

Content

Title :	Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises
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Legislative :	1.Promulgated by Ministry of Finance (90-tai-tsai-pao No. 0900751295) in total of 15 articles on 2001.12.3 2.Amended on May 12, 2010 3.Amended on March 30, 2012 4.Amended on November 7 ,2013 5.Amended on August 22 ,2014
Content :	<p>Article 1 The Regulations herein are set forth pursuant to the second paragraph, Article 148-3 of the Insurance Law (the "Law".)</p> <p>Article 2 The term "insurance solicitor" depicted in the Regulations herein denotes the following persons: 1.Sales representatives of insurance enterprises who solicit insurance business; and 2.Insurance agents and their sales representative who solicit insurance business for insurance enterprises.</p> <p>Article 3 The term "insurance underwriter" depicted in the Regulations herein denotes a person who assesses underwriting risk and endorses whether to underwrite a policy for insurance enterprises in accordance with the established policy underwriting system and procedure.</p> <p>Article 4 The term "claim adjuster" depicted in the Regulations herein denotes a person who reviews insurance claims or performs claim adjustment and signs related documents for insurance enterprises in accordance with the insurance contract and the established claim adjusting system and procedure.</p> <p>Article 5 An insurance enterprise shall establish internal systems and procedures for business solicitation, policy underwriting and claim adjusting.</p> <p>Article 6 The internal business solicitation system and procedure of an insurance enterprise shall contain and explicitly specify at least the following particulars: 1.Qualifications of sales representatives, the types of insurance they may solicit, their on-the-job training, rewards and disciplines, and rights and obligations. 2.Management measures regarding performance review that links the commissions received by sales representatives to risk exposure and duration of commission payment, solicitation quality, and solicitation dispute. 3.Management measures regarding collection of premiums, and requisition of blank conditional receipts or renewal receipts, time of premium collection</p>

and turn-in by sales representatives.

4. Rules to be complied with by sales channel and the characteristics of such sales channel.

5. Matter concerning the applicant and the insured that a sales representative should know well, including at least the following:

(1) Basic information:

a. Basic information of the applicant and the insured (including at least name, sex, date of birth, Citizen's ID No., and contact information; in the case of a juristic person, its name, representative, address and contact phone number);

b. Relationship between the applicant and the insured, and that between the insured and the beneficiary; and

c. Other basic information required by the competent authority.

(2) Whether the applicant and the insured meet underwriting requirements?

(3) The purpose and the needs of the applicant and the insured purchasing insurance.

6. Product suitability policy, including at least the following:

(1) The applicant understands fully that the premium he/she has paid is for purchasing an insurance product.

(2) The type of insurance, insured amount and premium expense of the applicant are commensurate with his/her actual needs.

(3) If the applicant purchases a foreign currency denominated insurance product, understand the applicant's exchange rate risk tolerance.

(4) If the applicant wants to purchase an investment-linked insurance product, consider the applicant's suitability and risk tolerance, and make sure that the applicant understands that he/she is at his/her own risk with regard to investment gain or loss from the investment-linked product, and do not offer the applicant any product that is beyond his/her financial means or unsuitable for the applicant.

7. The obligation of a sales representative to fill out a solicitation report honestly, which shall include at least the following:

(1) The course of solicitation;

(2) The insured's annual income from work and other income;

(3) Whether the applicant and the insured have other business insurance;

(4) The main sources of household income;

(5) Whether the designated beneficiary in case of death of the insured is spouse, direct relative or heir apparent, and whether their order of succession and proportion of entitlement conform to related provisions of the Succession Law of the Civil Code; and if not, explain why; and

(6) other information that will facilitate underwriting evaluation.

8. An insurance enterprise or its sales representatives who solicit insurance business shall not engage in any of the following acts:

(1) Solicit insurance business using people without the qualification of insurance solicitor.

(2) Solicit business from an applicant or an insured by means of unfair discrimination, improper rebate, or any other inappropriate reduction of insurance premium.

(3) Solicit business by means of exaggerated or false publicity or advertising, by making inappropriate comparison of the policies of different insurers, or by other inappropriate means.

- (4) Solicit business using printed materials, advertising, introduction pamphlet, product description, recommendations and other materials that have not been consented or approved by the insurance enterprise.
- (5) Instigate the applicant or the insured to violate the obligation to inform, or use illicit means to instigate an applicant to cancel his/her policy, switch insurer, reduce the amount insured, pay up the premium, extend the policy, or obtain a policy loan.
- (6) The recipient of commission payment differs from the solicitor indicated in the insurance application.
- (7) Divert the use of premiums or embezzle the premiums.
- (8) Fail to identify the suitability of policy to the applicant or the insured.
- (9) Engage in other practices that impair the rights and/or interests of the applicant, the insured or the beneficiary.

9. An insurance enterprise shall ask insurance agents that solicit insurance business on its behalf and their sales representatives to observe the following provisions:

- (1) To comply with the Regulations Governing the Administration of Insurance Agents, Regulations Governing the Supervision of Insurance Solicitors and insurance agency contract signed with the insurance enterprise.
  - (2) Aside from provisions on rewards and disciplines as provided in Subparagraph 1 of this paragraph and provisions on performance review linking commissions to risk exposure and duration of commission payment as provided in Subparagraph 2 of this paragraph, to comply with matters specified in Subparagraphs 1 ~ 8 of this paragraph and the insurance agency contract.
10. Other matters to be complied with as prescribed by the competent authority.

An insurance enterprise shall ask insurance brokers it does business with to observe the following provisions:

1. To comply with the Regulations Governing the Administration of Insurance Brokers and the contract signed with the insurance enterprise.
2. May not introduce insurance products to applicants by offering premium discount or other illicit incentives.
3. May not engage in any practice that impairs the rights and/or interests of the applicant, the insured or the beneficiary.

The provisions of Subparagraph 7, Paragraph 1 hereof do not apply to the solicitation of non-life insurance business.

#### Article 7

The internal underwriting system and procedure of an insurance enterprise shall contain and explicitly specify at least the following particulars:

1. The qualifications, job descriptions, on-the-job training and reward/discipline of underwriters.
2. Procedure and flow chart covering the process from acceptance of application to agreeing to underwrite a policy, including at least underwriting guidelines, financial underwriting mechanism, survival analysis and physical examination standards, insurance reporting mechanism, hierarchy of authority, and arrangement of reinsurance.
3. The policy of understanding and evaluating the needs and suitability of

the applicant and the insured:

(1) Make sure the applicant understands fully that the premium he/she has paid is for purchasing an insurance product.

(2) Evaluate that the type of insurance, insured amount and premium expense of the applicant are commensurate with his/her actual needs.

(3) If the applicant purchases a foreign currency denominated insurance product, applicant's exchange rate risk tolerance has been evaluated.

(4) If the applicant wants to purchase an investment-linked insurance product, the applicant's suitability and risk tolerance have been evaluated, and the fact that the applicant understands that he/she is at his/her own risk with regard to the investment gain or loss from the investment-linked product has been evaluated, and applicants may not be offered any product that is beyond his/her financial means or unsuitable for him/her.

4. The operating procedure for evaluating whether the insured amount and premium payment are commensurate with the income, financial situations and occupation of the applicant or the insured. But for life insurance, accident insurance and travel insurance over certain insured amount, the operating procedure for verifying whether information or documentation on the income, financial situation and occupation of the applicant or the insured is reasonable and credible, and whether such information is commensurate with the insured amount or premium payment.

5. The operating procedure for confirming the identity of the applicant and that he/she has indeed purchased a policy, the identity of the insured and that the insured has given his/her consent to the policy purchased.

6. The operating procedure for confirming that the designation or change of beneficiary has been consented by the insured.

7. The operating procedure for confirming that the applicant has indeed applied for changing the content of the insurance contract that would affect risk assessment, and the identity and signature of the applicant and the insured.

8. The following situations are prohibited:

(1) Underwriting work is performed by someone without the qualification of underwriter.

(2) Reviewing and underwriting an application without considering the content of the insurance product.

(3) Treating a specific applicant or policyholder unfairly or treating an insured unfairly because of his or her disability. The preceding provision does not apply to the special treatment of a specific applicant or policyholder or an insured in the signing of an insurance contract where risk assessment is based on actuarial science and statistical data.

(4) Underwriting a policy by validating the policy retroactively; the preceding provision does not apply if it is otherwise provided in accordance with international customary practice, the procurement or service contract executed under the Government Procurement Act, or other laws.

(5) Failing to faithfully review the signatures, endorsement or information affixed/provided by the applicant or the insured and the insurance solicitor or other relevant evidence indicating willingness on the part of the applicant in accordance with relevant laws and regulations. If the

business of an insurance agent or broker is solicited by its sales representative, the application is not signed by the sales representative or endorsed by a qualified insurance agent or broker.

(6) Failing to faithfully implement the procedure of reviewing the finance of the applicant or the insured, the insurance reporting mechanism or the suitability policy or failing to retain documentation on the implementation of insurance reporting and inquiry mechanism, and retain the underwriting evaluation documents .

(7) Engaging in other practices that impair the rights and/or interests of the applicant, the insured or the beneficiary.

9. Other matters to be complied with as prescribed by the competent authority.

The provisions on financial underwriting mechanism and survival analysis and physical examination standards mentioned in Subparagraph 2 of the preceding paragraph and the provisions in Subparagraphs 4 ~ 7 of the preceding paragraph do not apply to non-life insurance products, microinsurance products and other specific insurance products.

Insurance enterprises shall submit the financial underwriting mechanism and survival analysis and physical examination standards drafted in accordance with Subparagraph 2, Paragraph 1 hereof, the policy of evaluating the needs and suitability of the applicant and the insured mentioned in Subparagraph 3 of this paragraph and operating procedures mentioned in Subparagraphs 4 ~ 7 of this paragraph to the competent authority for recordation.

The term insurance reporting mechanism referred to in Paragraph 1 connotes reports of specific data of insurance contracts by the insurance enterprise to the insurance business reporting and information system when applications are accepted, agreement to underwrite a policy is indicated, or the insurance contract status has been modified. Relevant data of the applicant and insured stored in the system may be accessed and retrieved as a reference for the underwriting process and underwriting decisions.

#### Article 8

The internal claim adjusting system and procedure of an insurance enterprise shall contain and explicitly specify at least the following particulars:

1. The qualifications, job descriptions, on-the-job training and reward/discipline of the employed claim adjusters.

2. Operating procedure and flow chart for accepting claims and benefit approval, including at least the expensing and accounting treatment of claim settlement expenses, claim investigation, evaluation and adjustment, hierarchy of authority, and claims recovered from reinsurers.

3. The following situations are prohibited:

(1) Claim adjustment work is performed by someone without the qualification of claim adjuster.

(2) Evaluating and approving claim benefit without considering the content of the insurance product.

(3) Engaging in other practices that impair the rights and/or interests of policyholders.

4. Other matters to be complied with as prescribed by the competent authority.

#### Article 9

An insurance enterprise shall make adjustment prior to March 1, 2014 after the implementation of the amended Regulations on November 7, 2013 if its business solicitation, underwriting or claim adjusting systems and procedures do not comply with the provisions in Article 6 or 7 herein.

#### Article 10

Insurance solicitors shall meet the qualifications set forth in Regulations Governing the Administration of Insurance Agents, Brokers and Surveyors or Regulations Governing the Administration of Insurance Sales Representatives and obtain a practice license or complete the registration formality for insurance sales representative.

#### Article 11

The business solicitation activities of an insurance enterprise conducted through their authorized sales representatives or authorized insurance agents and their sales representatives under an insurance agency agreement should avoid intentional wrongdoing or negligence. If any international wrongdoing or negligence on the part of its sales representative or agent causes damage to an applicant or an insured, the insurance enterprise will not be excused from liability as provided by law.

#### Article 12

An insurance underwriter shall meet one of the following criteria:

1. Having graduated from a domestic or foreign college or higher, or equivalent educational background, and having completed minimum 120 hours of insurance-related courses and minimum four years' of practical experience in assisting in underwriting operation, of which, at least one year was spent on working for a domestic insurer.
2. Having graduated from a domestic or foreign college or higher, or equivalent educational background, and having minimum five years' of practical experience in assisting in underwriting operation, of which, at least one year was spent on working for a domestic insurer.
3. Having worked as a claim adjuster and having minimum one year of practical experience in assisting in underwriting operation while working for a domestic insurer.
4. Having acquired the qualification equivalent to that of an insurance underwriter granted by a domestic or foreign insurance academy, an insurance research institute or a lawfully established and reputable professional insurance agency, and having minimum one year of practical experience in assisting in underwriting operation while working for a domestic insurer.
5. Having acquired the certificate as a qualified insurance underwriter prior to the promulgation of the Regulations herein.
6. Having being approved by the competent authority to work as an insurance underwriter prior to the promulgation of the Regulations herein.
7. Having acquired the certificate as a qualified assistant underwriter prior to the promulgation of the Regulations herein and having minimum two years' of practical experience in assisting in underwriting operation.

#### Article 13

A claim adjuster shall meet one of the following criteria:

1. Having graduated from a domestic or foreign college or higher, or equivalent educational background, and having completed minimum 120 hours of insurance-related courses and minimum four years' of practical

experience in assisting in claim adjusting operation, of which, at least one year was spent on working for a domestic insurer.

2.Having graduated from a domestic or foreign college or higher, or equivalent educational background, and having minimum five years' of practical experience in assisting in claim adjusting operation, of which, at least one year was spent on working for a domestic insurer.

3.Having worked as an insurance underwriter and having minimum one year of practical experience in assisting in claim adjusting operation while working for a domestic insurer.

4.Having acquired the qualification equivalent to that of a claim adjuster granted by a domestic or foreign insurance academy, an insurance research institute or a lawfully established and reputable professional insurance agency, and having minimum one year of practical experience in assisting in claim adjusting operation while working for a domestic insurer.

5.Having acquired the certificate as a qualified claim adjuster prior to the promulgation of the Regulations herein.

6.Having being approved by the competent authority to work as a claim adjuster prior to the promulgation of the Regulations herein.

7.Having acquired the certificate as a qualified assistant claim adjuster prior to the promulgation of the Regulations herein and having minimum two years' of practical experience in assisting in claim adjusting operation.

#### Article 14

An insurer shall not employ a person as underwriter or claim adjuster who was once implicated in unlawful or other dishonest or improper conduct or practice and received a guilty verdict in the past five years. The insurer shall dismiss an existing employee with the aforesaid record.

#### Article 15

A person with the qualifications of both underwriter and claim adjuster may work either as an underwriter or a claim adjuster, but not both at the same time.

A claim adjuster may not work on claim cases that he/she reviewed or signed off in the past three years.

An underwriter or claim adjuster may not underwrite or review/sign off claim cases that he/she once solicited.

#### Article 16

An insurer shall provide its solicitors, underwriters and claim adjusters with at least thirty hours of on-the-job training to enhance their professional skills and know-how.

#### Article 17

An insurer should faithfully implement its business solicitation, underwriting and claim adjusting systems and procedures in accordance with the provisions in Article 6, 7 and 8 herein, and take disciplinary actions against its solicitors, underwriters and claim adjusters who violate business rules and regulations in conducting business. Such disciplinary actions may be a warning or other disposition, depending on the nature and severity of the violation.

#### Article 18

The Regulations herein shall be in force on the date of its promulgation.