


## Content

Title :	Regulations Governing Investments in Insurance-related Enterprises by Insurance Companies 
Date :	2018.12.03
Legislative :	1.Promulgated on 29 August 2007 2.Amended on 3 December 2018 per Order No. Jin-Guan-Bao-Cai-Zi- 10704505071 of the Financial Supervisory Commission
Content :	<p>Article 1 The Regulations are formulated in accordance with the provisions of Paragraph 3 of Article 146-3 of the Insurance Act (hereinafter referred to as the Act).</p> <p>Article 2 The term “controlling and subordinate relation” as used in Paragraph 2 of Article 146-6 of the Act shall refer to those specified in Article 369-2 and Article 369-3 of the Company Act and Article 6 of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.</p> <p>Article 3 Insurers shall meet the following qualifications and criteria when applying for investments in insurance-related enterprises:</p> <ol style="list-style-type: none"><li>1. The average risk-based capital ratio in the most recent three years must be higher than 200%. In addition, the average risk-based capital ratio including this investment in the most recent period shall be higher than 200%.</li><li>2. The setting aside of various reserve funds during the previous year must be consistent with the legal requirements.</li><li>3. The insurer is not subject to any event that may interfere with sound operation, as determined by the competent authority and the insurer meets the following conditions, except if such event has been substantially improved, as determined by the competent authority:<ol style="list-style-type: none"><li>(1) No Sanction with a fine of more than NT\$1 million was imposed by the competent authority in the most recent year.</li><li>(2) No order was issued from the competent authority in the most recent year for the dismissal or replacement of directors, supervisors, or managers.</li><li>(3) No sanction was imposed by the competent authority in the most recent year to suspend the insurer’ s business or to impose a restriction on the insurer’ s finances or business.</li><li>(4) No sanction was imposed by the competent authority in the most recent year to cancel any branch organization.</li></ol></li><li>4. The investment is subject to the approval of the insurer’ s board of directors. If the insurer is a subsidiary company of a financial holding company, the investment is subject to the approval of the board of directors of such financial holding company.</li><li>5. The insurer’ s board of directors shall establish a risk management committee or an interior risk management department and one chief risk officer shall assume responsibility for the overall risk management of the company.</li></ol> <p>Article 4 When applying for investments in insurance-related enterprises, insurers shall submit the certification documents specified in the preceding article and the following documents:</p> <ol style="list-style-type: none"><li>1. Application form for the insurer’ s investment in insurance-related enterprises (Attachment);</li><li>2. Investment plan and objectives including the composition of shareholders structure of the invested enterprise, members of the management team, business scope, business principles and strategies,</li></ol>

business development plans, financial forecast for the next three years, feasibility analysis of the benefits of investment, detailed schedule of the investment plan, and measures to be taken if the investment does not proceed in accordance with the plan;

3. Detailed information of insurance-related enterprises in which investment has already been made and the profit and loss status of each insurance-related enterprise in the most recent three years;
4. If the insurance-related enterprise in which investment is to be made is an existing enterprise, the insurer shall submit the balance sheet and income statement of such enterprise in the most recent three years. If such enterprise has accumulated losses, the insurer shall also provide an explanation;
5. Detailed information about shares of the insurance-related enterprise that have been purchased by the insurer's subsidiaries, related parties, and affiliated enterprises under the current application;
6. Explanation on whether the invested enterprise meets requirements specified in Article 2;
7. Management and risk assessment mechanisms for investments in insurance-related enterprises;
8. Internal regulations on conflicts of interests in the business operations between the insurer and the invested enterprise and prevention of insider trading;
9. Regulations on arms-length transactions between the insurer and the invested enterprise;
10. Other evaluation information required based on the characteristics of the industry of the invested enterprise or documents required by the competent authority.

Insurers who have proceeded with investments in accordance with regulations specified in Article 146-1 of the Act prior to the application shall provide the investment timetable, investment amount, and other detailed information along with the application.

Article 5 After investment in insurance-related enterprises, the insurer may participate in capital increase in cash of such business within the original investment ratio if it meets regulations specified in Article 3. It shall submit the documents specified in Subparagraphs 1 to 5 of Paragraph 1 of the preceding Article to the competent authority for reference within fifteen days of the investment.

Article 6 The insurer shall establish processing procedures for investment in insurance-related enterprises. The procedures is subject to the approval of the insurer's board of directors and the same shall apply to all amendments. The processing procedures shall include at least the following contents:

1. Assessment and operating procedures (including reports to the board of directors for approval and implementing units);
2. Procedures for determining of transaction terms (including methods for determining of the prices and basis of reference);
3. The internal control system shall include at least the following contents:
  - (1) Establishment of an effective investment management and risk control procedure;
  - (2) Where a controlling or subordinate relationship exists between the insurer and the invested insurance-related enterprise, an internal procedure shall be established for operation and management;
  - (3) Regular assessment method;
  - (4) Performance analysis.
4. Internal audit system (including internal audit structure, audit frequency, audit scope, the submission procedure of the audit report and improvement tracking);
5. Regular reports by the designated senior executives to the board of directors on the performance of projects;
6. Other information specified by the competent authority.

Article 7 Insurers shall comply with the following regulations for investments in insurance-related enterprises:

1. Transactions between the insurer and the invested enterprises shall meet relevant requirements of Article 146-3 and Article 146-7 of the Act.
2. Insurers shall fully implement the assessment mechanisms or internal regulations specified in Subparagraphs 7 to 9 of Paragraph 1 of Article 4.
3. If any of the following circumstances exist in the invested enterprises, the insurers shall report the reasons and relevant information to the competent authority within seven days after the occurrence of the event:
  - (1) Changes of business scope or significant operation policy; insurers shall report relevant processing measures and schedules for cases where such changes cause the business scope of the invested enterprise to exceed the scope of the insurance-related enterprises specified in Paragraph 4 of Article 146 of the Act;
  - (2) Changes of the capital or capital contribution of the invested enterprise resulting in changes of the shareholding ratio of the insurer or the insurer's subsidiary that has an impact on the controlling and subordinate relationship between the insurer and the invested enterprise or between the insurer's subsidiary and the invested enterprise;
  - (3) An important financial or business decision that requires the approval of the majority of directors attending a meeting of the board of directors that is attended by two-thirds or more of all directors of the company, or a resolution approved by a majority voting rights represented by shareholders at a shareholders' meeting attended by representative of two-thirds or more of total outstanding shares;
  - (4) Dissolution or suspension of business;
  - (5) Change of the entity name or business address;
  - (6) Restructuring, liquidation, or bankruptcy;
  - (7) Where material losses have occurred or are imminent;
  - (8) Material violation of regulations or cancellation or abolishment of the business license by the competent authority;
  - (9) Other material violation of corporate governance or internal control.
4. The non-life and life insurance companies shall, respectively, make publicly disclosures in the notes which are to be made in the information disclosure website area concerning the names of the insurance-related enterprises, investment amount, and investment profit and loss from each year in accordance with Article 11 of Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises and Article 11 of the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises. The information shall be updated once every year.
5. Insurers shall provide other information or documents required by the competent authority.

Article 8 This Regulation shall come into force on the date of promulgation.