

Content

Title :	Directions for Review of Products for Insurance of the Person <b>Ch</b>
Date :	2006.09.01
Legislative :	<ol style="list-style-type: none"><li>1. Adopted and issued 15 February 1989 per Order No. (78)-Taiwan-Finance-Monetary-781229555 of the Ministry of Finance</li><li>2. Provisions and name amended and issued 28 January 1995 per Letter No. (84)-Taiwan-Finance-Insurance-842024552 of the Ministry of Finance; for implementation from 1 March 1995 (original name: Directions Concerning Submission for Review of New Products for Insurance of the Person)</li><li>3. Amended and issued 17 August 1998 per Letter No. (87)-Taiwan-Finance-Insurance-872440216 of the Ministry of Finance; for implementation from 1 September 1998</li><li>4. Full 14 points amended and issued 30 December 2000 per Letter No. (89)-Taiwan-Finance-Insurance-0890751453 of the Ministry of Finance; for implementation from 1 January 2001</li><li>5. Full 10 points amended and issued 30 June 2003 per Order No. Taiwan-Finance-Insurance-0920750591 of the Ministry of Finance; for immediate implementation</li><li>6. Full 14 points amended and issued 29 December 2004 per Order No. Financial-Supervisory-Insurance-II-09302524753 of the Financial Supervisory Commission, Executive Yuan; for implementation from 1 January 2005</li><li>7. Abolished on September 01, 2006</li></ol>
Content :	<p><b>Article 1</b> 1.To facilitate the review of products for insurance of the person, these Directions are adopted pursuant to the provisions of Article 10 of the "Regulations Governing Pre-sale Procedures for Insurance Products" ("the Regulations").</p> <p><b>Article 2</b> 2.A product for insurance of the person shall be named in such a manner as to indicate the principal nature of the product. The following are standard names for each type of insurance: (1) Life insurance: (i) Conventional, interest-sensitive, or universal life insurance: (a) A pure endowment product shall be called "XYZ (Interest-Sensitive or Universal) Pure Endowment Life Insurance". (b) A product for insurance against death shall be called "XYZ (Interest-Sensitive or Universal) Life Insurance". (c) An endowment product shall be called "XYZ (Interest-Sensitive or Universal) Endowment Insurance". (ii) Investment-linked life insurance: (a) XYZ Variable Life Insurance. (b) XYZ Variable Universal Life Insurance. (c) XYZ Unit-Linked Life Insurance. (ii) Personal injury insurance: XYZ Personal Injury Insurance. (iii) Health insurance: XYZ Health Insurance. (iv) Annuity insurance: (i) Conventional or interest-sensitive annuity insurance: XYZ (Interest-Sensitive) Annuity Insurance. (ii) Investment-linked annuity insurance: XYZ Variable Annuity Insurance. The standard name of a product for insurance of the person shall be prefixed with the name of the entity submitting the product for review. The name of a rider, coverage extension, or endorsement shall consist of the standard name additionally suffixed by a name for the additional coverage worded in such a manner as to reflect the nature of the additional coverage, and [the entity submitting the product for review] may also consider the possibility of additionally prefixing or suffixing the</p>

standard name with a number indicating the number of years of policy duration, or with an abstract noun that is auspicious, distinctive, or descriptive in nature. However, a noun contrary to public order or good morals, or misleading to consumers, may not be used.

Where the standards set forth in the two preceding paragraphs are not applied to the naming of a product for insurance of the person, the reasons therefor shall be noted when the product is submitted to the competent authority for review.

### **Article 3**

3. Products to be filed on a prior-approval basis include:

(1) Products for insurance of the person that provide two or more categories of insurance coverage (comprehensive or split insurance products), provided that the file-and-use system may be adopted for products providing the following categories of coverage:

(i) Life insurance product supplemented with benefits for death due to injury

(ii) Life insurance with product supplemented with disablement benefits

(iii) Life insurance product supplemented with waiver of premium

(iv) Standalone, gratuitous benefits introduced by an enterprise engaged in insurance of the person to an insurance product that has already been granted prior approval or file-and-use approval

(2) Investment-linked insurance products. However, an enterprise engaged in insurance of the person may file on a file-and-use basis for an investment-linked insurance product designed on the basis of a previously approved insurance product, provided that the investment instruments are among those set forth in Article 11, subparagraphs 1 to 8, and subparagraph 10 of the "Regulations Governing Investment-Linked Insurance Investments," and provided further that the account is not in the nature of a passively managed fund (such as a principal/interest protection fund and capital parking fund) or a stable value fund.

(3) Health insurance products. However, the file-and-use basis may be adopted for the following health insurance products:

(i) A one-year health insurance product that is designed on the basis of the "Model Provisions for Hospitalization Expense Insurance Policies" and provides only a single category of insurance coverage.

(ii) A one-year health insurance product with non-guaranteed premium rates.

(iii) A critical illness insurance product.

(iv) A health insurance product under which the only coverage is for waiver of premium.

(v) A product based on another insurance product (of the same enterprise engaged in insurance of the person) that has previously been granted prior approval or file-and-use approval, provided that modifications to the product only reduce benefit items while all else remains unchanged.

(4) Participating life insurance products.

However, an enterprise engaged in insurance of the person may follow the file-and-use system for an insurance product that has been designed in compliance with the same three dividend participation rules (the "Rules Governing Management of the Financial and Operational Aspects of a Participating Life Insurance Policy"; the "Rules Governing Expense Apportionment and Income Distribution for Participating and Nonparticipating Life Insurance Policies"; and the "Rules Governing Dividend Distribution") governing its design of a product for which prior approval has already been granted.

(5) A product that the competent authority has determined to be a new type of insurance product.

### **Article 4**

4. Products to be filed on a file-and-use basis include:

(1) Any product submitted for review that was designed with reference to the "Model Provisions for Life Insurance Policies", "Model Provisions for One-Year Group Term Life Insurance Policies", "Model Provisions for Personal Injury Insurance Policies", "Model Provisions for Group Personal Injury Insurance Policies", "Model Provisions for Travel Accident Insurance Policies", "Model Provisions for Individual Immediate Annuity Insurance Policies (Conventional, or with Guaranteed Benefits)", "Model Provisions

for Individual Deferred Annuity Insurance Policies (Conventional, or with Guaranteed Benefits)", "Model Provisions for Interest-Sensitive Annuity Insurance Policies (Type A)", or "Model Provisions for Interest-Sensitive Annuity Insurance Policies (Type B)", where such product is life insurance, personal injury insurance, or annuity insurance providing only one category of insurance coverage.

(ii) Any insurance product that has a policy period of greater than one year and to which a coverage extension is supplemented that introduces additional types of insurance coverage (e.g. a coverage extension providing benefits for major burns, an endorsement providing accelerated benefits for geriatric medical treatment, living benefits, waiver of premium, disablement proceeds, etc.), where the insurance enterprise absorbs the cost(s) thereof and provisions various reserves on the basis of such cost(s), and where the company's financial soundness will not be affected.

## Article 5

5. Products to be filed on a use-and-file basis include:

(1) Any product submitted for review whose provisions are identical to the "Model Provisions for Life Insurance Policies", "Model Provisions for One-Year Group Term Life Insurance Policies", "Model Provisions for Personal Injury Insurance Policies", "Model Provisions for Group Personal Injury Insurance Policies", "Model Provisions for Travel Accident Insurance Policies", "Model Provisions for Individual Immediate Annuity Insurance Policies (Conventional, or with Guaranteed Benefits)", "Model Provisions for Individual Deferred Annuity Insurance Policies (Conventional, or with Guaranteed Benefits)", "Model Provisions for Interest-Sensitive Annuity Insurance Policies (Type A)", or "Model Provisions for Interest-Sensitive Annuity Insurance Policies (Type B)", where such product is life insurance, personal injury insurance, or annuity insurance providing only one category of insurance coverage.

(2) Any insurance product that has a policy period of one year or less and to which a coverage extension is supplemented that introduces additional types of insurance coverage, where the insurance enterprise absorbs the cost(s) thereof and provisions various reserves on the basis of such cost(s).

(3) Any insurance product with a policy period of one year or less taken out by a publicly or privately established agency (organization) or school, where the cost is subsidized (or included in a government procurement project) through a governmental budgetary appropriation. The premium income serving as basis for the provisioning of various reserves shall be handled in accordance with the "Criteria for One-Year Group Insurance Rates."

(4) One-year employee group insurance. The premium income serving as basis for the provisioning of various reserves shall be handled in accordance with the "Criteria for One-Year Group Insurance Rates."

(5) An insurance product newly submitted for review by an enterprise engaged in insurance of the person that is basing the new product on another insurance product for which said enterprise has obtained prior approval or file-and-use approval within the past year, where none of the content has been changed, with the exception of the following modifications:

(i) The name of the insurance product is being changed.

(ii) The assumed interest rate used for calculating premium rates is being adjusted.

(iii) The occupational restrictions or eligibility requirements of the insured are being changed.

(iv) An additional benefit plan is being introduced, provided that it only differs from existing benefit plans by offering a higher benefit multiplier so that customers can have a greater range of choice.

(v) An expense loading factor is being adjusted.

(vi) The incidence rate for an anticipated risk is being adjusted.

(vii) The premium mode factor is being changed.

(viii) A change is being made for the sake of compliance with an amendment to an act or regulation.

6. When an enterprise engaged in insurance of the person files with the competent authority on a file-and-use or use-and-file basis in accordance with the proviso under Point 3, or in accordance with Point 4 or 5, it

shall submit to the competent authority, and to any organization designated thereby, each of the documents listed below (one set in hardcopy, and one set on optical or magnetic disk).

When submission is made to the competent authority on a prior-approval basis in accordance with Point 3, one set of each of the following documents shall be submitted in quadruplicate hardcopy together with one set on optical or magnetic disk:

- (1) Description of Product for Insurance of the Person and Declaration Thereupon (see Attachment 1).
- (2) Declaration Form for Submission to the Competent Authority of Product for Insurance of the Person (see Attachment 2).
- (3) Policy provisions (including a reference chart showing how they differ from the model provisions).
- (4) The proposal.
- (5) A pricing actuarial memorandum, table of premium rates, and related statements (refer to Appendix 1 for requirements concerning what these documents must contain).
- (6) An actuary's assessment opinion and declaration (see Attachment 3) (including declarations regarding the results of product profit analysis, asset share analysis, or break-even analysis; full documentation of these analyses must be retained for future audit or review by the competent authority; refer to Appendix 2 for requirements concerning what these documents must contain).
- (7) A Self-Review Form for Product for Insurance of the Person (the general manager of the submitting enterprise, or the department head authorized by the general manager, must sign to indicate that he/she has verified the accuracy of the content thereof; see Attachment 4).
- (8) An insurance enterprise filing a participating life insurance product shall submit a copy of its "Rules Governing Management of the Financial and Operational Aspects of a Participating Life Insurance Policy," "Rules Governing Expense Apportionment and Income Distribution for Participating and Nonparticipating Life Insurance Policies," and "Rules Governing Dividend Participation."
- (9) An insurance enterprise filing a product for insurance of the person with a policy period of greater than one year shall additionally submit an asset allocation plan, and the plan must set forth in detail the plan and purpose for the asset allocation and demonstrate that the projected investment return will satisfy the requirement to meet product design assumptions, and that asset allocation can be adjusted in a timely manner in response to changes in the marketplace (the responsible person from the investment department and an actuary must jointly sign off on the content of the plan).
- (10) An insurance enterprise filing a product for insurance of the person in accordance with the provisions of Point 4, paragraph (2) must submit a document explaining that the launch of the product in question will not affect the financial soundness of the company (the general manager of the submitting enterprise, or the department head authorized by the general manager, together with an actuary, must jointly sign off on the content thereof).
- (11) Any other information or data as designated by the competent authority.

For an investment-linked insurance product, in addition to all the documents listed under the preceding paragraph, four copies of each of the following documents shall also be submitted:

- (1) Investment instrument prospectus.
- (2) Cash flow testing report.
- (3) Table of incidental fees that the enterprise will charge (see Attachment 5).
- (4) An insurance enterprise filing an investment-linked insurance product for the first time shall additionally provide a business operation plan, the content of which shall include descriptions of asset management, administrative management, information management, and marketing management.

Where any portion of the submitted documentation differs in no way from that for a product previously granted prior approval, or from model provisions, this fact shall be indicated. For any portion that differs, a

reference chart shall be provided that compares and indicates in detail the difference(s) from the documentation for the product previously granted prior approval, or from model provisions, and the reasons for the difference(s) shall be explained.

Where a product is submitted for secondary review in response to a letter from the competent authority requiring supplementation of incomplete information, an enterprise engaged in insurance of the person must: provide a detailed reference chart that compares and shows how the resubmitted documentation differs from the original filing; explain the reasons for the difference(s); and submit a revised copy of the policy provisions and pricing actuarial memorandum. The agency to which the submission is made, and the number of sets of documentation to be submitted, shall be determined through mutatis mutandis application of the provisions of paragraph (1). Appendices that have not been changed need not be resubmitted unless otherwise indicated by the competent authority.

#### **Article 7**

7. After the competent authority has granted prior approval, file-and-use approval, or use-and-file approval for a product for insurance of the person, if the product is to be modified, a Declaration for Partial Modification of a Product for Insurance of the Person or for Creation of a Split Product for Insurance of the Person (see Attachment 6) and documentation pertaining to the modified portion (including a reference chart comparing the product before and after the modification) shall be submitted, in hardcopy and on optical or magnetic disk, to the competent authority in one of the manners prescribed below:

(1) Reasons for filing on a prior-approval basis:

(i) One of the components of a split product must be filed on a prior-approval basis.

(ii) The competent authority has determined that the modification is of material significance.

(2) Reasons for filing on a file-and-use basis:

(i) The premium paying period is being changed.

(ii) The premium mode is being changed.

(iii) The insuring age limit is being changed.

(iv) The maximum insuring amount is being changed.

(v) The upper or lower limit on the declared interest rates is being adjusted.

(vi) The assumed interest rate used for calculating premium rates is being adjusted.

(vii) There is a change to the premium rate for payments by wire transfer via a financial institution, the premium rate for payments by credit card, or the premium rate for policies of large face amount or franchise insurance policies.

(3) Reasons for filing on a use-and-file basis:

(i) The minimum insuring amount is being changed.

(ii) A modification is being made for the sake of compliance with an amendment to an act or regulation.

(iii) A modification is being made in the proposal (to something other than the notifications and declarations).

(iv) The occupational restrictions or eligibility requirements of the insured are being changed.

(v) An additional benefit plan is being introduced, provided that it only differs from the existing benefit plan by offering a higher benefit multiplier so that customers can have a greater range of choice.

(vi) The expense loading factor is being adjusted.

(vii) The incidence rate for an anticipated risk is being adjusted.

(viii) The premium mode factor is being changed.

(ix) The policy period is being changed.

(x) A surrender charge rate is being adjusted.

(xi) It is necessary to lower an expense loading factor because the insurance is being sold as a split product.

(xii) There is a partial modification to a group insurance policy set forth under Point 5, paragraph (3) or (4).

(xiii) A partial modification is being made that is not listed under the preceding paragraph among those matters requiring filing on a file-and-use

basis.

A modification to an investment-linked insurance product shall be filed on a prior-approval basis unless the modification involves: change in the means of investment; change of investment instrument; adjustment of an expense loading factor; adjustment of the incidence rate for an anticipated risk; change of the insuring age limit; adjustment of the assumed interest rate used for calculating premium rates or cost of insurance; adjustment of the premiums-to-coverage ratio; adjustment of incidental fees charged by the insurance company; adjustment of a surrender charge rate; or adjustment of an upper or lower limit for each premium payment amount (in which case the change may be filed on a file-and-use basis); or change of the minimum insuring amount (in which case the change may be filed on a use-and-file basis).

#### **Article 8**

8. The review period for insurance products filed on a prior-approval basis is as follows:

(1) The competent authority shall review and respond within 75 working days, counting from the day following receipt in full of all application documents from the entity submitting a product for review. Provided, that for an insurance product that the competent authority has determined to be a new type of insurance product in accordance with the provisions of Point 3, paragraph (5), the competent authority shall review and respond within 60 working days, counting from the day following receipt in full of all application documents.

(2) Where the competent authority issues a letter requiring supplementation, and supplementation is completed within a prescribed time period, the competent authority shall review and respond within 60 working days, counting from the day following receipt in full of all supplementary documents from the entity submitting the product for review. The same shall apply to any subsequent supplementation. Where supplementation is not completed within the prescribed time period, the application shall be rejected.

Where an insurance product that has been submitted for review in accordance with the provisions of Point 3 is determined by the competent authority to be an innovative insurance product, the competent authority may give the innovative insurance product a protected sales period of three to six months and may further restrict or suspend the review of other insurance products of the same type filed by other insurance enterprises, and shall not be bound by the review period set forth under the preceding paragraph.

#### **Article 9**

9. The review period for insurance products filed on a file-and-use basis is as follows:

(1) Counting from the day following receipt in full of all application documents from the entity submitting a product for review, if the competent authority after 15 working days has issued neither a letter requiring supplementation nor a decision that the product must be filed on a prior-approval basis, it will be deemed that file-and-use approval has been granted.

(2) Where the competent authority issues a letter requiring supplementation, the period of 15 working days set forth under Article 10, subparagraph 2 of the Regulations shall be counted anew, beginning from the day following receipt in full of all supplementary documents from the entity submitting the product for review. Where supplementation is not completed within a prescribed time period, the application shall be rejected.

#### **Article 10**

10. The review method and review period for an insurance product that an enterprise engaged in insurance of the person submits for review shall, if otherwise provided for under the Directions for Ratings-based Administration of Insurance Product Review, comply with the provisions of said Directions.

#### **Article 11**

11. When an enterprise engaged in insurance of the person intends to submit an insurance product for review, qualified signatories as set forth under Article 9, paragraph 3 of the Regulations, acting on the basis of their occupational duties and professional expertise, shall review the relevant portions thereof, and shall then sign the Declaration Form for Submission of Insurance Product to the Competent Authority, thereby confirming that the product to be submitted for review complies with insurance-related acts and regulations and with the Directions for Products for Insurance of the Person as prescribed by the competent authority (Appendix 3), and that the product does not have any of the material defects set forth in the Directions Specifying Material Defects in a Product for Insurance of the Person as prescribed by the competent authority (Appendix 4).

The declaration form referred to in the preceding paragraph shall also be signed by the general manager of the submitting enterprise, or by a department head authorized thereby.

The above shall also apply when a product has been submitted for review and the competent authority issues a letter requiring supplementation for the purpose of secondary review, and when an application is made for a modification of the content.

#### **Article 12**

12. After the competent authority has granted prior approval, file-and-use approval, or use-and-file approval for a product submitted by an enterprise engaged in insurance of the person, the enterprise shall, when selling the product, indicate the following information in a conspicuous position on the face page of the policy, in the policy provisions, and in the sales brochure, and before selling the product shall carefully inspect them:

(1) the reference number and date of the competent authority's approval document, or the reference number and date of the filing made with the competent authority on a file-and-use or use-and-file basis by the entity submitting the product for review;

(2) the main benefits of the product in question, listed following the name of the insurance line;

(3) in the case of a split product for insurance of the person, the name of each type of insurance coverage included product, and either the reference number of the competent authority's approval document, or the reference number of the filing made with the competent authority on a file-and-use or use-and-file basis by the entity submitting the product for review;

(4) a toll-free telephone number for complaints;

(5) an indication of how to access the company's public disclosure documents, printed in prominent typeface placed in a conspicuous position on the face page of the insurance product brochure and the proposal;

(6) the following cautionary statements, printed in a special and prominent typeface (must also be carried in the proposal in a conspicuous position):

(i) Qualified signatories of this company have examined the content of this product and found it compliant with general actuarial principles and insurance acts and regulations. However, in order to safeguard one's rights and interests, and in keeping with the principle of equity and parity between insurance companies and consumers, the consumer should still read policy provisions and related documents with care, and act judiciously in selecting an insurance product.

If there is anything deceptive, dishonest, or illegal about this product, this company and its responsible person shall be held legally responsible.

(ii) Once insurance has been taken out, surrendering the policy or discontinuing premium payments may be injurious to the interests of the consumer. Carefully select an insurance product that meets your needs.

(iii) Rights and obligations under the insurance contract are set forth in the policy provisions. To avoid injury to one's rights and interests, the consumer is strongly advised to carefully read and understand the policy provisions, and to be aware that there is a time limit for revocation of an insurance policy (must be effected within ten days from the day following receipt of the policy).

#### **Article 13**

13. After a product for insurance of the person (including partially modified products) has been granted prior approval, file-and-use approval,

or use-and-file approval by the competent authority, before selling the product an enterprise engaged in insurance of the person shall, in accordance with the provisions of Article 15 of the Regulations, submit all relevant documents and a declaration confirming that the content of the documents now being submitted conform with the particulars of the product being submitted for review. For the purpose of establishing an insurance product database, the above items shall be transmitted in compliance with provisions adopted by the competent authority, or by a specialized institution engaged thereby to establish an insurance product database. If an enterprise engaged in insurance of the person fails to provide the materials to one of the aforementioned organizations in accordance with the provisions of the preceding paragraph, the competent authority may, acting pursuant to the provisions of Article 15 of the Regulations, adjust the review method for its products or suspend review of its products. Before selling a product (including partially modified products), an enterprise engaged in insurance of the person shall also submit all relevant documents, together with a declaration confirming that the content of the documents now being submitted conform with the particulars of the product being submitted for review, to the Taiwan Insurance Institute and the Life Insurance Association of the Republic of China to be kept on file at these respective organizations. A sales brochure for a product for insurance of the person may not be used until it has been approved by the enterprise engaging in insurance of the person. If a sales brochure prejudices the rights or interests of an insurance customer through violation of an act or regulation or due to the presence of error, said enterprise engaging in insurance of the person shall bear full responsibility.

#### **Article 14**

14. Where a product newly submitted for review by an enterprise engaged in insurance of the person is not sold within six months after the competent authority grants file-and-use approval or prior approval, the enterprise shall explain the reasons and file with the competent authority for cancellation of said product, provided that where a legitimate reason is reported to the competent authority and approved thereby, application for a six-month extension may be made to the competent authority during the two weeks prior to expiry of the six-month deadline. No more than one extension will be granted.

Where there are plans to suspend the selling of an insurance product already being offered for sale, the matter shall be handled in accordance with the provisions of Article 9, paragraph 2 of the "Regulations Governing Public Disclosure of Information by Enterprises Engaging in Insurance of the Person."