

Content

Title :	Directions Specifying Material Defects in a Product for Insurance of the Person <b>Ch</b>
Date :	2006.09.01
Legislative :	<ol style="list-style-type: none"><li>1. Full five points adopted and issued 30 December 2000 per Letter No. (89)-Taiwan-Finance-Insurance-0890751453 of the Ministry of Finance</li><li>2. Full five 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>3. Abolished on September 01, 2006</li></ol>
Content :	<p><b>Article 1</b></p> <p>1. Documents submitted for review:</p> <p>1.1 The document has not been submitted in the manner required, e.g.:</p> <p>1.1.1 A previously approved document has been cited, but the corresponding provisions or actuarial values are not attached.</p> <p>1.1.2 A new product submitted for review has not been accompanied by a "Description of Product for Insurance of the Person and Declaration Thereupon," a "Declaration Form for Submission of Insurance Product to the Competent Authority," a policy provision reference chart, or documents signed by signatories.</p> <p>1.1.3 The pricing actuarial memorandum is still formatted according to the old system (whereas it should be prepared according to the new system).</p> <p>1.1.4 All copies of signed documents as submitted are photocopies (at least one set of the signed documents must consist of signed originals).</p> <p>1.1.5 The product has been partially modified but a Declaration of Partial Modification has not been submitted.</p> <p>1.1.6 A Declaration of Partial Modification ??has been submitted for a case undergoing secondary review.</p> <p>1.2 The "Description of Product for Insurance of the Person and Declaration of Compliance" or the "Declaration of Submission to the Competent Authority" fails to indicate the date of submission to the competent authority or the projected launch date; or, in the case of a product filed under either the file-and-use or prior approval system, the date of submission to the competent authority and the projected launch date are identical.</p> <p>1.3 In the Declaration Form for Submission of Insurance Product to the Competent Authority, not all the provisions in the insurance product have been categorized, or some columns of the declaration form have not been checkmarked or otherwise indicated in a manner accurately reflective of the provisions submitted for review.</p> <p>1.4 A representation made in a self-review form either by check mark or comment is inconsistent with the policy provisions or the pricing actuarial memorandum.</p> <p>1.5 A signatory has been incorrectly listed as attestor or has signed in pencil.</p> <p>1.6 The declarations in the "Signing Actuary's Assessment Opinion [on Product for Insurance of the Person] and Declarations Thereupon" are incomplete.</p> <p>1.7 The review system indicated in official correspondence is different from the review system indicated in the attached documents.</p> <p>1.8 The name of the product submitted for review has been changed, but the original product name and the reasons for the change have not been clearly indicated in submitted correspondence.</p> <p>1.9 The signatory on the self-review form is the product manager for the product in question rather than the person authorized by the company to sign.</p>

1.10 Attachment A or B has not been filled out in the manner required.

## **Article 2**

### **2. Policy provisions:**

2.1 The reference chart of the provisions initially submitted for review makes reference to an approved insurance product rather than the model provisions.

2.2 The differences between the provisions submitted for review and the model provisions or the provisions last submitted for review have not been properly underlined.

2.3 The policy provisions have not been prepared according to the model provisions and the basis and reasons therefor are not indicated, or model provisions have been deleted without any explanation.

2.4 The policy provisions state that the interest rate for automatic premium loans or delayed payment of the surrender value has been calculated using the interest rate approved by the Ministry of Finance.

2.5 The policy provisions are inconsistent with the pricing actuarial memorandum.

2.6 In connection with a secondary review of policy provisions, a reference chart has not been created showing the provisions currently submitted for review, the provisions last submitted for review, the review opinion of the Department of Insurance, and the company's explanatory notes.

## **Article 3**

### **3. Pricing actuarial memorandum:**

3.1 An actuarial symbol in a formula for calculation of the premium rate or a reserve is not clearly defined (e.g. the calculation of multiple decrement).

3.2 The assumed pricing interest rate is inconsistent with the interest rate used in the formula for calculation of total annually paid premiums.

3.3 The interest rate used to calculate the policy reserve is higher than the assumed interest rate used to calculate premiums.

3.4 In setting aside a reserve [the insurance enterprise] fails to cite that it has acted in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

3.5 The assumed interest rate used to calculate the policy reserve has not been calculated in accordance with the automatically adjusted actuarial formula.

3.6 It has not been indicated whether the written premiums of a particular life insurance, health insurance, or annuity insurance product with a policy period of greater than one year is lower than the premium used in calculating the policy reserve.

3.7 The written premium of a particular life insurance, health insurance, or annuity insurance product with a policy period of greater than one year is lower than the premium used in calculating the policy reserve, but a formula for calculation of the special reserve for insufficient premiums has not been listed.

3.8 The formula for either a 25-year endowment modified reserve method or a 20-year whole life modified reserve method is incorrect.

3.9 Insurance benefits include a premium waiver or impairment proceeds but the formula for provision of the policy reserve or policy value reserve makes no pre-occurrence versus post-occurrence distinction.

3.10 Life insurance and health insurance are combined in a comprehensive personal life insurance policy, but either the expense loading factor or the policy reserve for the health insurance portion is not handled in accordance with the same requirements that apply to health insurance expense loading factors or policy reserves.

3.11 For policy providing multiple benefits or coverages, premium rates or any of the various reserves have been allocated inconsistently to different benefits or coverages, e.g. (1) inconsistency among benefit or coverage items; or (2) more than one incidence rate but no increase in benefits.

3.12 In the formula for calculating the special catastrophe reserve for a product with a policy period of one year or less, "gross premium x 0.03" has been incorrectly stated as "retained gross premium x 0.03".

3.13 A loss reserve has not been listed for long-term life insurance.

3.14 The anticipated expense loading factor has not been handled according

to the "Directions Concerning Rate Structure for Insurance of the Person".

3.15 Data from within the most recent three to five years has not been cited as the basis of the pricing incidence rate for the anticipated risk.

3.16 A proper distinction is not made between the terms "expense loading and expense loading factor" or between "premium and premium rate".

3.17 With respect to anticipated expense loading factors for franchise insurance, the minimum for a larger group is higher than the minimum for a smaller group.

3.18 A mathematical symbol used in a formula for calculating a pure premium, policy reserve, policy value reserve, or dividend participation is not applied with sufficient rigor, is incorrect, or is expressed inconsistently.

3.19 The policy provisions for group insurance contain provisions regarding experience refunds, but the attached product profit analysis has failed to consider that factor.

3.20 With respect to group insurance, items pertaining to premium rates and reserves have not set forth separate figures for groups of 50 or more insureds and groups of less than 50 insureds.

3.21 Funeral expense policy proceeds for an insured under the age of 14 exceed the maximum insured amount for funeral expenses as prescribed by the competent authority.

3.22 A product (such as one-year insurance or personal injury insurance) without policy value reserve, surrender value, paid-up value, or extended term insurance, states as follows: "The actuarial data for policy value reserve, surrender value, paid-up value, and extended term insurance have been checked for each year of this insurance and found free of error."

3.23 The name of the signing actuary has not been reported to the competent authority for recordation before signing.

3.24 The attachments listed in the pricing actuarial memorandum have not been correctly attached.

3.25 In connection with a secondary review, the pricing actuarial memorandum has not included a reference chart comparing the matter currently submitted for review, the matter last submitted for review, the Department of Insurance's review opinion, and the company's explanation.

#### **Article 4**

##### **4.Proposal:**

4.1 There were no notifications on the proposal at the time the business was written, so the following statement should not have appeared: "If there are any misrepresentations in the notifications, the contract may be rescinded."

4.2 The proposal has not been prepared in accordance with Letter No. Taiwan-Insurance-Department-(III)-862392388, issued by the Department of Insurance on 21 February 1997.

4.3 The proposal differs from the model proposal prescribed by the competent authority, and has not been approved by the competent authority.

#### **Article 5**

##### **5.Other matters:**

5.1 The assumed interest rates used in the dividend calculation formula to calculate the premium rate, in the policy provisions, and in the pricing actuarial memorandum, differ from one another.

5.2 Health insurance has not been filed under the prior approval system.

5.3 The benefits have not been noted below the name of the product.

5.4 The modifications listed in a notice of partial modification differ from the modifications actually intended to be made.

5.5 The product submitted for review has not been submitted in accordance with the review method required under the classification scheme set forth in the Directions for Review of Products for Insurance of the Person.

5.6 The product has not been named in accordance with the naming rules set out in the Directions for Review of Products for Insurance of the Person.