


Content

Title :	Directions for Interest-Sensitive Annuity Insurance Products 
Date :	2006.09.01
Legislative :	1. Full 20 points adopted and issued 24 September 2001 per Letter No. (90)-Taiwan-Finance-Insurance-0900751013 of the Ministry of Finance 2. Abolished on September 01, 2006
Content :	<p><b>Article 1</b> The name of the insurance line shall show that the product is an interest-sensitive annuity, and shall include a listing of benefits.</p> <p><b>Article 2</b> Products based on Type A and Type B Model Provisions for Interest-Sensitive Annuity Insurance Policies shall be designed as two separate policies to avoid confusion between related articles, and should not be designed in such a manner as to mix the two types in a single policy.</p> <p><b>Article 3</b> The method for determining declared interest rates, and the scope thereof, shall be specified.</p> <p><b>Article 4</b> It shall be stated when, how, and where the interest rate will be declared, and how the interest rate will be calculated, and practical examples of actual calculations shall be included. Also, how insurance customers may make inquiries shall be indicated.</p> <p><b>Article 5</b> A declared interest rate may not be negative, and shall be specified in the policy provisions.</p> <p><b>Article 6</b> A declared interest rate may be declared every month, and need not remain in force for an entire year.</p> <p><b>Article 7</b> Where premiums are not paid on a regular basis, requirements regarding such matters as method of payment, amount, timing, and location shall be set forth, and administrative procedures shall also be described.</p> <p><b>Article 8</b> The method of notification regarding the annuity policy non-forfeiture value shall be specified in the proposal.</p> <p><b>Article 9</b> In case the insured applies to reduce the annuity policy value reserveannuity policy non-forfeiture value during the middle of a policy year rather than on the anniversary of the insurance policy, it is recommended that the provisions in the Model Provisions for Interest-Sensitive Annuity Insurance Policies that pertain to the notification and calculation of the new annuity policy non-forfeiture value be revised as follows: Under the paragraph governing the first policy year it should read as follows: "3. To the net of the preceding two subparagraphs, add the amount obtained by applying the declared interest rate to the daily balance." Under the paragraph governing the second [and subsequent] policy years, it should read as follows: "2. To the net of the preceding paragraph, add the amount obtained by applying the declared interest rate to the daily</p>

balance."

**Article 10**

The annuity accumulation period shall be at least ten years, and shall be specified in the proposal.

**Article 11**

Where the proposer does not choose an annuity starting date, it is inappropriate to make the annuity starting date later than the first policy anniversary date after the insured reaches the attained age of 70.

**Article 12**

It is recommended that paragraph 2 of the article in the Model Provisions for Interest-Sensitive Annuity Insurance Policies that pertains to reductions in annuity policy non-forfeiture value be revised to read as follows: "With respect to the amount by which the annuity policy non-forfeiture value is reduced under the preceding paragraph, this contract shall be deemed partially terminated. The surrender value for that purpose shall be computed as...".

**Article 13**

The manner in which interest is calculated for a policy loan shall be specified in the policy loan agreement.

**Article 14**

An explanation shall be provided in the policy, making reference to Article 122 of the Insurance Act, concerning how the annuity payments and annuity starting date will be adjusted if the insurance age of the insured is miscalculated.

**Article 15**

The organization submitting the product for review shall attach an analysis of cash flow current as of the time of product submission and assessment reports on assets, liabilities, and other items, and shall include detailed information therein.

**Article 16**

The maximum annual annuity amount shall be NT\$1.2 million.

**Article 17**

An explanation shall be given concerning how quantitative figures are adopted for restrictions on premium amounts, restrictions on the maximum annuity amount collectible per year, restrictions on a single reduction of annuity policy non-forfeiture value, and restrictions on the amount of the annuity policy non-forfeiture value after reduction. The bases for the adoption of such figures shall be provided for reference.

**Article 18**

A rate table, reserve table, surrender value table, table of annuity amounts, and other such illustrative data shall be attached to documents submitted for review, and their reasonableness shall be checked.

**Article 19**

A summary explanation of the characteristics shall be prepared in accordance with Note 4 to Article 2 of the Model Provisions; the content of the explanation shall include at least the following:

- (1) The method of premium payment and restrictions on the amount thereof.
- (2) A definition of "declared interest rate."
- (3) When and how the interest rate will be declared, and the guaranteed period.
- (4) The method for calculating annuity policy non-forfeiture value.
- (5) The annuity accumulation period may not be shorter than ten years.
- (6) Provisions pertaining to the beginning of annuity payments.
- (7) The method for calculating annuity amounts.
- (8) A definition of "assumed interest rate."
- (9) A declaration of the anticipated expense loading factor.

- (10) Provisions pertaining to reduction of annuity policy non-forfeiture value.
- (11) Provisions pertaining to policy loans.
- (12) Other explanations pertaining to rights and obligations between the insurance company and the proposer and/or insured.
- (13) Spaces for signature by the proposer and insured.

#### **Article 20**

Documents, figure legends, and other promotional materials shall be prepared by the company in a consistent manner; the content shall include at least the following:

- (1) An illustration of policy value accumulation. The illustration shall emphasize that the declared interest rate is not a flat rate but will vary as declarations are made at regular intervals by the insurance company. The illustration shall also emphasize that the lowest figure for declared interest rates indicated in the illustration could drop still lower in response to market interest rates, and that there is thus no minimum guaranteed rate.
- (2) Investment returns. The current benchmark interest rate and the most probable figures for highest and lowest declared interest rates shall be presented together for the insurance customer's reference. It shall also be noted that the benchmark interest rate may fluctuate in response to economic conditions, and that the company is not obligated to guarantee any minimum benchmark interest rate or declared interest rate.