

Content

Title :	Implementation Regulations for Professional Liability Insurance Coverage for Certified Public Accountant Firms <b>Ch</b>
Date :	2008.05.05
Legislative :	1. Full text of 8 articles adopted and issued per 5 May 2008 Order No. Financial-Supervisory-Securities-VI-09700175775 of the Financial Supervisory Commission, Executive Yuan; for enforcement from the date of issuance
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 31, paragraph 2 of the Certified Public Accountant Act (the "CPA Act").</p> <p>Article 2</p> <p>If an incorporated CPA firm, because of any omission, error, or negligence in the course of its CPA practice, violates any of its required professional duties, with the result that damage is incurred by a third person, the incorporated CPA firm shall be liable for compensation. And for any claim for compensation during the insurance policy period or extended reporting period, the underwriting insurer shall be liable for compensation within the scope of the insured amount.</p> <p>Article 3</p> <p>For professional liability insurance carried by an incorporated CPA firm that performs attestation for any TWSE or GTSM listed company or emerging stock company or for four or more public companies, during the insured period neither the insured amount per each indemnity claim case nor the aggregate insured amount may be lower than the highest of the amounts in the following three subparagraphs:</p> <ol style="list-style-type: none"><li>1. NT\$30 million.</li><li>2. NT\$3 million per shareholder.</li><li>3. The total revenue of the incorporated CPA firm in the most recent fiscal year, provided that if the total revenue exceeds NT\$300 million, it may be counted as NT\$300 million.</li></ol> <p>For professional liability insurance carried by an incorporated CPA firm that performs attestation for three or less public companies, during the insured period neither the insured amount per each indemnity claim case nor the aggregate insured amount may be lower than the highest of the amounts in the following three subparagraphs:</p> <ol style="list-style-type: none"><li>1. NT\$15 million.</li><li>2. NT\$2.5 million per shareholder.</li><li>3. The total revenue of the incorporated CPA firm in the most recent fiscal year, provided that if the total revenue exceeds NT\$150 million, it may be counted as NT\$150 million.</li></ol> <p>For professional liability insurance carried by an incorporated CPA firm that does not perform attestation for public companies, during the insured period neither the insured amount per each indemnity claim case nor the aggregate insured amount may be lower than the highest of the amounts in</p>

the following three subparagraphs:

1. NT\$8 million.
2. NT\$1.5 million per shareholder.
3. The total revenue of the incorporated CPA firm in the most recent fiscal year.

#### Article 4

The deductible for each insurance compensation claim case of an incorporated CPA firm may not be higher than one-half the shareholders equity on the latest financial statement or may not be higher than the lower of the figures in the following two subparagraphs:

1. 10 percent of the insured amount.
2. NT\$1 million per shareholder.

#### Article 5

An incorporated CPA firm shall consider factors such as its business revenue, capital, cases undertaken, and firm scale, to evaluate the adequacy of its insured amount.

An incorporated CPA firm shall adopt policies and operational procedures for purchasing insurance.

An incorporated CPA firm shall evaluate the adequacy of its insured amount at least annually.

#### Article 6

An incorporated CPA firm shall maintain the continuing validity of its insurance contract and the continuity of the coverage period. Before the termination of the insurance contract or upon being refused coverage by an insurance enterprise, it shall enter into another insurance contract in accordance with these Regulations.

An incorporated CPA firm may not make any willful concealment, or negligent nondisclosure, or misrepresentation that could result in rescission of the insurance contract by the underwriting insurer under Article 64, paragraph 2 of the Insurance Act.

The scope of coverage of the insurance contract entered into by an incorporated CPA firm shall at least be retroactive to the 5 years prior to the commencement date of the insurance period or to the date of incorporation of registration, whichever is later.

#### Article 7

When applying to the competent authority for approval for incorporation as an incorporated CPA firm, the applicant shall obtain documents from an insurance enterprise certifying its consent to underwrite the insurance, and within 30 days from the date of the competent authority's approval for establishment, submit documents certifying enrollment in liability insurance to the competent authority for recordation.

If there is any change in an incorporated CPA firm's insured amount, terms and conditions of coverage, or underwriting insurer, or the insurance contract is terminated or rescinded, the firm shall report to the competent authority and submit relevant documentation within 2 days from the date of occurrence of the fact.

The "date of occurrence of the fact" in the preceding paragraph, with respect to any change in the incorporated CPA firm's insured amount, terms and conditions of coverage, or underwriting insurer, means the date of the change or entering into of the insurance contract. With respect to

termination or rescission of the insurance contract of the incorporated CPA firm, it means the date on which notice is received from the underwriting insurer, on which notice is given to the underwriting insurer, or on which the termination of the insurance contract takes effect, whichever is earliest.

Article 8

These Regulations enter into force from the date of issuance.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System