dollars six hundred thousand (NT\$600,000) but not more than New Taiwan Dollars three million (NT\$3,000,000).

Article 167-4

When the competent authority dispatches officers to inspect the business and financial conditions of an insurance agent, broker or surveyor, or order an insurance agent, broker or surveyor to report the condition of its business within a specified time limit pursuant to Paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, a fine of not less than New Taiwan Dollars three hundred thousand (NT\$300,000) but not more than New Taiwan Dollars one million five hundred thousand (NT\$1,500,000) will be meted out if the insurance agent, broker or surveyor himself or herself, or an responsible person or employee of the insurance agent, broker or surveyor has any of the situations:

1. Refusing to allow inspection or to open the safe or other storage rooms.
2. Concealing or destroying account books or documents related to the business or financial conditions of the insurance agent, broker or surveyor.
3. Refusing to respond to, or making false representation in response to an inspector's queries without cause.
4. Missing the deadline for submission of financial reports, property list, or other related information and reports, or making false or incomplete representations, or missing the deadline for payment of inspection fees.

Where the competent authority dispatches an officer to conduct inspection of an affiliate of an insurance agent, broker or surveyor, or any other financial institution related thereto pursuant to Paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, the inspected entity that is remiss in submitting the financial statements, account books, documents, or relevant transaction records shall be assessed a fine of not less than New Taiwan Dollars three hundred thousand (NT\$300,000) but not more than New Taiwan Dollars one million five hundred thousand (NT\$1,500,000).

Article 167-5

An insurance enterprise that has business dealings with an insurance agent, broker or surveyor as described in Paragraph 3 of Article 167-1 herein shall be subject to a fine of New Taiwan Dollars one million five hundred thousand (NT\$1,500,000) but not more than New Taiwan Dollars four million five hundred thousand (NT\$4,500,000).

Article 168

If an insurance enterprise violates the provisions of Article 138, paragraph 1, 3, or 5, or the provisions relating to business scope in regulations prescribed by the competent authority pursuant to Article 138,

paragraph 2, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

If an insurance enterprise violates the provisions of Article 138-2, paragraph 2, 4, 5, or 7, or Article 138-3, paragraph 1 or 2, or the provisions relating to the amount to be provisioned for the compensation reserve fund and the manner of such provisioning as set out in regulations prescribed by the competent authority pursuant to paragraph 2 of that same article, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed; where the circumstances are severe, the enterprise's permit to engage in insurance trust business may also be revoked.

Where an insurance enterprise violates Article 143, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than New Taiwan Dollars four million five hundred thousand shall be imposed.

Where any one of the following circumstances obtains with respect to the funds allocation of an insurance enterprise, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than New Taiwan Dollars four million five hundred thousand shall be imposed, or the enterprise shall be ordered to replace its responsible person; where the circumstances are severe, its business license may also be revoked:

1. A violation of Article 146, paragraph 1, 3, 5, or 7, or the provisions relating to administration and custody of special ledgers or the allocation of investment assets as set out in regulations prescribed by the competent authority pursuant to paragraph 6 of that same article, or a violation of provisions relating to the terms and conditions of derivatives trading by insurance enterprises, the scope thereof, transaction limits, or internal handling procedures as set out in regulations prescribed by the competent authority pursuant to paragraph 8 of that same article.
2. A violation of Article 146-1, paragraph 1, 2, or 3, or the provisions relating to eligibility conditions, scope and type of investments, and investment rules as set out in regulations prescribed by the competent authority pursuant to paragraph 5 of that same article.
3. A violation of the provisions of Article 146-2.
4. A violation of the provisions of Article 146-3, paragraph 1, 2, or 4.
5. A violation of Article 146-4, paragraph 1 or 2, or the provisions relating to investment rules or investment limits as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.
6. A violation of the forepart of paragraph 1 of Article 146-5, or of the provisions relating to scope of or limits upon investments as set out in regulations prescribed by the competent authority pursuant to the latter part of that same article.
7. A violation of Article 146-6, paragraph 1 or 2, or the provisions relating to the method of reporting investments as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.
8. A violation of the provisions relating to limits on loans or other transactions as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 1, or of the provisions

relating to procedures for the adoption of resolutions or limits on transaction size as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 3.

9. A violation of the provisions of Article 146-9, paragraph 1, 2, or 3. Where a secured loan made by an insurance enterprise under Article 146-3, paragraph 3 or Article 146-8, paragraph 1 is not fully secured or the conditions are better than those extended to other loanees of the same class, the person responsible for the act shall be sentenced to imprisonment for not more than three years or detention, and in addition may be assessed a criminal fine of not more than New Taiwan Dollars twenty million.

Where a secured loan made by an insurance enterprise under Article 146-3, paragraph 3 or Article 146-8, paragraph 1 reaches or exceeds the monetary amount prescribed by the competent authority without approval by three-quarters of the directors present at a board of directors meeting attended by at least two-thirds of the directors, or where an insurance enterprise violates the provisions relating to loan limits and aggregate loan balances as set out in regulations prescribed by the competent authority pursuant to Article 146-3, paragraph 3, the person responsible for the act shall be assessed an administrative fine of not less than New Taiwan Dollars two million but not more than New Taiwan Dollars ten million.

Article 168-1

Where the competent authority, pursuant to Article 148, dispatches an officer or commissions an appropriate institution or expert to inspect the business and financial conditions of an insurance enterprise, or orders an insurance enterprise to report the status of its business within a specific time limit, a responsible person or an employee of the insurance enterprise who commits any of the following acts shall be assessed an administrative fine of not less than New Taiwan Dollars one million and eight hundred thousand but not more than New Taiwan Dollars nine million:

1. Refusing to allow inspection or to open the safe or other storage areas.
2. Concealing or destroying account books or documents related to the enterprise's business or financial conditions.
3. Refusing to respond to, or making false representation in response to, an investigator's queries without cause.
4. Missing the deadline for submission of financial reports, a list of assets, or other related information and reports, or in submitting such items, making false or incomplete representations, or missing the deadline for payment of inspection fees.

Where the competent authority dispatches an officer to conduct inspection pursuant to Article 148, paragraph 4, an affiliate of the insurance enterprise, or any other financial institution related thereto, that fails to submit the financial statements, account books, documents, or relevant transaction records shall be assessed an administrative fine of not less than New Taiwan Dollars one million eight hundred thousand but not more than New Taiwan Dollars nine million.

Article 168-2

Where a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or

business operations of an insurance enterprise, operates the insurance enterprise improperly with intent to reap illegal gains for himself/herself or a third party or to harm the interests of the insurance enterprise, and by such action harms property or interests of the insurance enterprise, shall be sentenced to a prison term of not less than three years but not more than 10 years, and in addition thereto, may also be assessed a criminal fine of not less than New Taiwan Dollars 10 million but not more than New Taiwan Dollars two hundred million. Where gains from the crime are New Taiwan Dollars one hundred million or more, such person shall be punished by a prison term of not less than seven years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars twenty-five million but not more than more than New Taiwan Dollars five hundred million.

Where two or more responsible persons or employees of an insurance enterprise, or persons using other people's names to make investments through which they are able to exercise direct or indirect control over the personnel, financial, and business matters of an insurance enterprise, act jointly in committing a crime described in the preceding paragraph, the penalty may be increased by up to one-half.

Any attempted offense described in paragraph 1 shall be punishable.

Article 168-3

A person who commits an offense as set out in Article 167 or Article 168-2 and subsequently voluntarily surrenders himself or herself before the offense is discovered, if there is criminal gain and he or she voluntarily hands over the gained assets in full, shall have his or her punishment reduced or remitted. Where another principal offender or an accomplice is captured as a result, his or her punishment shall be remitted.

A person who commits an offense as set out in Article 167 or Article 168-2 and confesses during the prosecutorial inquiry, if there is criminal gain and he or she voluntarily hands over the gained assets in full, shall have his or her punishment reduced. Where another principal offender or an accomplice is captured as a result, his or her punishment shall be reduced by one-half.

Where the criminal benefit gained by a person through commission of the offense in Article 167 or Article 168-2 exceeds the maximum amount of the criminal fine, the fine may be increased within the scope of the benefit gained; if the stability of the insurance market is harmed, the fine shall be increased by one-half.

Article 168-4

Any asset or property benefit gained through commission of a crime under this Act, other than that which shall be returned to a victim or person entitled to claim damages, and where it belongs to the offender, shall be confiscated. If the whole or a part of such gain cannot be confiscated, the value thereof shall be collected from the offender or satisfied out of his or her property.

Article 168-5

Where a criminal fine assessed for an offense under this Act is New Taiwan Dollars fifty million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than two years, to be calculated by the ratio of the total amount of the fine to the

number of days in two years; where the criminal fine assessed is New Taiwan Dollars one hundred million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than three years, to be calculated by the ratio of the total amount of the fine to the number of days in three years.

Article 168-6

Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in Article 168-2, paragraph 1 does any gratuitous act that is prejudicial to the rights of an insurance enterprise, the insurance enterprise may petition a court to revoke the act.

Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in the preceding paragraph does any non-gratuitous act knowing at the time of the act that it is prejudicial to the rights of an insurance enterprise and the beneficiary of the act also knows the circumstances at the time the benefit is received, the insurance enterprise may petition a court to revoke the act.

A party petitioning for revocation in accordance with either of the preceding two paragraphs may also petition the court to order the beneficiary or any party to whom the benefit is transferred to restore the status quo ante, provided this does not apply where the party to whom the benefit is transferred was not aware at the time of transfer that there was cause for revocation.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a non-gratuitous act.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a non-gratuitous act.

The right of revocation under paragraphs 1 and 2 shall be extinguished one year after the time the insurance enterprise learns there is cause for voidance if the insurance enterprise fails to exercise, or 10 years after the time of the act.

Article 168-7

The crimes set forth in Article 168-2, paragraph 1 are serious crimes as defined in Article 3, paragraph 1 of the Money Laundering Control Act.

Article 169

If an insurance enterprise violates the provisions of Article 72 of this Act by underwriting insurance in excess of the value of the subject matter insured, the portion in violation shall become void, and the offense shall also be punished by an administrative fine of not less than New Taiwan Dollars four hundred fifty thousand but not more than New Taiwan Dollars two million two hundred fifty thousand.

Article 169-1

(Deleted)

Article 169-2

An insurance enterprise found with one of the following conditions will be reported by the stabilization fund to the competent authority for a fine of NTD 300 thousand to NTD 1.5 million at maximum. The person-in-charge may be replaced under severe circumstances.

I. It fails to make contributions to the stabilization fund or refuses to pay for it.

II. It violates the provisions of Article 143-3, Paragraph 5 by failing to create electronic data files or refusing to provide electronic data files as required, or providing electronic data files that are seriously untrue.

III. It circumvents, obstructs with, or refuses inspections performed by the stabilization fund in accordance with the provisions of Article 143-3, Paragraph 6.

Article 170

(Deleted)

Article 170-1

Where an insurance enterprise violates the provisions relating to the manner in which insurance enterprises cede or assume reinsurance or operate other risk spreading mechanisms, or limits applying thereto, as set out in regulations prescribed by the competent authority pursuant to Article 147, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

If a professional reinsurance enterprise violates the provisions relating to business scope or financial management as set out in regulations prescribed by the competent authority pursuant to Article 147-1, paragraph 2, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

Article 171

An insurance enterprise that violates the provisions of Article 144 or 145 shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million, and in addition thereto may be ordered to remove and replace its underwriters or actuaries.

Article 171-1

An insurance enterprise that violates the provisions of Article 148-1, paragraph 1 or 2 shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

An insurance enterprise that violates the provisions of Article 148-2, paragraph 1 by not making explanatory documents publicly available for

inspection, or submitting explanatory documents that do not contain required information, or submitting explanatory documents containing misrepresentations, shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

An insurance enterprise that violates the provisions of Article 148-2, paragraph 2 by failing to report to the competent authority or to provide a public explanation within the specified time period, or by making false representations in its reports to the competent authority or public explanations, shall be assessed an administrative fine of not less than New Taiwan Dollars three hundred thousand but not more than New Taiwan Dollars one million five hundred thousand.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 1 by failing to establish or enforce internal control or auditing systems shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 2 by failing to establish or enforce internal handling systems or procedures shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

Article 171-2

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 1, 2 or 4 by acquiring shares without reporting to or obtaining approval from the competent authority shall be assessed an administrative fine of not less than New Taiwan Dollars four hundred thousand (NT\$400,000) but not more than New Taiwan Dollars four million (NT\$4,000,000).

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 5 concerning reporting or announcement of shareholding and other important changes or violate the provisions of paragraph 6 of the same article by failing to dispose of shares within a given time period shall be assessed an administrative fine of not less than New Taiwan Dollars four hundred thousand (NT\$400,000) but not more than New Taiwan Dollars four million (NT\$4,000,000).

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 7 by failing to make notification shall be assessed an administrative fine of not less than New Taiwan Dollars one hundred thousand (NT\$100,000) but not more than New Taiwan Dollars one million (NT\$1,000,000).

Article 172

If an insurance enterprise that has had its registration voided delays in carrying out liquidation procedures, each responsible person may be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

Article 172-1

When an insurance enterprise has been ordered by the competent authority into conservatorship, receivership, or suspension of business and rehabilitation, the directors, supervisors, managers, or other staff of the

insurance enterprise shall, under any of the following circumstances, be sentenced to imprisonment of not less than one year but not more than seven years, and may in addition be assessed a criminal fine of not more than New Taiwan Dollars twenty million:

1. It refuses to transfer to the conservator, receiver, or rehabilitator account books and documents, seals, and a list of assets related to the insurance enterprise's business and financial matters, or fails to transfer them completely.
2. It conceals or destroys account books or documents related to business matters, conceals or destroys assets of the insurance enterprise, or otherwise disposes thereof to the detriment of creditors' rights.
3. It counterfeits a debt or acknowledges false debts.
4. It refuses to respond to the inquiries of the conservator, receiver or rehabilitator without cause, or responds with untrue answers, thereby affecting the rights and interests of insured persons or beneficiaries.

Article 172-2

If an insurance enterprise, after having been punished in accordance with the provisions of this Section, fails to make corrections within the time period provided that the punishment for the same fact or action may be increased by 100 percent to 500 percent.

Article 173

(Deleted)

Chapter VI. Supplementary Provisions

Article 174

Social insurance is to be separately prescribed by an act of law.

Article 174-1

A court may establish a specialized division or designate a specific person(s) to try criminal cases involving violation of this Act.

Article 175

Enforcement Rules to this Act shall be prescribed by the competent authority.

Article 175-1

In order to further international cooperation between the competent insurance authorities of the ROC government and foreign countries, the ROC government and agencies (or institutions) authorized by it may, based on the principle of reciprocity, enter into a cooperative treaty or agreement with a foreign government or agency (institution), or with an international organization, to facilitate matters such as information exchange, technical cooperation, and investigative assistance.

Unless such action otherwise conflicts with the interests of the state or the rights of the insurance-buying public, the competent authority may, in accordance with the treaty or agreement made pursuant to the preceding paragraph, request the provision of necessary information from related authorities and agencies (institutions) in accordance with the law, and based on the principles of reciprocity and confidentiality, provide such information to the foreign government, agency (institution), or international organization which has executed the given treaty or agreement with the ROC government.

Article 176

The establishment, registration, transfer, merger, and dissolution and

rehabilitation of insurance enterprises shall, in addition to being carried out in accordance with the provisions of the Company Act, be further subject to detailed procedures set forth in the Regulations Governing the Administration of Insurance Enterprises.

Article 177

Regulations governing compliance matters concerning insurance solicitors (including the obtaining of qualifications, registration, voidance or revocation of registration, education, training, and disciplinary matters) shall be set forth by the competent authority.

Article 177-1

An person that complies with any of the subparagraphs below may collect, process or use personal information such as medical records, medical treatment or health examination of individuals, with the written consent of the principal party:

1. Insurance enterprises, insurance agents, brokers, and surveyors that operate or practice business in accordance with the Act.
2. Juristic persons commissioned by insurance enterprises to provide assistance in confirming or performing their obligations under an insurance contract.
3. Insurance related foundations established with the permission of the competent authority to handle disputes and matters relating to compensation for victims of motor vehicle accident s.

Regulations governing the manner of written consent mentioned in the preceding paragraph, scope of business mentioned in the first subparagraph of preceding paragraph and other matters of compliance shall be set forth by the competent authority.

Insurance enterprises may be exempted from the obligation to notify as provided in Paragraph 1, Article 9 of the Personal Information Protection Act when they process and use legally collected information on the name, date of birth, ID Card number and method of contact of beneficiaries of insurance contracts for the needs of underwriting or claims operations.

Personal information on medical records, medical treatment, and health examination already collected by persons mentioned in subparagraphs of the first paragraph hereof prior to the enforcement of this article amended on 14 June 2011 may continue to be processed and used within the extent necessary to serve the specific purposes of collection.

Article 178

With the exceptions of the provisions amended and promulgated on 30 May 2006, which will enter into force on 1 July 2007, and Article 177-1 amended on 14 June 2011 that will enter into force on a date as determined by the Executive Yuan, this Act shall enter into force from the date of promulgation.