

Content

Title : Regulations Governing the Operation by Insurance Enterprises of Compulsory Automobile Liability Insurance **Ch**

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2.Amended on April 03, 2001
3.Amended on August 19, 2005
4.Amended on August 12, 2010

Content : Article 1

These regulations are stipulated pursuant to the provision of Paragraph 2 of Article 8 of the Compulsory Automobile Liability Insurance Act (hereinafter referred to as "this Act").

Article 2

An insurer applying to engage the Compulsory Automobile Liability Insurance (hereinafter referred to as "this Insurance") shall be qualified as follows:

- (1)An established non-life insurance company approved by the competent authority.
- (2)Its business scope includes automobile insurance, with sound condition in finance and business management, and ability to operate this Insurance.
- (3)To cope with the Special Compensation Fund under this Act, it can protect the legitimate rights and interests of the injury parties in automobile traffic accidents.

Article 3

A non-life insurance company applying to operate this Insurance shall submit to the competent authority the following documents as follows:

- (1)Application Form for a non-life insurance company operating Compulsory Automobile Liability Insurance (shown as the attachment),
- (2)Business Plan for operating this Insurance, and
- (3)Any other documents required by the competent authority.

Article 4

The Business Plan mentioned in the paragraph 2 of the preceding article shall include the items as follows:

- (1)Operation model for this Insurance, organization structure and department responsibility.
- (2)Personnel allocation, management and training plan.
- (3)Operation procedure and control level for issuing insurance certificates and other documents required by the competent authority.
- (4)Internet software and hardware equipments for efficient connection to the network and computer system of this Insurance.
- (5)Plan to provide 24 hours claim reports service.
- (6)Claim settlement procedure, including handling procedure of subrogation.
- (7)Procedure for complaint cases.
- (8)Procedure of accounting arrangement.
- (9)Internal audit system related to this Insurance.

(10)Operation methods to cope with the Motor Vehicle Accident Special Compensation Fund.

Article 5

A non-life insurance company operating this Insurance, in order to achieve the goal of "no-gain-no-loss" in the operation, should spread the risks only by way of domestic co-insurance.

Article 6

A non-life insurance company operating this Insurance, shall start to operate within the approved period, subject to the Business Plan required in Article 4 and the regulations relevant to this Insurance.

Article 6-1

Under any of the following circumstances pertaining to a non-life insurance company operating this Insurance, the competent authority may order the company to take corrective action within a designated period, or conduct a targeted examination of the condition of its operation of this Insurance:

1. Its retained earned pure premium loss ratio for this Insurance exceeded 100 percent on average in each of the past two years, and has ranked in the last 30 percent among its peer companies, ranked from low to high, in each of the years.
2. Its pure premium revenue for this Insurance for the most recent fiscal year increased or decreased by more than 30 percent against the preceding fiscal year.
3. The balance of its special reserve for this Insurance for the most recent fiscal year decreased by more than 20 percent against the preceding fiscal year.
4. There is any other likelihood of impairment of the sound operation of this Insurance.

Article 6-2

Under any of the following circumstances pertaining to a non-life insurance company operating this Insurance, the competent authority may impose restrictions on the company's management and disposition of assets relevant to this Insurance:

1. Its aggregate overall income before tax for the past three years is negative.
2. Its average overall combined ratio for the past three years is higher than 100 percent.
3. Its ratio of total adjusted net capital to risk-based capital for the most recent period is lower than 200 percent.
4. Any of the circumstances listed in paragraph 1 of the preceding article.

Article 7

Under any of the following circumstances pertaining to a non-life insurance company operating this Insurance, the competent authority may revoke the permission granted to the company to handle the business of this Insurance:

- (1) An insurer has failed to set aside any of the various reserves in accordance with law or regulation, and has within one year been subjected by the competent authority to administrative fines a total of 5 times or more or to a total amount of administrative fines of NT\$5 million or more, and is ordered to take corrective action within a designated period but fails to do so.

- (2) An insurer has failed to charge premiums in compliance with the premium

rates adopted by the competent authority, and has within one year been subjected by the competent authority to administrative fines a total of 10 times or more or to a total amount of administrative fines of NT\$5 million or more, and is ordered to take corrective action within a designated period but fails to do so.

(3)For violations of laws or regulations applicable to this Insurance within the past two years, an insurer has been subjected by the competent authority to administrative fines a total of 10 times or more or to a total amount of administrative fines of NT\$5 million or more (with the exception of fines imposed and their amounts under the preceding two subparagraphs, which shall not here be counted) and is ordered to take corrective action within a designated period but fails to do so.

(4)An insurer has been ordered by the competent authority to take corrective action within a designated period under Article 6-1 but fails to do so.

(5)After having restrictions imposed on its management or disposition of assets relevant to this Insurance under the preceding article, an insurer still fails to correct its business or financial condition, such that there is a likelihood of impairment of the sound operation of this Insurance.

Article 8

When a non-life insurance company operating this Insurance which plans to stop operating this Insurance, it shall disclose the specific reasons, propose business transfer plan, receive an approval and revocation permission by the competent authority and make a public announcement in major newspapers.

The business transfer plan mentioned in the preceding paragraph shall include business transfer or the way to terminate liability and the proposed date to stop operation.

The non-life insurance company, whose permission to operate this Insurance is revoked by the competent authority subject to Article 7, shall submit the business transfer plan as required in the preceding paragraph to the competent authority within one month after receiving the notification.

Article 9

A non-life insurance company cannot apply for a permission to operate this Insurance within two years if its permission is revoked due to the reasons stipulated in the preceding two articles.

Any non-life insurance company applying to reinstate its operation shall explain the reason and apply for approval by the competent authority subject to Articles 3 and 4.

Article 10

The Regulations shall be implemented from the day of announcement.