


Content

Title :	Compliance Matters for Disclosure of Information on Investment-linked Insurance 
Date :	2013.01.15
Legislative :	<ol style="list-style-type: none">1. Full nine points adopted and issued 7 October 2003 per Order No. Taiwan-Finance-Insurance-0920750997 of the Ministry of Finance; for immediate implementation2. Full 9 points amended and issued 3 May 2004 per Order No. Taiwan-Finance-Insurance-0930750684 of the Ministry of Finance3. Amended on November 2, 20054. Amended on July 16, 20075. Amended on January 15, 2013
Content :	<ol style="list-style-type: none">1. These Compliance Matters are drawn up in accordance with Paragraph 2, Article 3 of the Regulations Governing Investment of Investment-linked Insurance.2. Insurance enterprises shall observe the following basic principles when making information disclosure relating to investment-linked insurance products:<ol style="list-style-type: none">(1) Disclosure of insurance product information shall comply with the Insurance Act, Fair Trade Act, Consumer Protection Act, Financial Consumer Protection Act and other applicable laws and regulations based on the principle of utmost good faith.(2) Any information or data disclosed must be the most updated and accurate. All representations or charts shall be fairly presented and free of misleading information or concealments.(3) Terms used in the sales documents shall be expressed in Chinese and use plain language whenever possible, and if necessary, noted with the original language. Terminologies used must be noted with explanations.(4) Sales documents must have page numbers so consumers can make sure whether there are missing pages and whether they have complete information at hand.(5) For cautionary language and conditions for principal protection or guaranteed payment provided in the sales documents, their font size shall be at least the same as other parts in the document and the texts shall be printed in emphasized font style (e.g. bold, italic, underlined, highlighted, hei font or other conspicuous styles).(6) Sales documents shall not contain wording that refer to income tax free, inheritance tax free, tax savings or other relevant meanings.The following information shall be conspicuously printed in emphasized font style in sales documents to make sure policyholders understand them fully:<ol style="list-style-type: none">(1) Changes in tax related laws and regulations may affect the return on investment and amount of payment you will receive from this insurance policy.(2) The values of investment assets recorded under a separate account book for investment-linked insurance products are not protected by the insurance stabilization fund.

3. The term “sales documents” mentioned in these Compliance Matters refer to the following documents:

- (1) Insurance product prospectus;
- (2) Introduction of insurance product; and
- (3) Proposal.

The term “sales documents” mentioned in the preceding paragraph shall have been reviewed, passed and kept on file by the insurance company for future reference.

The sales documents referred to in the first paragraph hereof and the insurance contract shall not contradict each other or contain statements that could mislead the consumers.

4. An insurance product prospectus shall contain and disclose the following particulars:

- (1) Cover page;
- (2) Inside front cover;
- (3) Profile of the insurance company;
- (4) Detailed description of the insurance plan;
- (5) Investment risk warnings;
- (6) Fees and charges;
- (7) Investment objects;
- (8) Notice of policy value;
- (9) Period during which the applicant may exercise the right of contract cancellation;
- (10) Summary of important policy clauses, and exhibits and tables attached thereto;
- (11) Signatures (seals) of the insurer and its responsible person and the date of signatures.

For discretionary investment-linked insurance, the insurance company shall make disclosure in its product prospectus in accordance with Subparagraph 2, Paragraph 1, Article 22 of the Regulations Governing Investment of Investment-linked Insurance in addition to the provisions of the preceding paragraph. Any change in the product prospectus which may result in material influence on policyholder's rights and interests shall be reported to the competent authority for future reference in accordance with Paragraph 2, Article 22 of the same Regulations.

5. The cover page of an insurance product prospectus shall state the following particulars:

- (1) Name of insurance product.
- (2) Product No. and date:
 - a. Approval, record or reference number and date of initial review;
 - b. Latest approval, record or reference number and date for changes in rate schedule, policy value reserve, cash surrender value or policy clauses, or date of submitting change information pursuant to Article 25 of the Regulations Governing Pre-sale Procedures for Insurance Products as well as the reference number and date of document announcing the amendment of applicable regulations.
- (3) Name of insurance company and year/month of prospectus release.

6. The inside front cover of the product prospectus shall contain a paragraph with wording to the effect of “Please heed whether your insurance solicitor shows you without being asked his/her “personal

insurance solicitor registration certificate” and investment-linked insurance product sales credential issued by an investment-linked insurance product testing facility.”

7. Profile of the insurance company, including company name, address, website or email, and toll-free service and complaint hotline shall be printed on the back cover of the product prospectus.

8. Detailed description of the insurance plan presented in the product prospectus shall include the following particulars:

(1) Introduction of the investment objects (including name and address of the management company for respective investment object) and reasons for selecting the investment objects. If the insurance contract contains a clause giving the insurance company the right to increase or decrease the investment objects while the contract is in force, the specific criteria for selecting new investment objects shall be described.

(2) Principles for premium payment (e.g. method for paying minimum premium and premiums on riders), restrictions and consequence of non-payment.

(3) Benefits (e.g. death benefit, disability benefit, survival benefit, and annuity) and payment terms (e.g. terms for annuity payment), and examples of return on investment (ROI) and charts; the examples should describe the basis for expense assumptions. The description and examples given on ROI shall include the basis for calculating return and observe the following principles:

a. If investment income is guaranteed: Give examples on guaranteed annual ROI and reasonable expected ROI, and show the calculation results based on total premium and net investment amount respectively. In case of conditional guarantee, describe side-by-side the conditions for principal protection or guaranteed payment in identical font color and size, and add warnings and reminders at a conspicuous place that cover all material matters having a bearing on the scope of application or validity of the guarantee and the consequence of breach of those conditions.

b. If investment income is not guaranteed: Give examples on three ROIs in reference to the past performance of the investment objects, which however shall not be higher than an annual ROI of 6% (inclusive). If there is the possibility of investment loss, provide at least one example on negative ROI with relatively higher absolute value for the reference of policyholder (e.g. 6%, 2%, -6%), and refer to relevant provisions in the Securities Investment Trust and Consulting Association Guidelines for Advertisements and Business Activities Performed by Members and Their Sales Agents.

(4) If the insurance product carries surrender charges, it should be noted that the examples on policy value given are exclusive of surrender charges that when the policyholder requests for the payment of cash surrender value, they should deduct the surrender charges from the policy value, and the rate of surrender charge should be disclosed.

9. The disclosure of investment risk warnings in the product prospectus shall observe the following rules:

(1) The following wordings shall be printed on the inside front cover in a conspicuous manner and using emphasized font style:

a. The past performance of the issuer or manager of all investment objects that the product is linked to is not indicative of future investment income. Unless it is otherwise agreed in the insurance contract, the

Company will not be held responsible for investment gain or loss. The applicant should read this prospectus carefully before purchasing the insurance.

b. If the insurance product is linked to an investment object with guaranteed investment income, print an additional paragraph stating “You must hold ○○○○ (name of the investment object) until maturity before you are entitled to enjoy the guarantee provided by its issuer or guarantor. If the applicant decides to transfer or redeem his/her holding or terminates the contract early, the applicant is not covered by the guarantee and shall assume all associated investment risks and expenses. The applicant should make sure that he/she understands its associated risks and features before selecting this particular investment.”

c. If the insurance product is linked to an investment object without guaranteed investment income, print an additional paragraph stating “○○○○ (name of the investment object) does not guarantee investment income, and the maximum probable loss is the entire principal of investment. The applicant should make sure that he/she understands its associated risks and features before selecting this particular investment.”

d. If this product prospectus contains false statement or misrepresentation or conceals material facts, the Company, its responsible officer and other signatories of the prospectus shall be held responsible according to law.

(2) The following important features shall be printed on the first page of the product prospectus:

a. The important features described here are disclosed in accordance with the Compliance Matters for Disclosure of Information on Investment-linked Insurance set out by the competent authority and are to help you understand and decide whether this product is suitable for your needs.

b. For a fixed-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) This is a long-term insurance policy. If you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid.

(b) You should choose this plan only if you are sure long-term insurance is right for you.

(c) You must give careful consideration to all other fees and charges that may incur in the future before deciding the amount of premium you will be able to pay.

c. For a flexible-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) The balance in your policy account is determined by the amount of premiums you have paid and return on investment less policy-related charges, principal and interest on the loan you have taken out, and the amount of benefit cancelled or paid.

(b) Once you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid.

d. For a single-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) The balance in your policy account is determined by the amount of

premiums you have paid and return on investment less policy-related charges, principal and interest on the loan you have taken out, and the amount of benefit cancelled or paid.

(b) Unless it is unlikely that the cash surrender value will be less than the premiums paid, the prospectus should always state: "Once you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid."

10. The disclosure of fees and charges in the product prospectus shall observe the following rules:

(1) Fees and charges payable by the applicant to the insurance company should be itemized and tabulated, including front-end loading, policy-related charges, investment-related fees, back-end loading and other charges. All charges incurred as described above should be summarized and tabulated to help the applicant gain a quick understanding of all charge items and contents (see Table 1 and Table 2 for details). If any of those charges is variable, the basis for fee changes and caps shall also be disclosed.

(2) If the front-end loading in the first policy year amounts to more than 50% of the basic (or target) premium, an example of how the charge affects the policy account value should be given.

(3) The insurance company may decide the period for sending a fee change notice to policyholders before the change takes effect, which however shall be not less than three months, unless the change concerns fee reduction that would benefit the policyholders.

(4) For compensation, fees, discounts and other interests received from the counterparty of an underlying structured product, the insurance company should disclose the range of rates charged, and inform the applicant actual rates and annualized rates after collecting those fees. The caps for the fees shall follow the rules for the investment object or self-regulatory rules.

(5) For compensation, fees, discounts and other interests received from the counterparty of an underlying mutual fund, the insurance company shall inform the applicant before the sale and make disclosure in accordance with Principles and Format for Disclosing Mutual Fund Distribution Fees by Insurance Enterprises set out by The Life Insurance Association of the Republic of China.

(6) For compensation, fees, discounts and other interests received from counterparties of investment objects other than the ones mentioned in the preceding two subparagraphs, the insurance company shall inform the applicants of the range of rates charged before the sale.

11. The disclosure of investment objects in the product prospectus shall include basic data of respective investment object, allocation percentage, investment targets and associated risks as follows:

(1) Where the investment object is the beneficiary certificates of a securities investment trust fund or the beneficial securities for a mutual fund, the insurance company shall make disclosure in accordance with the requirements for fund disclosure set out by the competent authority for securities or trust enterprises, and the disclosure shall contain at least the following particulars:

a. Name of fund to invest in, relative percentage of investment under the

- insurance plan, or the extent by which the applicant may designate or change its allocation percentage.
- b. Types of funds (stock fund, bond fund, balanced fund, currency fund, principal-guaranteed fund or fund of funds), and their investment targets.
 - c. Scheme of fund (open-ended or close-ended).
 - d. Where the underlying fund invests in foreign areas, note "Invest overseas" and the geographic distribution of the investment areas.
 - e. Total face value of the fund that has been approved for offering and current asset size of the fund.
 - f. Profile of fund manager.
 - g. Risk disclosure (e.g. the risk of over-concentration on certain stock sector, industry cycle risk, risk of inadequate market liquidity, risk of foreign currency control and exchange rate risk, risk associated with political or economic changes in the investment area, and other investment risks).
 - h. Performance and beta coefficients of the fund in the past three, two and one years (or since inception); if no beta coefficient is available, provide the risk level.
 - i. Name of the securities investment trust enterprise or trust enterprise.
 - j. The disclosure of foreign securities investment trust funds should in addition refer to the particulars to be contained in the investor brochure delivered by the master agent and sub-distributors when offering and selling offshore funds pursuant to the Regulations Governing Offshore Funds or Sample Investor Brochure on Offshore Funds prepared by the Securities Investment Trust & Consulting Association of R.O.C.
 - k. Other information.
- (2) If the investment object is an exchanged traded fund (ETF), the prospectus shall disclose the underlying index the ETF tracks and the name of exchange on which the ETF is listed in addition to following the provisions in the preceding subparagraph.
- (3) If the investment object is a structured product, the prospectus shall contain at least the following particulars. However if the investment object is an offshore structured product, the prospectus only needs to disclose its relative percentage of investment under the insurance plan, or the extent by which the applicant may designate or change its allocation percentage. The rest of the disclosed items may be substituted by the Chinese product prospectus prepared by the issuer and delivered by the insurance company to the applicant:
- a. Name and rating of the structured product to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
 - b. Names and credit ratings of its issuer and guarantor; where the issuer or guarantor is downgraded by any credit rating agency in the future, the insurance company will publicly announce the related fact for the information of policyholders.
 - c. Issue volume.
 - d. Underlying assets, e.g. name of index or stock, and their relative weights.
 - e. Issue date and maturity date.
 - f. Observation dates.

- g. Currency.
 - h. Cash settlement amount (including minimum redemption amount and participation factors).
 - i. Name of secondary market or institution giving quote.
 - j. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.). The market risk (including maximum probable loss) should be highlighted and presented with figures, and include a phrase: "If you choose to redeem the structured product before it matures, the amount you recover will be less than your original investment (in the worst case scenario, the amount you recover could be zero), or you may not be able to redeem your investment."
 - k. Method of handling when the issuer or the guarantor is unable to fulfill its repayment obligation.
 - l. Other information.
- (4) Where the investment object is a financial debenture or corporate bond, the disclosure shall contain at least the following particulars:
- a. Name and rating of the financial debenture or corporate bond to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
 - b. Names and credit ratings of its issuer; where the issuer is downgraded by any credit rating agency in the future, the insurance company will publicly announce the related fact for the information of policyholders.
 - c. Issue date and maturity date.
 - d. Face value.
 - e. Coupon rate.
 - f. Currency.
 - g. Name of secondary market or institution giving quote.
 - h. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
 - i. Method of handling when the issuer is unable to fulfill its repayment obligation.
 - j. Other information.
- (5) Where the investment object is government bonds, treasury notes, savings bonds or bank certificates of deposit, disclosure shall be made according to the disclosure required of financial debentures.
- (6) Where the investment object is the beneficial securities of a real estate investment trust (REIT) or real estate asset trust (REAT), the disclosure shall contain at least the following particulars:
- a. Name of beneficial securities to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
 - b. Duration of the trust deed.
 - c. Fund scheme (open-ended or close-ended).
 - d. Total issue amount of beneficial securities.
 - e. Name or designation of trustor.
 - f. Names, addresses, and credit ratings of the trustee, real estate management institution and professional appraiser, and their respective obligations and responsibilities.
 - g. Profile of operation and management personnel.

- h. Basic policy, scope, and investment strategy for fund utilization or management and disposal of trust property.
- i. Items, schedule, and payment method for income allocation.
- j. Matters concerning funds borrowed for handling trust affairs and related expenses.
- k. Credit rating of the beneficial securities.
- l. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
- m. Method of handling in case of non-performance of repayment obligation.
- n. Other information.

(7) Where the investment object is asset-backed securities (ABS), the disclosure shall contain at least the following particulars:

- a. Name of beneficial securities to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
- b. Duration of the special-purpose trust deed.
- c. Total issue amount of beneficial securities.
- d. Name and address of originator.
- e. Names, addresses, and credit ratings of the trustee and other participating service institutions, and their respective obligations and responsibilities.
- f. Profile of operation and management personnel.
- g. Variety, name, quantity, amount, average yield, expiry, and trust period of the trust property.
- h. Basic policy, scope, and investment strategy for fund utilization or management and disposal of trust property.
- i. The method for allocating the principal of trust property and the profits, interest, and other proceeds accrued therefrom.
- j. Matters concerning funds borrowed for handling affairs of the special-purpose trust and related expenses.
- k. Credit rating of the beneficial securities.
- l. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
- m. Method of handling in case of non-performance of repayment obligation.
- n. Other information.

(8) Where the investment object is mortgage-backed securities (MBS), disclosure shall be made according to the disclosure required of asset-backed securities.

(9) Where the investment object is handled in a manner provided in Subparagraph 2, Paragraph 1, Article 5 of the Regulations Governing Investment of Investment-linked Insurance, the provisions of Subparagraph (1) hereof apply to the disclosure of the investment object in addition to the following particulars:

- a. The educational and professional backgrounds of manager managing the discretionary account, and the status of any disciplinary action received by such person in the preceding two years pursuant to Securities Investment Trust and Consulting Act, Futures Trading Act, or Securities and Exchange Act.
- b. Name of enterprise commissioned to provide discretionary investment service and compensation or fees for the commissioned services.

- c. A description of any litigious or non-litigious matters of the enterprise commissioned to provide discretionary investment service resulting from conduct of the business in the past year.
 - d. Where the investment object offers income allocation, the contents of income allocation, e.g. sources of income, allocation plan and adjustment mechanism, and method of notice for change of adjustment mechanism, and method for paying allocated income, should be described.
 - e. Where the investment object offers income allocation, the effect of income allocation on the policy value should be described in the examples based on the income allocation plan.
 - f. Where the investment object offers income allocation, remind the applicants that income allocation may affect, or even lower the value of the investment object, depending on the income allocation plan and income payment method.
12. The notice of policy value as described in the product prospectus shall be carried out according to the following rules:
- (1) At the time as agreed in the insurance contract, the insurance company shall actively notify the applicant of important matters, such as the policy value, in a manner chosen by the applicant, which shall happen at least once every quarter, unless it is otherwise agreed in the insurance application form.
 - (2) The insurance company should state and disclose the channels available for policyholders to make inquiry.
13. The period during which the applicant may exercise his/her right of contract cancellation shall be specified on the first page of the product prospectus. Such period shall be ten days starting from the next day following the receipt of policy.
14. In disclosing a summary of important policy clauses, the product prospectus shall specify information on the conditions for policy suspension, reinstatement, exclusions, method for determining policy loan rates, fee structure, switch of investment object, policy dividend, and surrender charges, and exhibits and tables attached thereto.
15. The product prospectus shall carry the signatures (seals) of the insurance company and its responsible person, and the date of signatures.
16. An introduction of insurance product shall include at least the following particulars:
- (1) Name of insurance product.
 - (2) Cautionary language in emphasized font style on the first page.
 - (3) Product No. and date.
 - (4) Insurance coverage, including benefits and benefit payment, and note "Please read the product prospectus for details on exclusions or exceptions.
 - (5) Types of investment objects and allocation percentage, conditions for principal protection or guaranteed payment (no disclosure is required if there are no allocation percentages for investments or conditions for principal protection or guaranteed payment).
 - (6) Disclosure of investment risks, including credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.; such disclosure is not required if the aforementioned risks do not exist.
 - (7) With regard to the disclosure of fees and charges, enumerate all fees

and charges payable by the applicant to the insurance company, including front-end loading, policy-related charges, investment-related fees, redemption charges, and other charges.

(8) Note “Information on compensation, fees, discounts and other interests to be received from the counterparty of the investment object will be provided to the applicant for reference before the signing of contract.”

(9) Profile of the insurance company, including company name, address, website or email, and toll-free service and complaint hotline.

The introduction of insurance product shall not contain exaggerated or false representations, shall be consistent with the data and information submitted for product approval, and shall not contradict the contents of the product prospectus.

17. Relevant wording and explanation, such as “Early or partial cancellation of contract may result in loss to you” shall be disclosed in the policy surrender application as a reminder for the applicant.

18. Regular reports on policy value shall disclose the following particulars:

(1) Items to be disclosed quarterly:

- a. Current status of investment portfolio.
- b. Number of units and unit value at the beginning of period.
- c. Change in the number of units during the period (including the date of change and unit value at the time of change).
- d. Number of units and unit value at the end of period.
- e. Amount of premium received in the period.
- f. Detailed fees and charges deducted for the period (including sales charges, administration fees, mortality charges and premium on rider).
- g. Death benefit and net cash surrender value at the end of period.
- h. Principal and interest of policy loan at the end of period.

(2) Items to be disclosed annually: Aside from disclosing annual summary data on items specified in the preceding paragraph, the annual report shall also include financial statements and net ROI on respective investment object related to the insurance plan, investment details on the date of report, detailed fees and charges, changes in investment targets or restrictions, and changes in manager.

(3) Method of disclosure: The regular reports shall be delivered in writing or by email as agreed in the insurance contract or as designated by the applicant. However financial statements and net ROI on respective investment object related to the insurance plan, investment details on the date of report, detailed fees and charges, changes in investment targets or restrictions, and changes in manager to be disclosed annually may be disclosed on the company website and made available in writing upon request.

19. The insurance application form shall disclose the following particulars:

(1) The application form shall carry cautionary language and investment risk warnings in a conspicuous manner according to Point 7 of the Directions for the Review of Life Insurance Products.

(2) The application form shall include a question: “Has the insurance solicitor shown a valid solicitor certificate and provided the policy clauses and prospectus for your perusal?”

(3) Important matters that the insurance company must inform its policyholders shall be tabulated according to the features of the product (e.g. calculation of policy value, investment risks, terms and conditions for policy loan, and contract-related fees and charges). At the end of the table, there should be items stating “I have understood the important matters concerning the insurance product” and “I agree to purchase the insurance” for the applicant to check, and a space for the applicant to sign his/her name in a manner consistent with his/her signature on the application form.

20. When the insurance solicitor is also an insurance agent or broker, the sales documents shall briefly describe the relationship between the insurance company and the solicitor and indicate that the product is issued by the insurance company.

Insurance brokers, insurance agents, and insurance solicitors shall not issue or self-produce sales documents, promotional materials, advertisements or other product-related documents.

21. Insurance enterprises shall include the contents of these Compliance Matters into the operating procedures for their internal control operations in accordance with Subparagraph 12, Paragraph 1, Article 5 of the Regulations Governing the Implementation of Internal Control and Audit Systems by Insurance Enterprises.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System