

Content

Title : Compliance Matters for Disclosure of Information on Investment-linked Insurance **Ch**

Date : 2016.12.14

Legislative : Amended on December 14, 2016.

Content : 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 the investment object includes currency related derivatives transactions in accordance with Paragraph 3, Article 10 of the Regulations Governing Investment of Investment-linked Insurance, print an additional paragraph stating "This product involves currency related derivatives transactions in connection with utilization and management of assets in a separate account undertaken for the purpose of currency hedging by an enterprise that is approved by the competent authorities to engage in or concurrently engage in discretionary investment service. However such hedging transaction do not guarantee that they are absolutely currency risk free. It is still possible that exchange rate variation may result in losses or decrease the return on investment due to the nature of hedging instrument, hedge ratio, market movement or other factors."

e. 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."

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 entrusted to provide discretionary investment service and compensation or fees for the entrusted services.
- c. A description of any litigious or non-litigious matters of the enterprise entrusted 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.

g. Where the investment object includes currency related derivatives transactions undertaken for hedging purpose in accordance with Paragraph 3, Article 10 of the Regulations Governing Investment of Investment-linked Insurance, the disclosure shall contain at least the following particulars:

- (a) Types of financial derivatives to be used, currencies to be hedged, hedge ratio and hedge strategies.
- (b) The name of financial institution for counterparty of derivatives transactions and its credit rating; if a counterparty is downgraded by a credit rating agency, the insurance enterprise will make announcement of relevant facts and inform policyholders of the same.
- (c) Investment risks (e.g. counterparty credit risk, price risk, legal risk, etc.) and reminder that exchange rate variation may result in losses or decrease the return on investment due to the nature of hedging instrument, hedge ratio, market movement or other factors.
- (d) Ways to handle loss incurred by investors resulting from violation by the enterprise entrusted to provide discretionary investment service in undertaking currency related derivatives transactions for the purpose of currency hedging.
- (e) Ways to handle the situation where the counterparty of derivatives transactions is unable to perform debt repayment obligation.
- (f) Add the wording "This account can undertake ○○ (currency) exchange rate hedging" behind the name of investment object.

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.
 - h. If currency hedging has been undertaken, disclose additionally hedge ratio and the effect of hedging gain/loss on unit value.
- (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 carry wording on hedging and associated risks to be disclosed according to Point 9 herein.
- (3) 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?"

(4) 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.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System