

Content

Title :	Regulations Governing Pre-sale Procedures for Insurance Products <b>Ch</b>
Date :	2022.03.29
Legislative :	Amended on 29 March 2022 per Order No. Jin-Guan-Bao-Shou-Zi- 11104910671 of the Financial Supervisory Commission
Content :	<p>Article 6 An insurance enterprise shall rigorously execute the following matters when undertaking research and development of insurance products:</p> <ol style="list-style-type: none"><li>1.Assessing the appropriateness and legality of the insurance product.</li><li>2.Assessing premium levels and market competitiveness.</li><li>3.Assessing the feasibility of system administration.</li><li>4.Assessing policy objectives and establishing feasible courses of action. Such assessment shall focus on insurance product design, devoting concrete attention to such matters as due professional care, due care of a good administrator, target market, and safeguarding of consumer interests.</li><li>5.When designing an insurance product, there may not be any false, fraudulent, or exaggerated claims about the insurance enterprise's performance, or any other act sufficient to mislead other persons.</li><li>6. Evaluating the effectiveness of the risk management system.</li><li>7. Evaluating the potential effects and disadvantages associated with the characteristics of insurance products on customers over 65 years of age, including evaluating whether the product is suitable for selling to customers over 65 years of age.</li></ol> <p>Article 8 An insurance enterprise shall rigorously execute the following matters when formulating the pricing actuarial memorandum during formal development of non-life insurance products:</p> <ol style="list-style-type: none"><li>1. Determining benefit items and collecting reference information for premium rate-setting, confirming the correlation between the experience data used and the rate-setting, and that the experience data meet the following criteria, and that premium rates are adequate, reasonable and fair, and reflect costs and reasonable profits, and the enterprise shall not solicit or conduct insurance business by offering unreasonable prices:<ol style="list-style-type: none"><li>(1) The experience data should use statistical data in the past 3 - 5 years and should be principally domestic data, and may include the enterprise' s own experience data. However if no statistical data in the past 3-5 years are available, comparable foreign data may be used.</li><li>(2) The setting of expected incidence rate in reference to domestic and foreign data should be commensurate with payment terms and conditions and exclusions stated in the insurance policy.</li><li>(3) The enterprise should understand clearly the domestic and foreign data used and obtain the source data, and should not just use the incidence rate provided by reinsurance companies. The data used should be completely consistent with the payment terms and conditions in the insurance policy. If it is not entirely consistent, the enterprise should describe the difference and analyze whether the difference affects the premium rate setting.</li></ol></li><li>2.Determining the basis for pricing of the risk.</li><li>3.Determining the method for calculation of premium rates.</li><li>4.Evaluating reinsurance arrangements.</li><li>5.Risk management mechanisms.</li></ol> <p>Premium rate - making mentioned in the preceding paragraph shall be carried out in accordance with the rates checking mechanism approved by the competent authority based on the characteristics of insurance product or the reference rate range set by an institution designated by the competent authority.</p> <p>An insurance enterprise shall formulate a risk management manual in the formal development of non-life insurance products. The manual shall include at least early warning and control mechanisms for evaluating sales limits.</p>

Article 9 An insurance enterprise shall rigorously execute the following matters when formulating the pricing actuarial memorandum during formal development of life insurance products:

1. Determining benefit items and collecting reference information for premium rate-setting, confirming the correlation between the experience data used and the rate-setting, and that the experience data meet the following criteria, and that premium rates are adequate, reasonable and fair, and reflect costs and reasonable profits, and the enterprise shall not solicit or conduct insurance business by offering unreasonable prices:
  - (1) The experience data should use statistical data in the past 3 - 5 years and should be principally domestic data, and may include the enterprise' s own experience data. However if no statistical data in the past 3-5 years are available, comparable foreign data may be used.
  - (2) The setting of expected incidence rate in reference to domestic and foreign data should be commensurate with payment terms and conditions and exclusions stated in the insurance policy.
  - (3) The enterprise should understand clearly the domestic and foreign data used and obtain the source data, and should not just use the incidence rate provided by reinsurance companies. The data used should be completely consistent with the payment terms and conditions in the insurance policy.
2. Setting limits on the insuring age and insuring amounts, and determining the method of premium payment.
3. Undertaking trial calculation of premiums.
4. Calculating reserves and contract amendments.
5. Carrying out pricing analysis and risk assessment.

A life insurance enterprise shall pay close attention to the following matters when carrying out pricing analysis and risk assessment under subparagraph 5 of the preceding paragraph:

1. Analyzing the reasonableness of assumptions used.
2. Analyzing various profit benchmarks (including analysis of product profits, plus analysis of either asset share or the break-even point).
3. Reviewing the appropriateness of risk assessment results (including testing of actuarial data and sensitivity analysis).
4. Inspecting the text of policy provisions and the pricing actuarial memorandum for consistency.

An insurance enterprise shall formulate a risk management manual in the formal development of life insurance products. The manual shall include at least early warning and control mechanisms for evaluating sales limits.

Article 20 For an insurance product that has already passed review, if there is subsequently an amendment to its policy provisions, proposal, or pricing actuarial memorandum, or if its premium rates are restructured, such change shall be subject to the use-and-file procedures set out in these Regulations unless the competent authority determines the change is significant, in which case the provisions of Article 15, paragraph 1, subparagraph 1 shall govern. The preceding paragraph does not apply if it is otherwise provided by the competent authority.

The preceding paragraph applies to an insurance product that had already passed review before these Regulations went into effect.

For personal health insurance products and personal accident insurance products where the policy provisions provide adjustable premiums, if an in-force contract or premium renewal rate is adjusted after the product has passed the review, the insurance enterprise shall take actions in accordance with Subparagraph 1, Paragraph 1 of Article 9 herein, and in addition, rigorously execute the following matters. However the preceding provisions do not apply if an insurance enterprise adjust the premium rate in compliance with relevant regulations:

1. An insurance enterprise shall, prior to making a premium rate adjustment, formulate the content of rate adjustment that should be explained to the applicant, including the new premium rate, reasons for rate adjustment, the time at which premium will be charged based on the new rate, and how it will be handled if the applicant has objection to the rate adjustment.
2. An insurance enterprise shall notify the applicant the content of premium rate adjustment that should be explained according to the preceding subparagraph three months before the time at which premium will be charged based on the new rate, and asks its staff or sales channel partner to

explain fully to the applicant.

3. The audit unit of an insurance enterprise shall check and confirm that its insurance solicitors did explain fully to the applicant the premium rate adjustment mechanism when a new contract was entered, and confirm that the insurance enterprise has requested its sales channel partners to rigorously perform the work mentioned above. However for in-force contracts sold before the amendment of this article promulgated on March 29, 2022 but the rate adjustment mechanism was not explained to the applicant at the time of sale, the audit unit should check and confirm that the insurance enterprise did notify the applicant the rate adjustment mechanism before the contract is renewed.

Article 22 An insurance enterprise may sell a given insurance product only if, during the preparation period prior to sale of the insurance product, it has convened a meeting of its insurance product management team to check the following matters:

1. Disclosure of product information.
2. Uploading actuarial data to a computer network and verifying its accuracy.
3. Risk management mechanisms and reinsurance arrangements.
4. Set-up and testing of information systems.
5. Printing of policy provisions, proposals, rate tables, and brochures.
6. Training, including circulating among its solicitors and sales channel partners whether certain insurance products are suitable for selling to customers over 65 years of age, and characteristics of targets and customers for whom certain products are not suitable.

An insurance enterprise shall, based on the results of evaluation under Subparagraph 7 of Article 6 herein, examine item-by-item to confirm that matters stated under the subparagraphs of the preceding paragraph are consistent with the results of evaluation.

Article 24 After sales of an insurance product have commenced, the insurance enterprise shall convene meetings of its insurance product management team at least once every half a year to review the following product-related matters and take responding measures, and shall make any necessary adjustments and amendments:

1. Compliance with applicable acts or regulations.
2. Safeguarding of consumer interests, including re-examining past policyholder dispute cases and evaluating whether an insurance product involved had adverse effect on the rights and interests of customers over 65 years of age, whether the product suitability policy was followed or the fair treatment of customers principle was violated.
3. Business strategy, and any potential threat to current or future solvency.
4. Appropriateness of asset-liability allocation, and the implementation of the asset allocation scheme for life insurance products with insurance period over one year.
5. Analysis of the pricing reasonableness of insurance products, which shall include the adequacy of the expense loading rate. An analysis of the reasonableness of the pricing of the life insurance product must be conducted in accordance with the methodology specified in the Attachment. Where the rate becomes inadequate due to the deterioration of actual incidence rate, or the premium rate tends to be high due to an improvement of the actual incidence rate, the insurance enterprise shall formulate specific response measures.
6. Analysis of the concentration risk of various types of products and response measures.
7. The deviations as considered by the competent authority to be significant between the actuarial assumption for review (including the lapse rate and the new money rate) and the actual after-sale experience in respect of the major life insurance products.
8. Implementation status of the review and adjustment plans for the automobile insurance (excluding compulsory automobile liability insurance) and fire insurance product rates, and the rate adjustment review period may not exceed five years.
9. Establishment of statistics of non-life insurance products and the review and adjustment of rates.
10. Tracking the sales amount of insurance products; where an early warning

or sales limit is reached, the insurance enterprise must propose the evaluation and analysis for whether sales shall be continued.

11. Analysis of the effectiveness of the reinsurance for insurance products; where the effectiveness is not shown after the sales of such products, the insurance enterprise shall formulate specific response measures.

12. Other items as required by the competent authority.

In case of any necessary adjustment or modification to the result of the review said in each subparagraph of the preceding paragraph or the evaluation and analysis of Subparagraph 10 of the preceding paragraph, the content thereof shall be approved by the general manager and submitted to the upcoming meeting of the board of directors.

The insurance enterprise shall submit to the board of directors an overall assessment of the impact of the sale of insurance products on the Company's finance, business, and solvency on a regular basis each year.

Article 32 These Regulations shall be implemented from the date of promulgation except that Article 24 amended and promulgated on November 8, 2017 shall be implemented from 1 January 2018 and Article 17, paragraph 1, subparagraph 4 and Article 21-1, paragraph 2 amended on March 30, 2020 shall be implemented on January 1, 2021, and Article 6, Article 22 and Article 24, paragraph 1, subparagraph 2 amended on March 29, 2022 shall be implemented on October 1, 2022.