

Content

Title :	Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises Ch
Date :	2022.05.20
Legislative :	Amended on 20 May 2022 per Order No. Jin-Guan-Bao-Cai-Zi- 11104916622 of the Financial Supervisory Commission
Content :	<p>Article 7 The limits for an insurer engaging in investment on special projects, public utilities, and social welfare enterprises is set forth as follows:</p> <ol style="list-style-type: none">1. The total amount shall not exceed 10% of its total funds.2. The total amount of an insurer invested in one and the same entity shall not exceed 5% of its total funds except for the invested entity listed in Paragraph 2 of Article 5.3. The investment or contribution ratio of an insurer invested in the following entities shall be complied with:<ol style="list-style-type: none">(1) Where the invested entity is a venture investment enterprise and the entity is listed in Subparagraph 4 of Paragraph 2 of Article 5, such amount shall not exceed 25% of the paid-in capital or capital contribution actually paid of the invested entity.(2) Where the investment is made onto a private equity fund listed in Subparagraph 2, Article 2, it may not exceed the paid-in capital of the invested entity or 20% of the actual capital contribution. However, if it meets the regulations of the competent authority, it may not exceed the paid-in capital of the invested entity or 25% of the actual capital contribution.(3) Where the investment is made onto an enterprise with the items enumerated under Article 3 and 4, such amount shall not exceed 45% of the paid-in capital of the invested entity. The foregoing is not applied to the insurer which is qualified with the following conditions and obtains the approval of the competent authority:<ol style="list-style-type: none">(I) The insurer's risk-based capital ratio as of the end of most recent period shall comply with Paragraph 1, Article 143-4 of the Act;(II) The investment shall be approved by the board of directors, and an independent director shall be appointed. In addition, except for the insurer entirely held by a financial holding company, an audit committee shall be established.(III) There have been no major violations of the internal control procedure governing various applications of funds in the immediately preceding year, or the violations have been rectified and the rectification has been affirmed by the competent authorities with relevant supporting document.(IV) There have been no major sanctions and disciplinary actions related to the usage of insurer's funds imposed by the competent authority in the most recent year, however, this does not include violations that have been rectified and affirmed by the competent authority.(V) Where this is not the first investment and the investment amount is no less than 45% of the paid-in capital or capital contribution actually paid of the invested entity, the invested entity shall shows no accumulated losses in the financial report as of the end of the most recent period, except for the invested entity is the private institution regulated by the "Act for Promotion of Private Participation in Infrastructure Projects" (hereinafter referred to as the Act for PPP), the financial report of such invested entity shows no accumulated losses in the most recent period. Except for the invested entity prescribed in the above two Items, such amount shall not exceed 10% of the paid-in capital or capital contribution actually paid of the invested entity.(4) Except for the invested entity prescribed in the above three Items, such amount shall not exceed 10% of the paid-in capital or capital contribution

actually paid of the invested entity.

4. In case of securitization products issued by an insurer aiming at the contents set forth in Article 3 and 4 as the target, such insurer may invest within the limit of 10% of the total amount of the securitization products, free of the restriction of the investment ratio set forth in the preceding Subparagraph.

5. The total amount of an insurer invested in the entity listed in Paragraph 2 of Article 5 shall not exceed 2% of its total funds.

The major sanctions and disciplinary actions as prescribed in Item 3-4, Subparagraph 3 of the preceding Paragraph and Item 1-5, Subparagraph 2, Paragraph 3 of Article 10 refer to Article 2 of the Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation.

Where, after an insurer invests in an entity for special projects, public utilities and social welfare enterprises, the said entity is qualified to accept investments under Subparagraph 3 or 4 of Paragraph 1 of Article 146-1 of the Act, the investments in such entity shall be governed by the provisions of the said Subparagraph instead, provided that if the said investment exceeds such limits as are prescribed in Subparagraph 3 or 4 of Paragraph 1 of Article 146-1 of the Act instead, provided that if the said investment exceeds the ratio as prescribed in Subparagraph 3 or 4 of Paragraph 1 or Paragraph 2 of Article 146-1 of the Act, no additional funds shall be invested in the entity unless the additional investment is made to maintain the original equity share in the entity.

Where an insurer and its interested parties jointly invest in an investee listed in Subparagraph 2 of Article 2 or Subparagraph 1, Subparagraph 2, and Subparagraph 4, Paragraph 2 of Article 5 of the Regulations or take any methods to achieve controlling and subordinate relations with the same investee, the following regulations must be met:

1. The insurer may not take any direct or indirect methods via the investee to intervene in the business management and investment decisions of the same investee and its investees;
2. The combined investments of the insurer and the invested entity in a company stock whose public issuance is approved by law as prescribed in Subparagraph 3, Paragraph 1 of Article 146-1 of the Act may not exceed the limit as prescribed in Subparagraph 3, Paragraph 1 of Article 146-1 of the Act.

The Subparagraph 2 of the preceding Paragraph regarding the invested entity's investment in a company stock whose public issuance is approved by law as prescribed in Subparagraph 3, Paragraph 1 of Article 146-1 of the Act, which shall be combined calculation with the insurer's investment in the same company stock, is based on the insurer's investment or contribution ratio in the invested venture investment enterprise. Where the limit is exceeded, the insurer shall comply with the following regulations before the condition is improved:

1. The insurer's shareholding in the aforementioned company stock may not be increased;
2. The combined calculation of the insurer and the invested entity's shareholding in the aforementioned company stock may not be increased.

Article 10 In any of the following circumstances, insurer may use its funds for a special project or public utilities or social welfare enterprises within the limit authorized by the board of directors without going through the application procedure. The foregoing is not applied to the insurer proceeds with investment in accordance with Article 3 and Article 4, and the invested entity requires an environmental impact assessment report in accordance with the Environmental Impact Assessment Act:

1. The insurer increases its monetary investment in an entity for such project as has been approved by the competent authority, without increasing its original share or contribution in the total investment in the project.
2. The invested entity is a venture investment enterprise qualified to receive guidance and/or assistance from the central competent authority according to the Regulations for the Guidelines for Venture Capital Businesses, the private equity funds listed in Subparagraph 2, Article 2 and Subparagraph 2, Paragraph 2, Article 5, the public utilities listed in Article 3 or the entity listed in Subparagraph 4 of Paragraph 2 of Article

5, and the total amount that the insurer invests in one and the same entity is less than NT\$500 million and less than 5% of the owner's equity of the insurer.

3. The invested entity is not such an enterprises as specified in the preceding Subparagraph and the total amount that the insurer invests in one and the same entity is less than NT\$50 million and less than 2% of the owner's equity of the insurer.

4. Other circumstances regulated by the competent authority.

For an insurer engaging in the investment set forth in preceding Paragraph, the risk-based capital ratio thereof should comply with the provisions of Paragraph 1 of Article 143-4 of the Act.

If the invested entity is the entity regulated by the Act for PPP and the following investment amount and conditions are met, the insurer can invest in such entity without going through the application procedure. The foregoing is not applied to the insurer proceeds with investment in accordance with Article 3 and Article 4, and the invested entity requires an environmental impact assessment report in accordance with the Environmental Impact Assessment Act:

1. The total amount of investment in one and the same project of the insurer is under NT\$1 billion and 10% of its owner's equity, and the following conditions are fulfilled:

(1) The risk-based capital ratio of the insurer in the most recent period shall comply with Paragraph 1, Article 143-4 of the Act.

(2) The documents of the investment project prescribed in preceding article have been submitted to and resolved and approved by the board of directors before the investment is made.

2. The total amount of investment in one and the same project of the insurer is under NT\$5 billion and 10% of its owner's equity, and the following conditions are fulfilled:

(1) The financial conditions, corporate governance, and internal control of the insurer must fulfill the following conditions:

(i) Both of the risk-based capital ratio of the insurer in the most recent period and the average risk-based capital ratio of the insurer over the most recent two years are 250% at least.

(ii) The documents of the investment project prescribed in preceding article have been submitted to the board of directors and resolved and approved by over half of the directors at the board meeting attended by over two thirds of all directors before the investment is made.

(iii) Except for a Taiwan branch of a foreign insurer, independent directors shall be appointed. In addition, except for the insurer entirely held by a financial holding company, an audit committee shall be established.

(iv) There have been no major violations of the internal control procedure governing various applications of funds in the immediately preceding year, or the violations have been rectified and the rectification has been affirmed by the competent authority.

(v) There have been no major sanctions or disciplinary actions related to the usage of insurer's funds imposed by the competent authority in the most recent year, however, this does not include violations that have been rectified and affirmed by the competent authority.

(2) The investment project complies with the financial standards set forth by the insurance association and filed with the competent authority for reference, has the guarantee or risk sharing mechanism provided by the authority in charge, and stipulates dispute settlement mechanism, and meets the following conditions:

(i) The risk-based capital ratio of the insurer in the most recent period shall comply with Paragraph 1, Article 143-4 of the Act.

(ii) The documents of the investment project prescribed in the preceding article have been submitted to and resolved and approved by the board of directors before the investment is made.

The total amount of investment made in accordance with the Act for PPP and mentioned in the preceding paragraph refers to the total amount of royalty, construction cost, and rent paid by the insurer under the investment contract.

Where the insurer proceeds with investment in accordance with regulations in Paragraph 1 and Paragraph 3, shall provide the documents submitted to

the competent authority for subsequent review, and the compliance officer of the headquarters of the insurer must submit an opinion on the compliance with laws and internal regulations and sign the statement to ensure accountability.

The competent authority may, on a regular basis, audit the investment made by an insurer in such special projects, public utilities and social welfare enterprises as are set forth in Paragraph 1 and Paragraph 3, and may, in light of the social and economic circumstances and the actual performance of the projects, impose restrictions on or require review of such investment.