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Title : Directions for Sale of Investment-linked Insurance Products Ch

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Legislative : 7. Amended on 28 August 2020 per Order No. Jin-Guan-Bao-Shou-Zi- 10904932026 of the Financial Supervisory Commission

Content : 6. When selling the Product to customers, insurance enterprises should consider customer suitability and pay attention to avoid selling products that carry excessive risk or have a highly complex structure. The preceding provision does not apply if objective facts show that the customer has substantial professional knowledge and risk tolerance.

When selling the Product to a customer over 65 years of age, insurance enterprises shall, after obtaining customer's consent, maintain the record of selling process by audio or video means, or retain the trail of relevant operating process using electronic equipment. Appropriate unit or managerial personnel shall double-check such record or trail and confirm the product suitability for the customer before the insurance enterprise underwrites the policy.

The audio or video recording of the selling process or the retained trail mentioned in the preceding paragraph shall include at least the following matters and kept for at least five years from the expiry of the insurance contract or five years from the date the decision of non-underwriting is finalized:

(1) The solicitor showing his/her valid certificate and stating the company he/she belongs to and the investment-linked insurance products he/she is authorized to solicit.

(2) The solicitor informing the customer that the product the customer is to purchase is an investment-linked insurance product, the name of insurance company underwriting the policy and the relationship between the solicitor and the insurance company, premium paying term, amount of premium, policy related charges (including insurance costs and expenses), and how are they charged.

(3) The solicitor describing the important clauses of the insurance contract, associated investment risks, exclusions, content of insurance proposal and important content of product prospectus.

(4) The solicitor describing policyholder's right to revoke the insurance contract.

(5) The solicitor asking the customer whether he or she understands the required annual premium and possible loss under worse case scenarios, and confirming whether the customer can afford the premium and possible loss. The ways to make audio or video recording or use electronic equipment mentioned in the second paragraph hereof shall be set out by the Life Insurance Association of the Republic of China, and reported to the competent authority for reference.

Insurance enterprises shall observe the following when the Product they sell is linked to a structured product:

(1) The insurance enterprise shall adopt a proper method to distinguish and determine whether the applicant is a professional or non-professional investor, unless the Product is not sold exclusively to professional investors.

(2) The insurance enterprise shall make an overall evaluation of the risk tolerance of non-professional investors based on their age, knowledge over the Product, investment experience, financial condition, trading purpose, and understanding of the Product, classify non-professional investors into at least three risk categories, and ask the applicant to give a signature as confirmation that he/she understands the risks involved.

Where the customer's source of funding for the payment of the Product's premium is a terminated insurance contract, loan, or policy loan, the

insurance enterprise shall assign personnel from a non-sales channel to call the customer and confirm or inform the customer of the following items after the Product is sold and before underwriting the Product. The telephone call recording shall be retained for recordation and kept for at least five years from the expiry of the insurance contract or five years from the date the decision of non-underwriting is finalized:

- (1) For customers whose source of funding for insurance premiums payment is a loan or a policy loan, the customer must be clearly informed of related risks caused by the financial leverage operations and the maximum amount of potential losses.
- (2) For customers whose source of funding for insurance premiums payment is the termination of a contract, the customer must be clearly informed of related losses of interests in insurance contracts as a result of the insurance purchase after the termination of the contract.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System