

Content

Title :	Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of an Insurance Enterprise <b>Ch</b>
Date :	2011.01.21
Legislative :	1.a total of 13 articles promulgated per order of Financial Supervisory Commission No. Jin-Guan-Bao-Li-Zi-10002540701 dated January 21, 2011 and in force on the date of promulgation
Content :	<p>Article 1 These Regulations are enacted pursuant to Paragraph 5, Article 139-1 of the Insurance Act.</p> <p>Article 2 The same person or the same related party who singly, jointly or collectively acquires or intends to acquire more than 10 percent, 25 percent or 50 percent of the total outstanding voting shares of an insurance company shall follow the provisions in these Regulations. In reviewing an application under these Regulations, the competent authority shall, based on the shareholding to be acquired, examine the applicant's honesty, integrity, legality, financial conditions, operation and management experience and capabilities, as well as the applicant's interest relationship with the insurance company, and whether the proposed business plan will benefit the long-term and sound development of the insurance company.</p> <p>Article 3 The same person or the same related party intending to singly, jointly or collectively acquire more than 10 percent of the total outstanding voting shares of an insurance company shall meet the following requirements: 1. The person or related party is free of any situations provided in Subparagraphs 2 to 12, Paragraph 1, Article 3 of the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises or other situations that violate the principles of honesty and integrity. Where the same person or the same related party is a juristic person, the preceding provision applies to its chairman. 2. The sources of funds comply with the regulatory requirements.</p> <p>Article 4 The same person or the same related party intending to singly, jointly or collectively acquire more than 10 percent of the total outstanding voting shares of an insurance company shall submit the following application documents to the competent authority for approval: 1. Application for Planned Acquisition of Shares (Form 1); 2. Declaration (Form 2); 3. Sources of funds statement (Form 3); 4. A statement of undertaking (Form 4) 5. In case the same person or the same related party is a juristic person, meeting minutes on the resolution of its shareholders' meeting or board of</p>

directors' meeting to invest in the insurance company.

The statement of undertaking in Subparagraph 4 of the preceding paragraph shall include a statement of compliance with any additional conditions imposed by the competent authority at the time of approval.

#### Article 5

The same person or the same related party intending to singly, jointly or collectively acquire more than 25 percent of the total outstanding voting shares of an insurance company shall comply with the following requirements in addition to the requirements specified in Article 3 herein:

1. Where the same person or the same related party is a juristic person, its natural person shareholders at all layers of its investment framework who directly or indirectly acquire more than 10 percent of the total outstanding voting shares of the insurance company or have control over the insurance company are free of any situations provided in Subparagraphs 2 to 12, Paragraph 1, Article 3 of the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises or other situations that violate the principles of honesty and integrity.

2. The financial capability of the person or related party will suffice to meet the capital injection needs (of the insurance company) in the next three years.

#### Article 6

The same person or the same related party intending to singly, jointly or collectively acquire more than 25 percent of the total outstanding voting shares of an insurance company shall submit the following documents in addition to the application documents specified in Article 4 herein to the competent authority for approval:

1. If the same person or the same related party is a juristic person, layers of investment framework and background of major shareholders (Form 5);

2. If the same person or the same related party is a juristic person, statements of natural person shareholders at all layers of its investment framework who directly or indirectly acquire more than 10 percent of the total outstanding voting shares of the insurance company or have control over the insurance company and a list of such shareholders or controllers (Form 6);

3. Description of how its financial capability will suffice to meet the capital increase needs (of the insurance company) in the next three years: (1) An evaluation of the effect (of the acquisition) on the finance and business of the insurance company in three fiscal years after acquiring the shares of the insurance company;

(2) If the same person or the same related party is a natural person, his or her property information in the last three years (Form 7); if the same person or the same related party is a juristic person, its CPA-certified balance sheets, income statements and statements of cash flows in the last three years; where the juristic person has been in business for less than three years, the applicant shall provide the aforementioned financial statements for all years in business. If the applicant's financial statements for the latest year is not yet audited and certified by a CPA, the self-prepared financial statements may be submitted instead;

(3) The amount of capital injection needed in the next three years and

other possible latent obligations; and

(4) Substantial and specific sources of funds for future capital injection. For example, if the applicant plans to borrow the funds for future investment (in the insurance company), the applicant should describe specific repayment plan and sources of funds.

#### Article 7

The same person or the same related party intending to singly, jointly or collectively acquire more than 50 percent of the total outstanding voting shares of an insurance company shall comply with the following requirements in addition to the requirements specified in Article 3 and Article 5 herein:

1. Ensuring the interests of policyholders and employees.
2. Having the professional capability to operate an insurance company.
3. A commitment to long-term operation of the insurance company.
4. Having sufficient financial capability to meet the capital injection needs of the insurance company in the next ten years.

#### Article 8

The same person or the same related party intending to singly, jointly or collectively acquire more than 50 percent of the total outstanding voting shares of an insurance company shall submit, in addition to the documents specified in Article 4 and Article 6 herein, the following documents to the competent authority for approval:

1. An undertaking to protect the interests of policyholders and employees and the specific plan.
2. A description of how the applicant has professional capability to operate an insurance company and the following information:
  - (1) A list of directors (including independent directors), supervisors, president and vice presidents (including legally-binding consent to act signed by them) to be appointed after the acquisition of shares, their educational background and work experience, and documents evidencing their compliance with the relevant provisions of the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises.
  - (2) Business plan for the insurance company after acquisition of shares, including internal organization and division of labor, management team, retention of existing employees or new recruitment, insurance products planned for the future and business development plan, financial projections, actuarial report on capital injection plans, reinsurance policy, fund utilization, risk management (including assets and liabilities management), corporate governance and decision-making process.
3. The long-term operation commitment shall include at least the following:
  - (1) An undertaking for long-term operation.
  - (2) The motives and purposes of acquiring the shares of the insurance company.
  - (3) Legally-binding documents to show how to ensure the suitability and structural stability of shareholders.
  - (4) If the applicant has affiliated enterprises involved in the acquisition, the investment framework of the applicant and affiliated enterprises, and a description of the businesses each affiliated enterprise engages in.
4. A description of how the applicant has sufficient financial capability

to meet the capital injection needs of the insurance company in the next ten years:

(1) The amount of capital injection needed in the next ten years and other possible latent obligations; and

(2) Substantial and specific sources of funds for future capital increase.

For example, if the applicant plans to borrow the funds for future investment (in the insurance company), the applicant should describe specific repayment plan and sources of funds.

5. Other documents required by the competent authority.

#### Article 9

When the same person or the same related party applies to the competent authority according to the provisions of Article 4 or Article 6 herein, the application is deemed to be approved if the competent authority does not object thereto within thirty (30) days from the next day following the receipt of the application documents, unless the application documents are incomplete or other supplemental information or correction is required. The preceding paragraph does not apply to the same person or the same related party who applies to the competent authority in accordance with provisions of Article 8 herein.

#### Article 10

If the competent authority finds after approving the same person or the same related party to acquire shares of an insurance company pursuant to these Regulations that the application documents contain false information or the applicant violates the additional conditions imposed at the time of approval, the competent authority may rescind or revoke the approval and order said same person or same related party to adjust his or her shareholding [in the insurance company] within a given time period.

If the same person or the same related party no longer conforms to the provisions set forth in any of Articles 3, 5, or 7 herein after the competent authority has approved said same person or same related party to acquire shares of an insurance company pursuant to these Regulations, said same person or same related party shall promptly inform the competent authority. In such event, the competent authority may, in view of the circumstances, order said same person or same related party to adjust his or her shareholding [in the insurance company] within a given time period or take other necessary actions, and may rescind the approval given, provided the circumstance is of serious nature.

An insurance company that is aware of the situation described in the preceding paragraph shall proactively inform the competent authority.

#### Article 11

The qualifications and application procedures provided in Articles 3 to 10 herein do not apply to the following:

1. Government shareholding.

2. Approvals given by the competent authority for handling problem insurance companies.

#### Article 12

The same person or the same related party holding more than 10 percent of the total outstanding voting shares of an insurance company shall, before the 5th of each month, fill out a form (Form 8) to inform the insurance company of change in his or her shareholding [in the insurance company] in

the previous month. The insurance company will compile such information, file a report by transmitting the information to a website designated by the competent authority and publicly announce same before the 15th of each month.

Where the shares referred to in the preceding paragraph are pledged, the pledgor shall promptly fill out a form (Form 9) to inform the insurance company. The insurance company shall, in five (5) days after the creation of pledge, file a report on the pledge by transmitting the information to a website designated by the competent authority and publicly announce same. The reporting operations under the preceding two paragraphs may be carried out by an appointed share registrar and transfer agency.

The provisions of the first paragraph hereof do not apply to an insurance company wholly owned by one shareholder.

#### Article 13

These Regulations shall be in force on the date of promulga