

Content

Title :	Directions for Insurance Companies to Engage in Microinsurance Business 
Date :	2014.06.26
Legislative :	1.Promulgated on July 21, 2009 2.Jin-Guan-Bao-Shou-Zi-Ti 10302546711 issued by FSC on June 26, 2014.
Content :	<p>1.These Directions are set forth for regulating the microinsurance business of insurance companies (referred to as the “Business” hereunder) so as to enhance basic insurance protection for the economically disadvantaged or people with specific status and enforce the social responsibilities of insurance companies.</p> <p>2.The term “microinsurance” in these Directions means insurance products that offer basic coverage against specific risks as provided by insurance companies for the economically disadvantaged or people with specific status.</p> <p>The term “economically disadvantaged” or “people with specific status” in these Directions means a person who meets any of the following criteria:</p> <ol style="list-style-type: none">(1) A spouseless person whose gross annual consolidated income is less than NT\$350,000.(2) A member of a household where the gross annual consolidated income of the husband and wife combined is less than NT\$700,000.(3) A person with the status of indigenous people pursuant to the Status Act For Indigenous Peoples, or a person who is a member of a legally established civil association or institution for indigenous people or a person serviced by such association or institution.(4) A person who is a member of a legally established civil association or institution for fishermen, or a domestic fishing professional with fishing vessel crew identification, or a foreign fishing professional who has obtained permanent resident certificate of the Republic of China.(5) An insured of farmer health insurance enrolled pursuant to the Farmer Health Insurance Act.(6) A person serviced by a legally established social welfare or charity association or institution.(7) A member of a household that is a recipient under the Work Income Subsidy Program of the Ministry of Interior.(8) A member of a family in hardship as defined in the Act for Assisting Families in Hardship, or a member of a low-income or medium-low income households as defined in the Public Assistance Act.(9) A person with disabilities as defined in the People with Disabilities Rights Protection Act, or a member of a legally established civil association or institution for people with disabilities or a person serviced by such association or institution.(10) Other economically disadvantaged people or people with specific status as recognized by the competent authority. <p>Besides those criteria specified in the preceding paragraph, an insurance</p>

company may add more criteria in view of the national income, the status of urban or rural development, actual economic condition, social insurance and security system, income distribution of existing clients and its underwriting operation, provided the insurance company has submitted documents specified in Point 4 herein and obtained the prior approval of the competent authority. The preceding provision applies when an insurance company revises its eligibility criteria for microinsurance.

3. When engaging in the Business, an insurance company shall not include the design of living benefit or maturity benefit in its products and may offer only the following types of products:

- (1) Traditional one-year term life insurance; and
- (2) One-year accident insurance.
- (3) One-year accident medical insurance (reimbursement type) where benefits are paid based on original medical expense receipts presented.

The microinsurance products specified in the preceding paragraph should be simple in design and shall cover only one insured peril.

4. When submitting a microinsurance product for review, an insurance company shall enclose relevant documentation as provided in the Regulations Governing Pre-sale Procedures for Insurance Products, and in addition, follow the rules below:

- (1) The enclosed documents shall describe the criteria for and scope of the economically disadvantaged or people with specific status to be covered by the microinsurance product, planned marketing channels, specific practice planned for signing individual insurance contracts collectively, and specific preventive measures against adverse selection and moral risk, and if applicable, written summary of important clauses of the insurance contract provided to the applicant pursuant to subparagraph 2, paragraph 1 of Point 7 herein;
- (2) If a microinsurance product allows flexible payment of premium, such payment scheme should be reflected in profit analysis; and
- (3) The name of the microinsurance product should contain the wording "micro" to denote the major characteristic of the product.

5. The Ministry of Finance Letter No. Tai-Cai-Bao-Zi-85237814 dated July 25, 1996 and Ministry of Finance Order No. Tai-Cai-Bao-Zi-0930705699 dated June 29, 2004 do not apply to the premium structure of microinsurance products, provided that the expected expense ratio of the product shall not exceed 15% of the total premium.

When an insurance company conducts the Business by offering individual insurance contracts signed collectively as specified in Point 10 herein, the company may set different premium rates for individual applicants in the collective group based on individual risk exposure, or set a fixed premium rate or tiered premium rates by assessing the average risk of the said group. However the insurance company must describe the basis and reasonableness of the premium rates it set in the documents submitted for review for the insurance product.

6. The reserves for microinsurance products shall be set aside in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises. For microinsurance products that are offered through group coverage, the rules for the setting aside of reserves as provided in the Ministry of Finance letter No. Tai-Cai-Bao-Zi-852367814 dated July 25,

1996 need not apply.

7.To make it easier for customers to understand the important clauses in a microinsurance contract, insurance companies shall adopt one of the approaches below:

(1) When designing a microinsurance product, an insurance company should refer to the model provisions of insurance policies and simplify the content, and write the policy clauses in plain language. A microinsurance contract shall always contain the following two provisions:

a.The parties here to agree that matters not specified in the policy shall be governed by applicable laws and regulations; and

b.The insurer will interpret and handle questionable clauses in a manner favorable to the insured.

(2) When signing the microinsurance contract with an applicant, an insurance company shall provide the applicant with a written summary of the important clauses of the contract and explain to the applicant the content of the summary in detail.

8.The microinsurance product solicitors shall meet the qualifications set forth in Regulations Governing Insurance Agents, the Regulations Governing Insurance Brokers, the Regulations Governing the Supervision of Insurance Solicitors, or the Regulations Governing Postal Simple Life Insurance Operations, or have passed the qualification exam for insurance solicitors held by the Life Insurance Association of the Republic of China or the Non-Life Insurance Association of the Republic of China and completed the qualification registration.

9.The microinsurance products offered by insurance companies should waive physical examination in principle.

The beneficiary of disability benefit and accident medical insurance benefit paid out by a microinsurance policy must be the insured him or herself. Insurance companies may not accept designated beneficiary or change of beneficiary other than the insured. The designation or change of beneficiary for death benefit shall be limited to family members or the heir at law of the insured..

10.Microinsurance may be offered as individual insurance, individual insurance contracts signed collectively or group insurance.

When an insurance company offers individual insurance contracts signed collectively for its microinsurance products, the insured unit that acts on behalf of the applicants for the signing of microinsurance contracts, the applicant and the insured must meet the following criteria:

(1) The applicant and the insured must be the same person and there must be at least five (5) insureds.

(2) The insurance company will sign the microinsurance contract with the insured unit acting on behalf of the individual applicant.

(3) The acting insured unit and the economically-disadvantaged applicant or applicant with specific status must have one of the relationships below, and with the exception of units specified under items d and f of this subparagraph, the acting insured unit must have the entity of a juristic person and have been established for at least two years:

a.The relationship between employer and employee.

b.The relationship between a legally established cooperative, association, professional trade union, alliance, or league and its members.

c.The relationship between a legally established financial institution or lending institution and its borrowers.

d.The relationship between a legally established school and its students.

e.The relationship between a legally established social welfare or charity association or institution and the people it serves.

f.The relationship between a special municipality government, county/city government, township/city office, district office, or village(ward) office and their residents with household registration.

g.The relationship between a legally established religious group and its members or the people it serves.

h.The relationship between an organization other than those mentioned above but with the entity of a juristic person and its members or constituents.

Where an insurance company offers individual insurance contracts signed collectively for its microinsurance products, the company shall, after the sale of products, retain documents evidencing the intent of the acting insured unit to sign a microinsurance contract on behalf of the applicants and that the insured unit is a legally established entity for future audit by the competent authority.

Units specified under item f of subparagraph (3) of the second paragraph hereof may be exempted from providing documents evidencing that they are a legally established entity.

11.An insurance company whose performance in the Business meets certain criterion are eligible for the following incentive measures:

(1) Recognized to meet the criteria of “Outstanding performance in offering insurance products in coordination with government policy or in promoting social or public interest work” as provided in subparagraph 7, paragraph 2, Article 21 of the Regulations Governing Pre-sale Procedures for Insurance Products.

(2) The competent authority will give the aforementioned insurance companies priority in the review of their applications for the following:

a.Application for approval of an insurance product;

b.Application for the establishment of a branch organization (branch company, overseas branch company (subsidiary), or liaison office); or

c.Application for the appointment of the responsible persons of insurance companies.

(3) The incentive of adding one more product to the filing quotas of insurance products that a life insurance company may submit for review by way of approval.

(4) For a life insurance company whose performance in the Business meets certain criterion twice consecutively, the incentive of adding additionally one more product to the filing quotas of insurance products that the life insurance company may submit for review by way of approval.

(5) Public commendation of insurance companies with outstanding performance in the Business.

The “certain criterion” referred to in the preceding two paragraphs means the Business of the insurance company in the most recent year at the time of application was offered to the economically disadvantaged or people with specific status and its total premium income from such policies as a

percentage of its total premium income ranks in the seventy-five percentile or higher in the industry, or its total premium income from such policies ranks in the seventy-five percentile or higher in the industry, or the total premium income from such policies amounted to NT\$5,000,000 or higher.

The recognition of subparagraphs 1 through 4 of paragraph 1 hereof shall be valid for a period of one year.

12. An insurance company should properly manage the risk associated with the Business or acquire reinsurance for the Business.

An insurance company should carry out related reporting and underwriting procedures for the Business and heed that the aggregate insured amount under a micro life insurance policy for individual insureds shall not exceed NT\$500,000, the aggregate insured amount under a micro accident insurance policy shall not exceed NT\$500,000, and the aggregate insured amount under a micro accident medical insurance policy shall not exceed NT\$30,000.

If an individual insured acquires a microinsurance policy from two or more insurers that his/her aggregate insured amount under the same type of insurance policies exceeds the limit specified in the preceding paragraph, the insurance companies may decide on their own how to handle the situation, provided Article 54 and Article 54-1 of the Insurance Act are not violated and the situation is fully disclosed in the policy clauses.

13. An insurance company shall set up a microinsurance customer service unit or assign personnel of its existing customer service unit to handle specifically the services of microinsurance customers and their complaints.

14. An insurance company shall separate the statistical data of the Business from those of other businesses and file statistical reports relating to the Business with the competent authority or Taiwan Insurance Institute according to the format, content and deadline prescribed by the competent authority.

15. If an insurance company violates these Directions in conducting the Business, the competent authority may mete out disciplinary actions in view of the severity of violation pursuant to Article 149 of the Insurance Act and relevant regulations.

(Note: This translation is purely for reference. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall govern.)