

Content

Title :	Regulations for Establishment and Administration of Insurance Enterprises <b>Ch</b>
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Legislative :	1.Promulgated on January 09, 2008 2.Amended on November 20, 2009 3.Amended on 31 July 2014 per Order Ref. Jin-Kuan-Bao-Tsai 10302506161 of the Financial Supervisory Commission.
Content :	<p>Chapter 1 General Principles</p> <p>Article 1 These Regulations are adopted pursuant to Article 137, paragraph 2 and Article 176 of the Insurance Act.</p> <p>Chapter 2 Establishment</p> <p>Article 2 When application is made to establish an insurance company, the company's minimum paid-in capital is NT\$2 billion. The capital contributions of promoters and shareholders shall be limited to cash.</p> <p>Article 3 To establish an insurance company, the promoters shall at the time of application for an establishment permit make share payments equivalent to at least 20 percent of minimum paid-in capital; the payments shall be deposited into a segregated account as set out in Article 7, paragraph 1.</p> <p>Article 4 The directors, supervisors, and managerial officers of an insurance company shall meet the qualification requirements set out in the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises (the "Regulations Governing Qualifications"). A person to whom any one of the situations set out in Article 3, paragraph 1 of those Regulations applies may not act as promoter of an insurance company. Where a promoter, director, or supervisor is a juristic person, the preceding paragraph shall apply mutatis mutandis to its representative or designated representative performing duties on its behalf.</p> <p>Article 5 Unless special approval has been granted by the competent authority, an insurance company that has received an establishment permit shall, prior to commencing business operations, have its principal computer systems in operation and ensure that they have passed inspection by the competent authority or an organization designated thereby.</p> <p>Article 6 To establish an insurance company, the promoters shall submit the following documents, each in triplicate, to apply with the competent authority for an establishment permit:</p> <ol style="list-style-type: none"><li>1. Application form for insurance company establishment permit (format as in Attachment 1).</li><li>2. Business plan, specifying the business scope, business principles and</li></ol>

- policies, and specific implementation methods (including premises and facilities, internal organization and segregation of duties, personnel recruitment and training, business development plan, financial forecasts for the coming five years, and policy on reinsurance).
3. A register of promoters and relevant evidentiary documentation (format as in Attachment 2).
  4. Promoters meeting minutes.
  5. A statement affirming that none of the disqualifying conditions listed under Article 3, paragraph 1 of the Regulations Governing Qualifications applies to any of the applicant's promoters or other responsible persons (format as in Attachment 3).
  6. Proof that the promoters have made full payment for shares in accordance with the provisions of paragraph 3.
  7. An explanation of the sources of the promoters' funds (format as in Attachment 3-1).
  8. The offering circular.
  9. Documents evidencing the qualifications of the persons expected to be appointed as general manager, assistant general managers, and deputy assistant general managers.
  10. Articles of incorporation.
  11. Review opinions by a certified public account, a lawyer, and an actuary.
  12. The responsibilities of the board of directors, and segregation of duties between the board of directors and management.
  13. Other documents as required by the competent authority.

Where the information recorded in the documents referred to in the preceding paragraph is incomplete or insufficient, the application shall be dismissed. If the deficiency can be supplemented or corrected, but this is not done within the time limit set by the competent authority, the application shall be dismissed.

After an insurance company has received its establishment permit, if false information is discovered in any of the documents that it submitted pursuant to paragraph 1 the competent authority may void the permit.

#### Article 7

To establish an insurance company, a financial institution shall be appointed to collect share capital that is to be deposited into a segregated account opened in the name of preparatory office.

The share capital deposited in the segregated account under the preceding paragraph may not be used before commencement of business. However, the same shall not apply where any of the following circumstances arises after the establishment permit is obtained:

1. The share capital is to be used to purchase fixed assets necessary for business operations and to pay organization costs out of the share capital paid by the promoters, as agreed unanimously by the directors and supervisors elected at a promoters meeting or founders meeting.
2. Incorporation registration for the company has already been completed, and the share capital is to be used to post the bond required in Article 141 of the Insurance Act, or is to be allocated to savings deposits or the purchase of government bonds, treasury bills, negotiable certificates of deposit, banker's acceptances, or commercial paper guaranteed by a

financial institution, as provided for in Articles 146 and 146-1 of the Insurance Act.

#### Article 8

The competent authority may revoke a permit for the establishment of an insurance company if there is any change in promoter prior to the company's incorporation registration. However, this restriction does not apply in any of the following circumstances if the company has filed an application with the competent authority for approval of the change within two weeks after occurrence of the fact:

1. A promoter is missing or dies.
2. A promoter is placed under guardianship by court order.
3. A circumstance set out in Article 3 of the Regulations Governing Qualifications is found to apply to a promoter after the application for establishment has been submitted.
4. A promoter, if a company, is subject to a court ruling for reorganization, or otherwise to a material loss of creditworthiness.

For any change other than to a promoter, a report specifying a legitimate reason shall be submitted to the competent authority for approval in advance, except that where circumstances do not allow the report to be submitted for approval in advance, it shall be submitted to the competent authority for approval within two weeks after occurrence of the fact.

Under the circumstances contemplated in the two preceding paragraphs, an insurance company preparatory office that has obtained approval from the competent authority shall insert a conspicuously placed public announcement in a national daily newspaper.

#### Article 9

To establish an insurance company, the promoters shall make full payment for shares within two months of the date of its establishment permit, and if there is a public offering of shares they shall also act within the aforementioned time period to duly apply to the competent authority for approval of the public offering of shares.

Where a party fails to comply with the provisions of the preceding paragraph or the competent authority does not grant approval, the competent authority may revoke its permit. However, where there is a legitimate reason, such party may apply prior to expiration of the time period set out in the preceding paragraph to the competent authority for a one-month extension.

#### Article 10

A party seeking to establish an insurance company shall duly apply to the Ministry of Economic Affairs for registration of the company's incorporation within three months of the date on which share payments for its paid-in capital are collected in full.

Where such a party fails to file with the Ministry of Economic Affairs within the required time period, or the Ministry of Economic Affairs does not grant approval, the competent authority may revoke its establishment permit. However, before expiration of the time limit set forth in the preceding paragraph, an application may be filed with the competent authority for an extension if there is a legitimate reason.

#### Article 11

Within three months from the date on which incorporation registration is

completed, a party seeking to establish an insurance company shall duly pay all required fees and submit the following documents attached thereto in triplicate to the competent authority to apply for issuance of a business license.

1. Business license application form (format as in Attachment 4).
2. Company registration documents.
3. Capital verification certificate.
4. Documentary proof that the bond required under Article 141 of the Insurance Act has been furnished.
5. Articles of incorporation.
6. Minutes of promoters meetings or founders meetings.
7. Register of shareholders.
8. Register of directors (format as in Attachment 5) and meeting minutes of the board of directors.
9. Register of managing directors (format as in Attachment 5) and meeting minutes of the board of managing directors.
10. Register of supervisors (format as in Attachment 5) and supervisors reports or meeting minutes.
11. Register of managerial officers, actuaries, underwriters, claims adjusters, general auditors, legal compliance officers, and other key personnel (format as in Attachment 5).
12. Company bylaws and business operating procedures.
13. A statement affirming that none of the disqualifying conditions listed under Article 3, paragraph 1 of the Regulations Governing Qualifications applies to any of the applicant's promoters or other responsible persons (format as in Attachment 3).
14. An undertaking acknowledging that any party subscribing to more than 15 percent of the total number of shares to be issued is obliged to fill out a source of funds explanation form (format as in Attachment 6).
15. Other documents as required by the competent authority.

Where there is legitimate reason, an application for extension of a deadline specified in the preceding paragraph may be filed prior to the deadline; an extension may not be longer than three months, and shall be limited to one time. If an extension is not approved, the competent authority may revoke the permit.

#### Article 12

The company bylaws of paragraph 1, subparagraph 12 of the preceding Article shall cover the following matters:

1. Organizational structure and department functions.
2. Staffing, management, and training of personnel.
3. Internal control system.
4. Business principles and policies.
5. Operations manual and segregation of powers and duties.
6. Other matters.

#### Article 13

After an insurance company receives an establishment permit but before it is issued a business license, if any of the following circumstances arises with respect to the company, the competent authority will not issue a business license:

1. A circumstance set out in Article 3, paragraph 1 of the Regulations

Governing Qualifications is found to apply to a promoter after the application for establishment has been submitted.

2. A responsible person does not meet the qualification requirements set out in the Regulations Governing Qualifications.

3. A director or supervisor violates the provisions of the Regulations Governing Qualifications.

4. The company is not in compliance with the provisions of Article 5.

5. The company fails to furnish a required document.

6. Other circumstances exist that the competent authority believes pose a likelihood that the company will not be able to operate insurance business in a sound and effective manner.

#### Article 14

The competent authority shall revoke the establishment permit granted to an insurance company that fails to commence its business operations within a period of six months following issuance of the business license, require the company to surrender the business license for cancellation within a specified time period, and issue a notice to the Ministry of Economic Affairs. However, where there is legitimate reason and the competent authority has granted approval, an extension may be granted; the period of extension shall be no longer than six months, and shall be limited to one time.

#### Article 15

With respect to matters related to the establishment of an insurance company, the competent authority may from time to time appoint personnel to conduct audits (or request that an appropriate agency appoint personnel to do so), and may further order the party applying to establish the insurance company to act within a specified time period to submit necessary documents and information or to designate personnel to appear before the competent authority and provide explanations.

#### Article 16

A party seeking to establish an insurance company may simultaneously apply to establish branches.

The number of branches referred to in the preceding paragraph, and the areas of their location, shall be reviewed and approved by the competent authority on the basis of the company's business plan, staffing, area conditions, and other such factors.

### Chapter 3 Regulation

#### Article 17

When there is a change in an insurance enterprise's location, business scope, total amount of capital or endowment, chairman of the board of directors (or board of trustees), general manager, a director (or trustee), or supervisor, the enterprise shall apply within 15 days of the change to the competent authority to register an amendment of its business registration, and after the amendment shall duly complete an amendment registration with the appropriate agency. Where the amended information is listed on the enterprise's business license, it shall concurrently apply for renewal of the business license.

#### Article 18

Where a single shareholder of an insurance enterprise increases its share ownership such that its holdings exceed 15 percent of total issued shares,

it shall inform the insurance enterprise, and the insurance enterprise shall submit a source of funds explanation form (format as in Attachment 6) and file it with the competent authority for recordation.

#### Article 19

Where an insurance enterprise has established a branch overseas that is subject to the legal restrictions of the host country, its overseas funds allocations may be handled in accordance with the provisions of the laws and regulations of the host country government.

#### Article 20

An insurance enterprise shall post bond at the national treasury as required in Articles 141 and 142 of the Insurance Act. In the event of a capital increase, it shall concurrently post additional bond.

#### Article 21

An insurance enterprise may not use exaggerated, false, or misleading advertisements or claims in conducting business or recruiting personnel.

#### Article 22

An insurance policy or binder written in accordance with Article 143 of the Insurance Act may be issued as an electronic document.

An insurance policy or binder issued as an electronic document shall be signed with a digital signature. Rules governing the records retention period, internal controls, model contracts, and other matters shall be adopted in advance by the insurance association and filed with the competent authority for recordation.

#### Article 23

In collecting insurance premiums, an insurance enterprise may not engage in unfair discrimination or rebating, or by means of false expenses or receipts achieve the purpose of unfair discrimination or rebating.

#### Article 24

When an insurance enterprise allocates enterprise funds in accordance with the provisions of Articles 146 through 146-7 of the Insurance Act and other applicable provisions, its enterprise funds, owner's equity, and various kinds of reserves shall be calculated on the basis of figures from the most recent annual or semi-annual accounts, as attested or reviewed by a CPA except for matters handled in accordance with the regulations specified in Paragraph 2. However, an insurance enterprise that has carried out a capital increase and obtained capital verification from the competent authority shall be permitted to include it in owner's equity and related items.

Insurance enterprises may calculate their enterprise funds, owner's equity, and various kinds of reserves for each month on the basis of the self-assessed figures upon approval of the submitted documentary evidence by a majority of the board with an attendance of at least 2/3 of its members and notification of the competent authority for future reference if they meet the following conditions. However, if audits and reviews have been conducted by a CPA or certain months have been identified by the competent authority, calculation standards shall be based on the figures attested or reviewed by a CPA or figures determined by the competent authority:

1. Discrepancy of less than 0.5% between the self-assessed figures for every quarter of the previous year and figures attested or reviewed by a

CPA and a “unqualified opinion” issued by a CPA for the most recent annual and biannual financial reports.

2. No penalties have been imposed by the competent authority in accordance with the provisions of the different clauses of Paragraph 1 except the preamble and Paragraph 3 of Article 149 of the Insurance Act, and no fines of at least 1 million NTD for single violations or sanctions amounting to 3.5 million NTD were incurred in the previous year.

3. Risk based capital ratio for the previous two quarters reached at least 250%.

4. The enterprise has a clearly formulated internal risk management system and corresponding operating standards. A risk management committee has been set up by the board of directors and a risk management department with an assigned chief risk officer to assume de facto overall risk management of the company.

Insurance enterprises that calculate their enterprise funds, owner' s equity, and various kinds of reserves in accordance with the preceding paragraph shall report to the board every quarter whether relevant matters are handled in accordance with the provisions in Article 24.1.

#### Article 24-1

Insurance enterprises that calculate their enterprise funds, owner' s equity, and various kinds of reserves in accordance with the provisions specified in Paragraph 2 of the previous article shall adjust their figures based on calculation standards other than the provision the previous Article within 10 work days after determination unless permission has been obtained from the competent authority due to special circumstances if one of the following conditions applies. If one of the following conditions is verified, said enterprises shall refrain from handling related matters in accordance with the provisions of Paragraph 2 of the previous Article within a period of 2 years upon verification:

1. Conditions that don' t conform to subparagraph 1 and 3 of Paragraph 2 of the previous Article.

2. The competent authority has determined a violation of relevant laws and regulations and has ordered a revision of the financial report.

3. The competent authority has determined a violation of the board reporting procedures in accordance with Paragraph 2 of the previous Article or the submission of false documents to the board.

4. Failure to abide by the provisions specified in Paragraph 3 of the previous Article.

#### Article 24-2

If Insurance enterprises that calculate their enterprise funds, owner' s equity, and various kinds of reserves in accordance with the provisions specified in Paragraph 2 of Article 24 adjust their self-assessed figures for specific months in line with audits and reviews conducted by a CPA for other months or figures determined by the competent authority and this results in the exceeding of fund allocation quotas specified in the Insurance Act and related decrees for these months upon adjustment, it shall be assumed that these quota excesses were caused by investment factors.

If conditions listed in the clauses of the previous Article apply to insurance enterprises and figures have been adjusted based on calculation

standards other than the proviso those specified in Paragraph 1 of Article 24 and this results in the exceeding of fund allocation quotas specified in this law and related decrees upon adjustment, it shall be assumed that these quota excesses were not caused by investment factors.

#### Article 25

Before an insurance enterprise adopts a resolution to dissolve it shall first draft a concrete plan to safeguard the interests of the proposers, insureds, and beneficiaries of its insurance contracts and file it with the competent authority for approval.

#### Article 26

An insurance enterprise may contractually assign all or part of its insurance contracts to another insurance enterprise.

Where an insurance enterprise assigns an insurance contract in accordance with the provisions of the preceding paragraph and also assigns property, the competent authority may require the enterprise to retain part of its property in order to protect the creditors of the assigning insurance enterprise.

An insurance enterprise that suspends operations for six months or more shall dissolve itself and surrender its business license for cancellation. However, this requirement does not apply where the competent authority has issued an order for suspension of business operations and provisional liquidation.

#### Article 27

When an insurance enterprise organized as a cooperative dissolves itself, dissolution and liquidation shall be handled in accordance with the provisions of the Insurance Act and the Credit Cooperative Act.

#### Article 28

An insurance enterprise that operates any type of commercial insurance business in accordance with another law is subject *mutatis mutandis* to the provisions of the Insurance Act, and shall also be regulated in accordance with these Regulations.

#### Article 29

A filing fee shall be paid when the competent authority, acting in accordance with the provisions of the Insurance Act, processes an application by an insurance enterprise for business registration, amendment of business registration, or issuance or renewal of a business license.

#### Article 30

These Regulations shall be implemented from the date of issuance.

The Article 8, paragraph 1, subparagraph 2 of these Regulations amended on November 20, 2009 shall be implemented on November 23, 2009.