


## Content

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| Title :       | Insurance Act    |
| Date :        | 2022.11.30  |
| Legislative : | Amendment to Article 116 promulgated per Presidential Order No. Hua-Zong-Yi-Jing-Zi-11100101171 dated November 30, 2022.  |
| Content :     | <p>Article 1</p> <p>The term "insurance" as used in this Act means an act whereby the parties concerned agree that one party pays a premium to the other party, and the other party is liable for pecuniary indemnification for damage caused by unforeseeable events or force majeure.</p> <p>A contract entered into based on the preceding paragraph is called an "insurance contract."</p> <p>Article 16</p> <p>A proposer has an insurable interest in the life or body of any of the following persons:</p> <ol style="list-style-type: none"><li>1. The proposer or the proposer's family members.</li><li>2. Persons upon whom the proposer depends for living or educational expenses.</li><li>3. The proposer's obligors.</li><li>4. Persons who manage the proposer's assets or interests on the proposer's behalf.</li></ol> <p>Article 19</p> <p>When partners or co-owners are jointly insured, the assignment of one or more insured persons' insurable interests to another does not void the insurance contract.</p> <p>Article 29</p> <p>An insurer is liable to indemnify for damage caused by unforeseeable events or force majeure. However, this requirement is not applicable when limitations are expressly stated in the insurance contract.</p> <p>An insurer is liable to indemnify for damage caused by the fault of the proposer or insured. However, this rule is not applicable to loss caused by a willful act of the proposer or insured.</p> <p>Upon occurrence of death of the insured caused by any insured incident, the proposer or beneficiary shall notify the insurer. Upon receipt of the notice, the insurer shall contact the beneficiary at the latest address or via the contact method provided by the proposer to the insurer.</p> <p>Article 44</p> <p>An insurance contract is to be signed and executed by the insurer after it agrees to an application submitted by the proposer.</p> <p>Any related party may request a copy of the insurance contract from the insurer.</p> <p>Article 49</p> <p>Except in the case of insurance of the person, an insurance contract may have either a specified or an unspecified insured.</p> <p>The insurer may raise against the assignee of an insurance contract the same defense that it may raise against the proposer.</p> <p>Article 60</p> <p>In the event of circumstances referred to in the preceding article, the insurer may terminate the contract or propose a revision of the premium. If the proposer does not agree to the premium adjustment, the contract is terminated forthwith. However, where the contract is terminated on account of circumstances stated in paragraph 2 of the preceding article, the</p> |

insurer may also claim compensation if it has sustained any loss.

An insurer that continues to accept the premium after becoming aware of an increase in risk, or that pays a claim after occurrence of the risk, or that otherwise expresses intent to maintain the contract, loses the rights stated in the preceding paragraph.

#### Article 61

The provisions of Article 59 do not apply to an increase in risk under any of the following circumstances:

1. Where the occurrence of damage does not affect the burden of the insurer.
2. Where the act is done to protect the interests of the insurer.
3. Where the act is done to fulfill a moral obligation.

#### Article 62

A party shall be free of the obligation of notification with regard to any matter enumerated below:

1. A matter of which the other party is aware.
2. A matter of which the other party should be aware by paying normal attention or for which it would have no excuse for being unaware.
3. A matter of which the other party has stated that no notice need be served.

#### Article 65

Any right arising out of an insurance contract shall be extinguished if not exercised within two years from the day when it becomes possible to exercise the right. If any of the following circumstances exists, the two-year time period commences as set forth in the following subparagraphs:

1. If there is concealment, non-disclosure, or misrepresentation on the part of the proposer or insured in the disclosure of risk, the period commences from the day on which the insurer becomes aware of the situation.
2. If, after a risk occurs, an related party can prove that its lack of awareness was not due to negligence, the period will begin from the day on which it becomes aware of the situation.
3. If the claim of a proposer or insured against an insurer arises out of the claim of a third party, the period will begin from the day on which the proposer or insured is presented with the third-party claim.

#### Article 78

If the appraisal of loss is delayed due to causes attributable to the insurer, additional interest shall accrue beginning one month from the day on which the insured presents a statement of loss. If appraisal of loss remains unfinalized two months after presentation of the statement of loss, the insured may claim pre-payment of the minimum amount of indemnification to which it is entitled.

#### Article 107-1

If, at the time a life insurance contract is entered into, the insured is subject to the declaration of guardianship and such declaration has not yet been withdrawn, all death benefits other than funeral expense benefits shall be void.

The insured amount for the funeral expenses referred to in the preceding paragraph may not exceed one half of the funeral expense deduction allowed for estate tax under Article 17 of the Estate and Gift Tax Act.

If the provisions in paragraph 1 to paragraph 2 are otherwise provided in other laws, such other laws shall prevail.

#### Article 115

Any related party may pay the premium on behalf of the proposer.

#### Article 120

If premium has been fully paid for one year or more, the proposer may obtain loans from the insurer by using the insurance contract as collateral.

Upon receipt of a proposer's loan notification, the insurer may, within a period of one month, lend such amount as may be borrowed with the collateral.

For a loan secured by an insurance contract, by 30 days before the date on

which loan principal and interest exceeds non-forfeiture value the insurer shall notify the proposer in writing to repay the loan principal and interest. If the proposer fails to make repayment by said date, the insurance contract shall be suspended from the date on which loan principal and interest exceed non-forfeiture value.

Where the insurer does not observe the requirements of the preceding paragraph in making the notification referred to therein, if the proposer fails to make repayment within 30 days from the date on which the insurer notifies the proposer in writing to repay the loan principal and interest, the insurance contract shall be suspended from the day next following the thirtieth day.

Application for reinstatement of an insurance contract suspended under either of the preceding two paragraphs shall be subject mutatis mutandis to the provisions of Article 116, paragraphs 3 to 6.

#### Article 134

A beneficiary who willfully injures the insured is not entitled to claim the insured amount.

when a beneficiary willfully attempts to injure the insured but not accomplished, the insured may withdraw such beneficiary's right to receive benefits.

#### Article 136

Except with the approval of the competent authority, an insurance enterprise may only be organized as a company limited by shares or as a cooperative.

Business organizations other than insurance enterprises may not engage concurrently in the insurance business.

Where violations of the provisions in the preceding paragraph occur, the competent authority or the authority with jurisdiction over the line of business operated by the violator will act in conjunction with the judicial police authorities to suppress the illegal activity, and the case will be referred for prosecution. In the case of a legal entity, its representatives shall be jointly and severally liable for its relevant debts.

When carrying out the tasks referred to in the preceding paragraph, the authorities may search and attach account books and documents of the violators, remove signs and other fixtures, or take other necessary actions in accordance with the law.

An insurance enterprise organized as a company limited by shares shall issue its stock publicly unless another law provides otherwise or the competent authority has granted permission

When an insurance enterprise does not have publicly issued stock pursuant to the exclusions in the preceding paragraph, there shall be independent directors and a Board of Auditors. The Board of Auditors shall exercise the function of supervisor.

For the establishment of the independent directors and the Board of Auditors in the preceding paragraph and other matters to be followed, applicable provisions of Articles 14-2 to 14-5 of the Securities and Exchange Act shall apply.

When the tenure of incumbent directors or supervisors at insurance enterprises as is specified in paragraph 6 is yet to expire when the articles amended on May 20, 2014 come into force, the said provisions shall apply as soon as their tenure expires. When the tenures of incumbent directors or supervisors expire within a year following the coming into force of the amended articles, the provisions shall not apply until the tenure of re-elected directors or supervisors expires.

#### Article 138-1

Non-life insurance enterprises shall underwrite residential earthquake

risk, and shall do so by means of the risk spreading mechanism established by the competent authority.

The Taiwan Residential Earthquake Insurance Fund shall be established to manage the risk-spreading mechanism referred to in the preceding paragraph. The portion of risk that exceeds the co-insurance underwriting assumption limit for non-life insurance enterprises shall be assumed by the Taiwan Residential Earthquake Insurance Fund, cede to domestic and/or foreign reinsurers, be assumed by the manner prescribed by the competent authority or assumed by the government.

With respect to the risk spreading-mechanism under the preceding two paragraphs, the competent authority shall prescribe regulations governing the risk assumption limits, insured amounts, insurance premium rates, provision for various reserve funds, and other compliance matters.

The competent authority shall prescribe regulations governing the Taiwan Residential Earthquake Insurance Fund's articles of incorporation, business scope, funds allocations, and other administrative matters.

When the occurrence of a major earthquake results in payable claims that exceed the amount of funds accumulated in the Taiwan Residential Earthquake Insurance Fund, in order to safeguard the interests of insured the Fund may as necessary request the competent authority and the Ministry of Finance to jointly apply for Executive Yuan's approval of collateral provided by the national treasury to obtain the necessary source of funding.

#### Article 138-2

An insurance enterprise engaging in insurance of the person may stipulate an insurance contract that policy proceeds be paid either in a lump sum or in installments.

With respect to the portion of policy proceeds in a contract for insurance of the person that is for death or disablement, the proposer may, prior to occurrence of an insured peril, negotiate a trust contract whereunder the insurance enterprise acts as trustee of the insurance trust. Such an arrangement may only be made where a single person is both proposer and insured, where the beneficiaries of the trust contract are also the beneficiaries of the insurance contract, and where the arrangement is for the benefit of an insured, a person who is a minor, or a person whose declaration of guardianship has not yet been withdrawn.

With respect to trust benefits paid out pursuant to the preceding paragraph, that part which constitutes trust principal shall be deemed insurance benefits. The same shall apply to a trust contract where under the trust enterprise pursuant to the Trust Enterprise Act acts as trustee of insurance trust. Such an arrangement may only be made where a single person is a beneficiary for both trust contract and insurance contract, and where the arrangement is for the benefit of an insured, a person who is a minor ,or a person whose declaration of guardianship has not yet been withdrawn.

An insurance enterprise providing insurance trust services shall set up segregated trust accounts named as trust asset accounts.

Where the trust assets of the preceding paragraph are subject to a registration requirement, registration of trust shall be carried out in accordance with the applicable provisions.

Where the trust assets of paragraph 4 are securities, when the insurance enterprise sets up a segregated trust account named as a trust asset account and engages in a transaction involving the trust assets, the trust shall be effective against third parties, and Article 4, paragraph 2 of the Trust Act does not apply.

The scope of funds allocations of an insurance enterprise operating insurance trusts shall be limited to the following:

1. Cash or bank deposits.

2. Government bonds or financial bonds.
3. Short-term bills.
4. Other methods of funds allocation as approved by the competent authority.

#### Article 139-1

A same person or same related party who singly, jointly or collectively acquires more than 5 percent of the total outstanding voting shares of an insurance company shall report such fact to the competent authority within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares held the same person or same related party by more than one percent (1%) thereafter.

A same person or same related party who intends to singly, jointly or collectively acquire more than 10 percent, 25 percent, or 50 percent of the total outstanding voting shares of an insurance company shall apply for prior approval of the competent authority.

A third party who holds shares of an insurance company on behalf of a same person or same related party in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of a related party.

A same person or same related party who singly, jointly or collectively held more than 5 percent of the total outstanding voting shares of an insurance company before the amendment to the Act dated November 12, 2010 came into force shall report such fact to the competent authority within six (6) months from the date on which said amendment came into force. A same person or same related party whose shareholding (in an insurance company) will exceed 10 percent when they intend to increase or decrease their shareholding for the first time after the aforementioned reporting shall apply for the prior approval of the competent authority. The provisions in the first paragraph and the second paragraph hereof shall be followed for increase or decrease in shareholding for the second time and subsequently thereafter.

The regulations governing the qualifications and requirements for a same person or same related party who applies for approval pursuant to the second paragraph or the preceding paragraph hereof, required documentation, shares to be acquired, purpose of acquisition, sources of funding, pledging of shares held, shares held, reporting and announcement of other important changes, and other matters to be complied with shall be prescribed by the competent authority.

Where a same person or same related party who holds voting shares issued by an insurance company without filing a report with the competent authority or obtaining approval from the competent authority in accordance with the provisions set forth in paragraphs 1, 2 or 4 hereof, the excess shares held by such same person or same related party shall not have voting rights and shall be disposed of within the given time period as ordered by the competent authority.

If the total number of an insurance company's shares held by a same person or by a principal, his/her spouse and children under twenty (20) years of age combined exceeds 1 percent of the insurance company's outstanding voting shares, such principal shall notify the insurance company thereof.

#### Article 139-2

The term "same person" as used in the preceding article shall mean a same natural or juristic person.

The term "same related party" as used in the preceding article shall mean parties related to a same natural or juristic person, including:

##### 1. Parties related to the same natural person:

- (1) The principal, his/her spouse and relatives by blood within the second degree of kinship.
- (2) An enterprise in which the persons referred to in the preceding subparagraph hold more than one-third (1/3) of its outstanding voting shares or more than one-third of its capital.
- (3) An enterprise or a foundation in which the persons referred to in

subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

2. Parties related to the same juristic person:

(1) The same juristic person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

(2) Enterprises in which the same juristic person and natural persons referred to in the preceding subparagraph hold more than one-third (1/3) of their outstanding voting shares or more than one-third of their capital, or enterprises or foundations in which the same juristic person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

(3) The affiliates of the same juristic person. The term "affiliate" shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Act.

The calculation of shares of an insurance company held by the same person or same related party under the preceding two paragraphs shall exclude shares held under the following circumstances

1. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the competent authority.

2. Shares acquired by a financial institution under a collateral agreement and four years have not elapsed since the date of acquisition.

3. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 142

The bond shall be posted in cash. However, upon approval of the competent authority, government bonds or notes may be posted instead.

The bond posted as provided in the preceding paragraph is not to be returned except under any of the following circumstances:

I. The insurance enterprise is declared bankrupt by the court.

II. The insurance enterprise is placed into conservatorship, ordered to suspend business and go into receivership, or ordered to liquidate by the competent authority according to the provisions herein and the return has been filed for by the conservator, receiver, or liquidator and approved by the competent authority.

III. The insurance enterprise is ordered to suspend business and has completed liquidation according to the law.

In order for the conservator to be qualified to file for approval of the return of bond with the competent authority in accordance with the provisions of subparagraph 2 in the preceding paragraph, the conservator has to be assigned all of the business of the insurance enterprise placed into conservatorship during the period of conservatorship.

Where marketable securities are used to post bonds, when cessation of business has been declared and liquidation is duly performed, the interest coupon attached thereto may be used to offset liquidation expenses.

Article 143-3

The stabilization funds shall handle the following matters:

1. Extend loans to insurance enterprises experiencing business difficulties.

2. A stabilization fund may provide low-interest loans or advance expenditures to insurance enterprises that incur losses by merging with troubled insurance enterprises or assuming their contracts and may make claims against the said troubled insurance enterprises for the value of the said advance expenditures.

3. When, in accordance with the provisions of Article 149, paragraph 3, an insurance enterprise is placed into conservatorship, ordered to suspend business and undergo receivership, or ordered to dissolve, or when a conservator applies to a court for reorganization in accordance with provisions of Articles 149-2, paragraph 2, subparagraph 4, the appropriate stabilization fund shall, as necessary, advance funds on behalf of the insurance enterprise to settle claims which proposers, insured parties, and beneficiaries are entitled to make under in-force contracts, and with respect to the amount thus advanced shall succeed to and exercise the

rights of claim of those proposers, insured parties, and beneficiaries against the insurance enterprise.

4. In order to safeguard the interests of insured parties and help expedite reorganization proceedings, when an insurance enterprise undergoes reorganization in accordance with the provisions of this Act, proposers, insured parties, and beneficiaries shall, unless they object in writing, be deemed to have granted consent for the stabilization fund to act as their agent in attending meetings of related parties and exercising rights related to the reorganization. The stabilization funds shall adopt procedures for actions they take when serving as agent, as well as other compliance matters, and shall file them with the competent authority for recordation.

5. A stabilization fund may act as supervisor, conservator, receiver, or liquidator upon appointment by the competent authority.

6. Assume, upon approval by the competent authority, the insurance contracts of insolvent insurance companies.

7. A stabilization fund may involve contributions from non-life insurance enterprises and life insurance enterprises.

8. A stabilization fund may be designated by the competent authority to handle related financial, business, and operation risk information to be compiled and reported by insurance enterprises in accordance with provisions herein within the scope of the designation.

9. Undertake other matters, as approved by the competent authority, to stabilize the insurance market or safeguard the interests of insured parties.

When handling matters indicated in subparagraphs 1 to 3 and subparagraph 9 in the preceding paragraph, restrictions with regard to the utilization timing, scope, unit value, and total value shall be established by the stabilization fund and submitted to the competent authority for approval.

The stabilization fund shall submit to the competent authority for approval the value of advance expenditures being applied for in accordance with the provisions of paragraph 1, subparagraph 2 to cover the losses that incur as a result of insurance enterprises merging with troubled counterparts or assuming their contracts.

When the stabilization fund handles matters indicated in paragraph 1, subparagraphs 7 and 8, the competent authority may provide necessary insurance enterprise operation information if necessary.

When the stabilization fund handles matters indicated in paragraph 1, subparagraphs 7 and 8 with prior approval from the competent authority, the insurance enterprise shall prepare electronic data files of various reserve funds and provide the stabilization fund with electronic data files considered necessary in the format and with the content established by the stabilization fund.

The stabilization fund may audit the following areas of insurance enterprises:

I. Accuracy of the contribution ratio and contents to be included in the electronic data files specified in the preceding paragraph.

II. Assets, liabilities, and business operation-related matters of insurance enterprises whose ratio of total adjusted net capital to risk-based capital fails to comply with the provisions of Article 143-4.

When the supervisor, conservator, receiver, and liquidator's person in charge and employees perform supervision, conservatorship, receivership, and liquidation tasks in accordance with the Act or the person in charge and employees of the stabilization fund processes advance expenditures or advance payments in accordance with the Act but unlawfully infringe upon other people's rights on purpose or due to negligence, the supervisor, conservator, receiver, liquidator, or the stabilization fund shall be responsible for compensation.

When the person-in-charge and employees did it on purpose or are found with major negligence in the preceding conditions, the supervisor, conservator, receiver, liquidator, or stabilization fund is entitled to make a claim

against them.

#### Article 143-5

An insurance enterprise which meets any of the following circumstances shall not distribute earnings, repurchase shares, or refund capital stock in any form other than stock dividend or deposit as capital stocks subscribed by the members:

1. The insurance enterprise is graded as having inadequate capital, significantly inadequate capital, or seriously inadequate capital;
2. The insurance enterprise is graded as having adequate capital, is likely to be degraded as that categorized in the preceding sub-paragraph if the enterprise distributes earnings, repurchases shares, or refunds capital stock in any form other than stock dividend or deposit as capital stocks subscribed by the member.

The insurance enterprise referred to in the sub-paragraph 1 of the preceding paragraph shall not pay the responsible person any benefits other than remuneration, unless with approval from the competent authority.

#### Article 143-6

The competent authority shall adopt any or all of the following measures, subject to the grading of an insurance enterprise's capital:

1. In the case of inadequate capital:
  - (1) To order the insurance enterprise and its responsible person to put forward a plan for capital increase or another corrective action plan for finance or business within the specified period; where the insurance enterprise fails to submit the same within the specific period or fails to implement the plan, the competent authority may take supervision measures against the capital adequacy ratio;
  - (2) To order the insurance enterprise to cease selling insurance products or restrict it from launching new insurance products;
  - (3) To restrict the scope of fund utilization;
  - (4) To restrict the remuneration, bonus, stock options, or other payments of similar properties to the responsible person of the insurance enterprise;
  - (5) To take other necessary measures.
2. In the case of significantly inadequate capital:
  - (1) To take the measures set forth in the preceding subparagraph;
  - (2) To dismiss the responsible person of the insurance enterprise, and inform the authority in charge of company registration to revoke the registration of the insurance enterprise;
  - (3) To suspend the responsible person from exercising his/her duties within a certain period;
  - (4) To require the insurance enterprise to obtain prior approval by the competent authority itself for acquisition or disposal of any specific assets;
  - (5) To order the insurance enterprise to dispose of the assets specified;
  - (6) To restrict or forbid the insurance enterprise to extend loans to or conduct other transactions with the related parties thereof;
  - (7) To order the insurance enterprise to lower the remuneration of its responsible person, which, afterward, shall not exceed 70% of the average remuneration paid to said responsible person within the 12 months before the insurance enterprise's capital is graded as being significantly inadequate;
  - (8) To restrict establishment of or order dissolution, within the specified period, of a branch or department; and
  - (9) To take other necessary measures.

3. In the case of seriously inadequate capital: In addition to the measures referred to in the preceding subparagraph, the measures referred to in the sub-paragraph 1 of paragraph 3 of Article 149 herein shall also apply.

#### Article 145-1

After paying all taxes, an insurance enterprise preparing to distribute earnings shall first set aside 20 percent to legal capital reserves; provided, that this requirement does not apply where legal capital reserves are already equal to the enterprise's authorized capital or authorized fund.

An insurance enterprise may additionally set aside special capital reserve in accordance with the provisions of its articles of incorporation or a



resolution of a shareholders meeting or general assembly of cooperative members. The competent authority may as necessary order an insurance enterprise to set aside such reserve.

The provisions of paragraph 1 shall come into force from the next fiscal year after the provisions of this Act amended on June 14, 2007 take effect.

#### Article 146

Except for savings deposits, the funds allocations of an insurance enterprise shall be limited to the following:

1. Securities.
2. Real estate.
3. Loans.
4. Allocation of funds to special projects and investments in public utilities and social welfare enterprises, with the approval of the competent authority.
5. Foreign investments.
6. Investments in insurance-related businesses.
7. Derivatives trading.
8. Other funds allocations as approved by the competent authority.

The term "funds" in the preceding paragraph includes owner's equity and various reserve funds.

The savings of paragraph 1 deposited in any single financial institution may not, unless approved by the competent authority, exceed 10 percent of the insurance enterprise's funds; provided, this restriction does not apply where the competent authority has granted approval.

"Insurance-related businesses" in paragraph 1, subparagraph 6 means the businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognized by the competent authority. An insurance enterprise that engages in investment-linked insurance business or labor pension annuity insurance business shall set up a separate account to record the value of the assets in which it invests.

The competent authority shall prescribe regulations governing administration and custody of separate accounts, allocation of investment assets, and other compliance matters pertaining to investment-linked insurance business, which are not subject to the restrictions set forth in paragraph 1; paragraph 3; Article 146-1; Article 146-2; Article 146-4; Article 146-5; and Article 146-7.

With respect to assets for which a separate account is required under paragraph 5, if a proposer retains an insurance enterprise by means of an insurance contract to exercise discretionary allocation of the assets and those assets are allocated to the purchase of the securities defined in Article 6 of the Securities and Exchange Act, application for concurrent operation of discretionary investment services shall be made in accordance with the Securities Investment Trust and Consulting Act.

With respect to the derivatives trading of paragraph 1, subparagraph 7, the competent authority shall prescribe regulations governing the terms and conditions of such trading, the scope thereof, transaction limits, internal handling procedures, and other compliance matters.

#### Article 146-1

The funds of an insurance enterprise may be used to purchase the following marketable securities:

1. Government bonds and treasury bills.
2. Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial promissory notes guaranteed by a financial institution, the aggregate amount of which may not exceed 35 percent of the funds of the insurance enterprise.
3. Company stock whose public issuance is approved by law: The aggregate amount and total shares of stock purchased from each company plus stock option-based securities approved by the competent authority to be purchased

may not total over 5% of a specific insurance enterprise's capital and 10% of the total outstanding voting shares of the issuing company respectively.

4. Publicly issued guaranteed corporate bonds or corporate bonds and non-guarantee commercial paper issued by a company rated by a rating agency at no lower than a specified rating and approved in accordance with the law, provided that the aggregate amount made by an insurance enterprise in such corporate bonds and non-guarantee commercial paper may not exceed 5 percent of the funds of the insurance enterprise, and the aggregate amount of bonds from any one company may not exceed 10 percent of the owner's equity of the company issuing the corporate bonds.

5. Beneficiary certificates for securities investment trust funds and mutual trust funds for which public issue has been duly approved. The aggregate amount of such investment made by an insurance enterprise may not exceed 10 percent of the funds of the insurance enterprise, and an insurance enterprise may not invest in more than 10 percent of the aggregate amount of the beneficial interest certificates issued by any fund.

6. Securitization products and other marketable securities that the competent authority has granted approval for insurance enterprises to purchase, the aggregate amount of which may not exceed 10 percent of the funds of the insurance enterprise.

The aggregate amount of the investments contemplated under subparagraphs 3 and 4 of the preceding paragraph may not exceed 35 percent of the funds of the insurance enterprise.

Investments made by insurance enterprises in accordance with paragraph 1, subparagraphs 3 and 6 may not be found with any of the following conditions:

- I. For the insurance enterprise or a representative thereof to be a director or supervisor of the investee company.
- II. The insurance enterprise can cast a vote in the election of directors or supervisors at the company being invested.
- III. The insurance enterprise's designee is hired as manager at the company being invested.
- IV. The insurance enterprise serves as trust supervisor for securitization products being invested.
- V. The insurance enterprise participates in the operation of the company being invested and the operation and management of real-estate investment trust funds being invested by means of entrustment, delegation, or a contract or agreement entered into with a third party, authorization, or other, excluding liquidation of the fund.

When an insurance enterprise is found with any of the foregoing conditions, the position held by the insurance enterprise or its representative as director or supervisor, the vote it casts, the hiring of its designee as manager, and the contract, agreement, or authorization with a third party will be invalid.

With respect to investments by an insurance enterprise pursuant to paragraph 1, subparagraphs 3 to 6 in publicly issued securities not listed on an exchange or OTC market, or in privately placed securities, the competent authority shall prescribe regulations governing eligibility conditions, scope and type of investments, investment rules, and other compliance matters.

#### Article 146-3

Loans made by an insurance enterprise shall be limited to the following items:

1. Loans guaranteed by a bank, or by a credit guarantee institution recognized by the competent authority.
2. Loans secured by personal property or real property.
3. Loans secured by qualified securities as defined in Article 146-1.
4. For life insurance enterprises, loans secured by life insurance policies issued by said life insurance business.

For loans made pursuant to subparagraphs 1 to 3 of the preceding paragraph, the amount loaned to each borrower may not exceed 5 percent of an insurance enterprise's funds, and the total amount of all loans shall not exceed 35

percent of an insurance enterprise's funds.

Where an insurance enterprise provides a secured loan pursuant to paragraph 1, subparagraphs 1, 2, or 3 to one of its responsible persons, employees, major shareholders, or to a person having an interested party relationship with one of its responsible persons or with an employee in charge of administering the loan, the loan shall be fully secured, and the conditions may not be better than those extended to other loanees of the same class. A loan that is equal to or more than the dollar amount specified by the competent authority shall also be approved by three-fourths of the directors present at a board of directors meeting attended by at least two-thirds of the directors. The competent authority shall prescribe regulations governing the definition of related parties, loan limits and aggregate loan balances, and other compliance matters.

The combined total amount of (i) an insurance enterprise's investment in marketable securities of a given company in accordance with Article 146-1, paragraph 1, subparagraphs 3 and 4, and (ii) loans made in accordance with paragraph 1, subparagraph 3 that are secured by the marketable securities issued by that same company, shall exceed neither 10 percent of the insurance enterprise's funds nor 10 percent of owner's equity of the company issuing the marketable securities.

#### Article 146-7

The competent authority may limit the ability of insurance enterprises to make loans to, or engage in other transactions with, a single party, a single related party, or a single related enterprise. The competent authority shall prescribe regulations to set such limits, define the scope of "other transactions," and set out other compliance matters.

The term "a single party" in the preceding paragraph means a single natural person or a single juristic person. The scope of a "single related party" includes the principal, his/her spouse, blood relatives within two degrees of kinship, and any enterprise of which the principal himself/herself or his/her spouse is the responsible person. The scope of "a single related enterprise" shall be governed by Articles 369-1 to 369-3, Article 369-9, and Article 369-11 of the Company Act.

The competent authority may limit the ability of an insurance enterprise to engage in non-loan transactions with an related party. The competent authority shall prescribe regulations defining the scope of related parties and regulated transactions, procedures for the adoption of resolutions, limits on transaction size, and other compliance matters.

#### Article 147

The competent authority shall prescribe regulations governing the manner in which insurance enterprises cede or assume reinsurance or operate other risk-spreading mechanisms, limits applying thereto, and other compliance matters.

#### Article 148-1

At the end of every fiscal year, an insurance enterprise shall (i) compile a report detailing its operational status and the use of its funds, attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items certified by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and (iv) thereafter submit the above items to the competent authority within fifteen days for recordation.

In addition to the financial and business reports that an insurance enterprise must submit pursuant to the preceding paragraph, the competent authority may, as the need arises, require either that an insurance enterprise report, within a specified time limit and observing all format and content requirements, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance enterprise furnishes account books, statements, vouchers, or

other related financial and operational documents.

Standards governing preparation of the financial reports referred to in the preceding two paragraphs shall be prescribed by the competent authority.

#### Article 149

If an insurance enterprise violates laws, regulations, or its articles of incorporation, or is suspected of improper management, the competent authority may issue an official reprimand or order it to take corrective action within a specified period of time, and may, depending on the circumstances, take the following disciplinary actions:

1. Restrict the scope of its business or funds allocations.
2. Order the insurance enterprise to suspend sales of an insurance product or products or restrict its launch of new insurance products.
3. Order the insurance enterprise to increase its capital.
4. Order removal of its managers or employees from their positions.
5. Withdraw the resolutions of statutory meetings.
6. Dismiss its directors or supervisor(s), or suspend them from their duties for a certain period of time.
7. Any other necessary disposition.

If directors or supervisors are dismissed pursuant to the provisions of preceding paragraph, subparagraph 6, the competent authority shall notify the competent authority for company (cooperative) registration to revoke the registration of the directors and supervisors.

The competent authority shall assume supervision or conservatorship over the insurance enterprise, order the enterprise to suspend business and undergo receivership, or liquidate the enterprise in the following manners:

1. When an insurance enterprise's capital is graded as being seriously inadequate, and the enterprise or its responsible person fails to complete the plan for capital increase or the corrective action plan for finance or business within the specific period required by the competent authority, the competent shall assume supervision or conservatorship over the insurance enterprise, order the enterprise to suspend business and undergo receivership, or liquidate the enterprise within 90 days following expiration of said-noted period.
2. Where the enterprise's finance or business gets worse seriously under the circumstances other than those referred to in the preceding subparagraph, the enterprise is incapable of paying its debts or fulfilling its contract obligations or is likely to undermine the rights of insured parties due to significantly deteriorating business or financial standing, the competent authority shall first mandate that the insurance enterprise submit a financial or business improvement plan. The plan must be approved by the competent authority. The competent authority may assume supervision or conservatorship over the insurance enterprise, order the enterprise to suspend business and undergo receivership, or liquidate the enterprise in light of the varied severities of the conditions if the gains and losses or net value of the insurance enterprise show speedy deterioration or fail to show improvements despite assistance and accordingly result in the likelihood of said circumstances.

Where the insurance enterprise or its responsible person fails to complete said plan for capital increase or the corrective action plan for finance or business, or the consolidation plan within the specific period required by the competent authority, due to major domestic or international events that have a significant influence on the financial market system, the competent authority may order the insurance enterprise to set another specific time limit to complete the same or re-submit the plan for capital increase, or corrective action plan for finance or business, or consolidation plan.

In case of supervision, conservatorship, suspension of business and receivership, or dissolution as indicated in paragraph 3, the competent authority may authorize another insurance enterprise, insurance-related institution, or professional to serve as supervisor, conservator, receiver, or liquidator. When the matters fall within the scope of the stabilization fund's jurisdiction as indicated in Article 143-3, the stabilization fund shall cooperate in related management.

A related institution or individual mandated by the competent authority as provided for under the preceding paragraph shall not be subject to the provisions of the Government Procurement Act when handling the matters for which it was mandated.

When an insurance enterprise is placed under conservatorship or ordered to suspend business and undergo receivership, the provisions of the Company Act pertaining to temporary managers and inspectors do not apply, and with the exception of a reorganization filed for in accordance with the provisions of this Act, any other petition for reorganization, bankruptcy, or composition shall be automatically stayed, as shall any compulsory execution proceeding.

A conservator filing for reorganization in accordance with the provisions of this Act may petition the court to hear or rule upon its petition together with any petition for reorganization filed by the insurance enterprise under conservatorship before it was placed under receivership. The court may as necessary question related parties before issuing a ruling.

If an insurance enterprise has been placed under supervision by the competent authority pursuant to the provisions of paragraph 4, subparagraph 1, the insurance enterprise may not perform any of the following acts without the consent of the supervisor:

1. Make payments or dispose of property in excess of a limit prescribed by the competent authority.
2. Enter into any contract or undertake material obligations.
3. Any other matter that would significantly affect its finances.

The relevant provisions of Article 148 shall apply mutatis mutandis to the conservator's performance of his/her duties as supervisor.

The competent authority shall prescribe regulations governing the procedures for conservatorship or conservatorship of insurance enterprises, the duties of supervisors and conservators, fee burdens, and other compliance matters.

#### Article 149-1

When someone is sent by the competent authority to exercise conservatorship over an insurance enterprise, the conservator shall exercise its management power and manage or dispose of the property. The original functions of the shareholders' meeting, Board of Directors, directors, supervisors, Board of Auditors, or similar institutions are discontinued immediately.

The conservator indicated in the preceding paragraph is entitled to take all legal and non-legal actions on behalf of the insurance enterprise under its conservatorship and may assign a natural person to exercise the said duties on its behalf. Provisions of Article 17 of the Administrative Execution Act and Article 24, paragraph 3 of the Tax Collection Act do not apply to the performance of duties by the conservator.

Directors, managers, or persons holding other similar positions in the insurance enterprise shall transfer all account books, documents, and property relating to business and financial matters to the conservator along with a list of what has been transferred. The directors, supervisors, managers, and other staff shall be obligated to respond to the conservator's inquiries concerning business and financial matters.

Collateral warranty may be waived when the conservator files for provisional attachment or provisional injunction while performing duties.

#### Article 149-2

During the period in which an insurance enterprise is under conservatorship, the competent authority may restrict its ability to write new business, modify or terminate in-force insurance contracts, provide proposers with loans secured by insurance contracts, or pay the surrender value of insurance contracts.

In cases of the following acts while performing duties, the conservator shall prepare substantial solutions to be approved by the competent authority in advance:

- I. Carry out a capital increase, or capital decrease followed by capital increase.
- II. Assign operations, assets, or liabilities in whole or in part.
- III. Separation from or merge with another insurance enterprise.
- IV. Restructuring to be filed for with the court when reconstruction and regeneration are possible
- V. Other important matters required by the competent authority

When after evaluation, the conservator believes that it helps protect the basic rights of the insured or financial stability while the insurance enterprise is placed under conservatorship, the conservator may stipulate a transition insurance mechanism and solution that shall be enforced with prior approval from the competent authority.

The provisions of Article 139-1 do not apply when the conservator holds issued voting shares of the insurance enterprise placed into conservatorship in accordance with paragraph 2, subparagraph 1 or 3.

When a court receives a petition for reorganization filed by a conservator in accordance with the provisions of this Act, it may proceed forthwith to issue a ruling within 30 days on the basis of operational and final examination reports and opinions provided by the competent authority.

When an insurance enterprise is undergoing reorganization, rights arising out of its insurance contracts shall constitute preferential claims and need not be declared as rights of creditors in reorganization.

The insurance enterprises for which a conservator may file for reorganization are not limited to companies that have publicly issued stock or corporate bonds, and except as otherwise provided in this Act, the reorganization thereof shall be subject mutatis mutandis to the provisions of the Company Act relating to reorganization.

When a conservator intends to assign operations, assets, or liabilities in whole or in part in accordance with paragraph 2, subparagraph 2, if premium rates on the in-force contracts of the insurance enterprise under conservatorship are significantly out of line given current conditions and the other insurance enterprise will not accept the assignment unless premium rates are increased or insured amounts are reduced, the conservator may adjust premium rates or insured amounts after approval is granted by the competent authority.

#### Article 149-3

The period of supervision or conservatorship shall be determined by the competent authority. If during the period of supervision or conservatorship, the reason for supervision or conservatorship ceases to exist, the supervisor or conservator shall report to the competent authority and request termination of supervision or conservatorship.

When the period of conservatorship expires, or if the competent authority decides to terminate the conservatorship prior to expiration of the period of conservatorship, the conservator shall transfer all relevant account books, documents, and property relating to business and financial matters of the insurance enterprise to the representative of the insurance enterprise along with a list of what has been transferred.

#### Article 149-5

Remuneration of the supervisor, conservator, receiver, or liquidator, and expenses arising from the performance of their duties, shall be borne by the insurance enterprise under supervision, conservatorship, receivership, or liquidation, and shall take precedence over the rights of other creditors.

The remuneration referred to in the preceding paragraph shall be submitted to the competent authority for approval.

#### Article 149-6

Responsible Person, or Any of Its Employees Suspected of Violating the Law)  
When an insurance enterprise is ordered by the competent authority,

pursuant to the provisions of Article 149, paragraph 3, into supervision, conservatorship, suspension of business and receivership, or dissolution, the competent authority may instruct the relevant authorities or institutions to prohibit the insurance enterprise, its responsible person, or any of its employees suspected of violating the law, from transferring, delivering, or otherwise encumbering property of the enterprise, and may also request by letter that immigration authorities prevent such persons from leaving the country.

#### Article 149-7

When an insurance enterprise organized in the form of a company limited by shares takes assignment of the operations, assets, or liabilities of another insurance enterprise that is under conservatorship pursuant to Article 149-2, paragraph 2, subparagraph 2, the following provisions shall apply:

1. For a company limited by shares, assumption in whole of operations, assets, or liabilities shall proceed upon adoption of a resolution by a majority vote of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares. Dissenting shareholders may not request repurchase of their shares and the requirements of Article 185 to 187 of the Company Act shall be waived.
2. Notice of the assignment of creditors' rights shall be given by public announcement, and the requirements of Article 297 of the Civil Code shall be waived.
3. Where debt is assumed, the provision of Article 301 of the Civil Code requiring acknowledgement by the creditor shall be waived.
4. Where the competent authority deems that there is a need for urgent measures and that there will be no material adverse impact on market competition, the requirement to report a business combination to the Fair Trade Commission under Article 11, paragraph 1 of the Fair Trade Act shall be waived.

Where an insurance enterprise merges, pursuant to Article 149-2, paragraph 2, subparagraph 2, with an insurance enterprise under conservatorship, the provisions of subparagraphs 1 and 4 of the preceding paragraph shall apply, notice of merger or dissolution may be given by public announcement, and the requirements of Article 316, paragraph 4 of the Company Act shall be waived.

#### Article 149-8

For receivership of an insurance enterprise, the competent authority shall appoint a receiver, and may dispatch personnel to supervise the receivership.

The duties of the receiver are as follows:

1. To wind up pending matters.
2. To collect assets and discharge liabilities.
3. Assign remaining properties.

When an insurance enterprise is ordered by the competent authority to suspend business and undergo receivership, the provisions of Article 149-1, Article 149-2, paragraphs 1, 2, 4, and 8 shall apply.

When an insurance enterprise takes assignment of the operations, assets, or liabilities of, or merges with, an insurance enterprise under receivership, it shall comply with the provisions of the preceding article.

#### Article 149-9

After being instated, the receiver shall immediately make public announcement for at least three days in a daily newspaper published in the area where the insurance enterprise is located, notifying creditors to file their claims within thirty days and stating that in case of failure to file within the time limit such claims will not be included in the receivership proceeding, provided that this restriction does not apply to claims known to the receiver.

The receiver shall immediately ascertain the status of the insurance enterprise's assets; prepare a balance sheet and list of property within three months from the expiration of the time limit for filing a claim; prepare a receivership plan; submit all of the above to the competent authority; and publicize the balance sheet in a daily newspaper published

in the area where the insurance enterprise is located.

During the filing period set forth in paragraph 1, the receiver may not make payment to creditors, provided that employee salaries that are due are not subject to this restriction.

#### Article 149-10

For an insurance enterprise that has been ordered by the competent authority into suspension of business and receivership, creditors' rights shall not be exercised by any third party against the insurance enterprise other than through the receivership proceeding set forth in paragraph 1 of the preceding article, except for rights that have been ascertained through litigation procedures.

If the distribution of payment of creditors' rights referred to in the preceding paragraph is likely to be delayed due to litigation, the receiver may set aside an amount based on the receivership distribution ratio, and distribute the balance of the property to other creditors.

The following creditors' rights shall be excluded from receivership:

1. Expenses incurred by creditors for personal benefit while taking part in the receivership proceeding.
2. Damages and penalties owed by the insurance enterprise due to non-performance of debt obligations after the day of suspension of business.
3. Criminal fines, administrative fines, and arrears fees.

Those holding pledges, mortgages, or liens on property of the insurance enterprise prior to the day of suspension of business shall enjoy the right of exclusion with respect to such property. Creditors with the right of exclusion may exercise their creditors' rights independently of the receivership proceeding, provided that for debts that remain unsettled after exercise of the right of exclusion, such creditors may file a claim in accordance with the receivership proceeding.

Expenses and debts incurred by the receiver in the execution of receivership duties have priority over payment of creditors, and shall be reimbursed on a running basis from the property of the insurance enterprise under receivership.

The limitations period for claiming payment for creditors' rights shall be interrupted from the time that a claim is filed or that rights known to the receiver are included in the receivership pursuant to paragraph 1 of the preceding article, and shall resume from the day the receivership is completed.

Where a creditor has received payment through the receivership proceeding, right of claim against the insurance enterprise for the portion of credit not fully paid up shall be deemed extinguished. After completion of receivership, if distributable property is discovered, supplemental distribution shall be carried out. If there is any balance after paying those creditors who are listed in the receivership proceeding, the creditors referred to in paragraph 3 shall be entitled to claim it.

#### Article 149-11

When an insurance enterprise is ordered by the competent authority to suspend business and undergo receivership, after completion of receivership, there is no need to conduct liquidation procedures in accordance with the provisions of the Company Act or the Cooperatives Act.

Within fifteen days of completion of receivership, the receiver shall: prepare a revenue and expense statement, a profit and loss statement, and various account books for the receivership period; publicize the revenue and expense statement and the profit and loss statement in newspapers published in the area where the insurance enterprise is located, and on a website designated by the competent authority; and submit a report to the competent authority requesting that it revoke insurance the enterprise's business permit.

After completion of receivership, the insurance enterprise shall use the date its permit is revoked by the competent authority as the date when revocation of registration is applied for with the competent authority for



companies or cooperatives, with the date for closing of an account for the immediate term being applied for in accordance with the provisions of Article 75, paragraph 1 of the Income Tax Act.

#### Article 163

An insurance agent, broker or surveyor shall have obtained permission from the competent authority, posted bond and obtained related insurance, and obtained a practice license before beginning business operation or practice.

The related insurance set out in the preceding paragraph means liability insurance for insurance agents and surveyors, and liability insurance as well as bonding insurance for insurance brokers.

The minimum amount of bond to be posted and the related insurance to be obtained as referred to in the preceding paragraph and the method of implementation shall be determined by the competent authority in consideration of the business operations, scope of business, and business size of insurance agents, brokers and surveyors.

Regulations governing compliance matters concerning insurance agents, brokers and surveyors, including obtaining of qualifications, eligibility conditions, procedures, and required documentation for application of permit, qualification requirements for directors, supervisors, and managerial officers and causes for dismissal, criteria for establishment of branch units, financial and business management, education and training, revocation of permit, and other matters of compliance shall be set forth by the competent authority.

A bank may operate either one of the insurance agent or insurance broker business concurrently upon approval of the competent authority, and shall apply the provisions about insurance agent or insurance broker referred to herein.

An insurance broker shall negotiate for the insurance contract on behalf of the insured or provide related services to the insured, with duty of diligence and loyalty.

Within the applicable scope prescribed by the competent authority, an insurance broker shall provide a written analysis report and shall expressly advise the insured or proposer of his/her remuneration, if any, prior to negotiating for the insurance contract on behalf of the insured. The applicable scope and content of said written analysis report and limit of the remuneration shall be defined by the competent authority.

#### Article 165-1

An insurance enterprise, agent, broker, or surveyor company may not engage in business until it has become a member of the association; without legitimate reason, the association may not deny an application for membership thereby or attach improper conditions to it.

#### Article 166

Enterprises that engage in the business of insurance without obtaining approval from the competent authority in accordance with the provisions of Article 137 of this Act shall be ordered to suspend business, and shall be assessed an administrative fine of not less than NT\$3,000,000 but not more than NT\$30,000,000.

#### Article 167-1

Any person who provides agent, broker, surveyor services for insurance enterprises or foreign insurance enterprises not approved under the Act shall be subject to a prison term of not more than three (3) years, and in addition thereto, a fine of not less than NT\$3,000,000 but not more than NT\$20,000,000. In severe situations, the competent authority may order the violating insurance agent, broker, surveyor, or the bank operating the insurance agent or insurance business concurrently to suspend business, in whole or in part, or revoke the offender's practice license.

Where a juristic person's representative, agent, employee or other staff commits the offense described in the preceding paragraph when practicing business, the offender shall be punished and said fine shall be imposed on

the juristic person too.

Any person who operates or practices the business of an insurance agent, broker or surveyor without a practice license is subject to a fine of not less than NT\$900,000 but not more than NT\$9,000,000.

#### Article 167-2

In case of a violation of the regulations set forth in accordance with paragraph 4 of Article 163 herein regarding financial or business management, or paragraph 7 of Article 163 herein, or a violation of paragraph 1 of Article 165 or paragraph 5 of Article 163 applying said requirements mutatis mutandis herein, a time limit for rectification shall be specified, and in addition thereto, an administrative fine of not less than NT\$100,000 but not more than NT\$3,000,000 may also be assessed. In severe situations, an order may be issued to revoke the offender's permit and cancel his or her practice license.

#### Article 167-3

In case of a violation of paragraph 3 of Article 165 herein or paragraph 5 of Article 163 applying said requirements mutatis mutandis herein or failure to establish or implement internal control systems, audit systems, business solicitation systems or procedures, a time limit for rectification shall be specified, and in addition thereto, an administrative fine of not less than NT\$100,000 but not more than NT\$3,000,000.

#### Article 167-4

When the competent authority dispatches officers to inspect the financial or business conditions of an insurance agent, broker, surveyor, or a bank operating the insurance agent or insurance broker business concurrently, or order an insurance agent, broker, surveyor or a bank operating the insurance agent or insurance broker business concurrently to report the condition of its business within a specified time limit pursuant to paragraph 5 of Article 163 herein, paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, a fine of not less than NT\$300,000 but not more than NT\$3,000,000 will be imposed on the insurance agent, broker, surveyor or bank operating the insurance agent or insurance broker business concurrently if the insurance agent, broker or surveyor himself/herself or an responsible person or employee of the insurance agent, broker or surveyor, or the departmental supervisor, vice supervisor, or employee of the bank operating the insurance agent or insurance broker business concurrently has any of the situations: The person-in-charge may be dismissed in severe situations.

1. Refusing to allow inspection or to open the safe or other storage rooms.
2. Concealing or destroying account books or documents related to the business or financial conditions of the insurance agent, broker or surveyor.
3. Refusing to respond to, or making false representation in response to an inspector's queries without cause.
4. Missing the deadline for submission of financial reports, property lists, or other related information and reports, or making false or incomplete representations, or missing the deadline for payment of inspection fees.

Where the competent authority dispatches an officer to conduct inspection of an affiliate of an insurance agent, broker, surveyor or bank operating the insurance agent or insurance broker business concurrently, or any other financial institution related thereto pursuant to paragraph 5 of Article 163 herein, and paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, the inspected entity that is remiss in submitting the financial statements, account books, documents, or relevant transaction records shall receive a fine of not less than NT\$300,000 but not more than NT\$3,000,000.

#### Article 167-5

An insurance enterprise that has business dealings with an insurance agent, broker or surveyor as described in paragraph 3 of Article 167-1 herein shall be subject to a fine of NT\$1,500,000 but not more than NT\$15,000,000.

#### Article 168

If an insurance enterprise violates the provisions of Article 138, paragraph 1, 3, or 5, or the provisions relating to business scope in regulations prescribed by the competent authority pursuant to Article 138, paragraph 2, an administrative fine of not less than NT\$900,000 but not

more than NT\$9,000,000 shall be imposed.

If an insurance enterprise violates the provisions of Article 138-2, paragraph 2, 4, 5, or 7, or Article 138-3, paragraph 1 or 2, or the provisions relating to the amount to be provisioned for the compensation reserve fund and the manner of such provisioning as set out in regulations prescribed by the competent authority pursuant to paragraph 2 of that same article, an administrative fine of not less than NT\$900,000 but not more than NT\$9,000,000 shall be imposed; in severe situations, the enterprise's permit to engage in insurance trust business may also be revoked.

Where an insurance enterprise violates the provisions of Article 143, an administrative fine of not less than NT\$900,000 but not more than NT\$9,000,000 shall be imposed.

Where an insurance enterprise violates Article 143-5 herein, or the competent authority takes measures in accordance with Article 143-6 herein, an administrative fine of not less than NT\$2,000,000 but not more than NT\$20,000,000 shall be imposed.

Where any one of the following circumstances obtains with respect to the fund's allocations of an insurance enterprise, an administrative fine of not less than NT\$1,000,000 but not more than NT\$10,000,000 shall be imposed, or the enterprise shall be ordered to dismiss its responsible person; in severe situations, its business permit may also be revoked:

1. A violation of Article 146, paragraph 1, 3, 5, or 7, or the provisions relating to administration and custody of special ledgers or the allocation of investment assets as set out in regulations prescribed by the competent authority pursuant to paragraph 6 of that same article, or a violation of provisions relating to the terms and conditions of derivatives trading by insurance enterprises, the scope thereof, transaction limits, or internal handling procedures as set out in regulations prescribed by the competent authority pursuant to paragraph 8 of that same article.

2. A violation of Article 146-1, paragraph 1, 2, or 3, or the provisions relating to eligibility conditions, scope and type of investments, and investment rules as set out in regulations prescribed by the competent authority pursuant to paragraph 5 of that same article; or a violation of paragraph 3 or 4 of Article 146-5.

3. A violation of the provisions of Article 146-2 paragraph 1, 2, or the provisions relating to restrictions and qualifications for investments in real estate as set out in regulations prescribed by the competent authority pursuant to paragraph 4 of that same article.

4. A violation of the provisions of Article 146-3, paragraph 1, 2, or 4.

5. A violation of Article 146-4, paragraph 1 or 2, or the provisions relating to investment rules or investment limits as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.

6. A violation of the forepart of paragraph 1 of Article 146-5 by making investments without approval of the competent authority or required documentation or procedures for subsequent reviews, or of the provisions relating to scope of or limits upon allocations and investments as set out in regulations prescribed by the competent authority pursuant to the latter part of that same paragraph.

7. A violation of Article 146-6, paragraph 1 or 2, or the provisions relating to the method of reporting investments as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.

8. A violation of the provisions of Article 146-9, paragraph 1, 2, or 3.

Where a secured loan made by an insurance enterprise under Article 146-3, paragraph 3 or Article 146-8, paragraph 1 is not fully secured or the conditions are better than those extended to other loanees of the same class, the person responsible for the act shall be sentenced to imprisonment for not more than three years or detention, and in addition may be assessed a criminal fine of not more than New Taiwan Dollars twenty million.

Where a secured loan made by an insurance enterprise under Article 146-3,

paragraph 3 or Article 146-8, paragraph 1 reaches or exceeds the monetary amount prescribed by the competent authority without approval by three-quarters of the directors present at a board of directors meeting attended by at least two-thirds of the directors, or where an insurance enterprise violates the provisions relating to loan limits and aggregate loan balances as set out in regulations prescribed by the competent authority pursuant to Article 146-3, paragraph 3, the person responsible for the act shall be assessed an administrative fine of not less than New Taiwan Dollars two million but not more than New Taiwan Dollars twenty million.

If an insurance enterprise violates the provisions relating to limits on loans or other transactions as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 1, or of the provisions relating to procedures for the adoption of resolutions or limits on transaction size as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 3, an administrative fine of not less than New Taiwan Dollars two million but not more than twenty million shall be imposed.

#### Article 168-1

Where the competent authority, pursuant to Article 148, dispatches an officer or commissions an appropriate institution or expert to inspect the business and financial conditions of an insurance enterprise, or orders an insurance enterprise to report the status of its business within a specific time limit, a responsible person or an employee of the insurance enterprise who commits any of the following acts shall be assessed an administrative fine of not less than NT\$1,800,000 but not more than NT\$18,000,000: The person-in-charge may be dismissed in severe situations.

1. Refusing to allow inspection or to open the safe or other storage areas.
2. Concealing or destroying account books or documents related to the enterprise's business or financial conditions.
3. Refusing to respond to, or making false representation in response to, an investigator's queries without cause.
4. Missing the deadline for submission of financial reports, a list of assets, or other related information and reports, or in submitting such items, making false or incomplete representations, or missing the deadline for payment of inspection fees.

Where the competent authority dispatches an officer to conduct inspection pursuant to Article 148, paragraph 4, an affiliate of the insurance enterprise, or any other financial institution related thereto, that fails to submit the financial statements, account books, documents, or relevant transaction records shall be assessed an administrative fine of not less than New Taiwan Dollars one million eight hundred thousand but not more than New Taiwan Dollars eighteen million.

#### Article 168-3

A person who commits an offense as set out in Article 167 or Article 168-2, subsequently voluntarily surrenders himself or herself before the offense is discovered and voluntarily hands over the entire proceeds of crime, shall have his or her punishment reduced or remitted. Where another principal offender or joint offender is captured as a result, his or her punishment shall be remitted.

A person who commits an offense as set out in Article 167 or Article 168-2, confesses during the prosecutorial inquiry and voluntarily hands over the entire proceeds of crime, shall have his or her punishment reduced. Where another principal offender or joint offender is captured as a result, his or her punishment shall be reduced by one-half.

Where the value of properties or property interests obtained by a person through the commission of an offense as set out in Article 167 or Article 168-2 exceeds the maximum amount of the criminal fine, the fine may be increased up to the value of the properties or property interests obtained through the commission of the offense; if the offense harms the stability of the insurance market, the fine shall be increased by one-half.

#### Article 168-6

Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or

she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in Article 168-2, paragraph 1 does any gratuitous act that is prejudicial to the rights of an insurance enterprise, the insurance enterprise may petition a court to withdraw the act.

Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in the preceding paragraph does any non-gratuitous act knowing at the time of the act that it is prejudicial to the rights of an insurance enterprise and the beneficiary of the act also knows the circumstances at the time the benefit is received, the insurance enterprise may petition a court to withdraw the act.

A party petitioning for withdrawing in accordance with either of the preceding two paragraphs may also petition the court to order the beneficiary or any party to whom the benefit is transferred to restore the status quo ante, provided this does not apply where the party to whom the benefit is transferred was not aware at the time of transfer that there was cause for withdrawing.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a non-gratuitous act.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a non-gratuitous act.

The right of withdrawing under paragraphs 1 and 2 shall be extinguished one year after the time the insurance enterprise learns there is cause for voidance if the insurance enterprise fails to exercise, or 10 years after the time of the act.

#### Article 169

If an insurance enterprise violates the provisions of Article 72 of this Act by underwriting insurance in excess of the value of the subject matter insured, the portion in violation shall become void, and the offense shall also be punished by an administrative fine of not less than NT\$450,000 but not more than NT\$4,500,000.

#### Article 169-2

An insurance enterprise found with one of the following conditions will be reported by the stabilization fund to the competent authority for a fine of NT\$300,000 to NT\$ 3,000,000 at maximum. The person-in-charge may be dismissed in severe situations.

I. It fails to make contributions to the stabilization fund or refuses to pay for it.

II. It violates the provisions of Article 143-3, paragraph 5 by failing to create electronic data files or refusing to provide electronic data files as required, or providing electronic data files that are seriously untrue.

III. It circumvents, obstructs with, or refuses inspections performed by the stabilization fund in accordance with the provisions of Article 143-3, paragraph 6.

#### Article 170-1

Where an insurance enterprise violates the provisions relating to the manner in which insurance enterprises cede or assume reinsurance or operate other risk-spreading mechanisms, or limits applying thereto, as set out in regulations prescribed by the competent authority pursuant to Article 147, an administrative fine of not less than NT\$900,000 but not more than NT\$9,000,000 shall be imposed.

If a professional reinsurance enterprise violates the provisions relating to business scope or financial management as set out in regulations

prescribed by the competent authority pursuant to Article 147-1, paragraph 2, an administrative fine of not less than NT\$900,000 but not more than NT\$9,000,000 shall be imposed.

#### Article 171

An insurance enterprise that violates the provisions of paragraphs 1~4 of Article 144 herein, or Article 145 herein shall be assessed an administrative fine of not less than NT\$600,000 but not more than NT\$6,000,000, and in addition thereto may be ordered to remove and replace its underwriters or actuaries.

Where the certified actuary or external verification actuary appointed or employed by an insurance enterprise violates paragraph 5 of Article 144 herein, the competent authority may, according to the severity of the circumstances, issue a warning, suspend the actuary from providing certification or verification services for three years, or order the insurance enterprise to replace the actuary.

#### Article 171-1

An insurance enterprise that violates the provisions of Article 148-1, paragraph 1 or 2 shall be assessed an administrative fine of not less than NT\$600,000 but not more than NT\$6,000,000.

An insurance enterprise that violates the provisions of Article 148-2, paragraph 1 by not making explanatory documents publicly available for inspection, or submitting explanatory documents that do not contain required information, or submitting explanatory documents containing misrepresentations, shall be assessed an administrative fine of not less than NT\$600,000 but not more than NT\$6,000,000.

An insurance enterprise that violates the provisions of Article 148-2, paragraph 2 by failing to report to the competent authority or to provide a public explanation within the specified time period, or by making false representations in its reports to the competent authority or public explanations, shall be assessed an administrative fine of not less than NT\$300,000 but not more than NT\$3,000,000.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 1 by failing to establish or enforce internal control or auditing systems shall be assessed an administrative fine of not less than NT\$600,000 but not more than NT\$12,000,000.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 2 by failing to establish or enforce internal handling systems or procedures shall be assessed an administrative fine of not less than NT\$600,000 but not more than NT\$12,000,000.

#### Article 171-2

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 1, 2 or 4 by acquiring shares without reporting to or obtaining approval from the competent authority shall be assessed an administrative fine of not less than NT\$400,000 but not more than NT\$4,000,000.

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 5 concerning reporting or announcement of shareholding and other important changes or violate the provisions of paragraph 6 of the same article by failing to dispose of shares within a given time period shall be assessed an administrative fine of not less than NT\$400,000 but not more than NT\$4,000,000.

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 7 by failing to make notification shall be assessed an administrative fine of not less than NT\$100,000 but not more than NT\$1,000,000.

#### Article 172

If an insurance enterprise that has had its registration voided or business permit revoked delays in carrying out liquidation procedures, each responsible person may be assessed an administrative fine of not less than

NT\$600,000 but not more than NT\$6,000,000.

#### Article 172-1

When an insurance enterprise has been ordered by the competent authority into supervision, conservatorship, or suspension of business and receivership, the directors, supervisors, managers, or other staff of the insurance enterprise shall, under any of the following circumstances, be sentenced to imprisonment of not less than one year but not more than seven years, and may in addition be assessed a criminal fine of not more than New Taiwan Dollars twenty million:

1. It refuses to transfer to the supervisor, conservator, or receiver account books and documents, seals, and a list of assets related to the insurance enterprise's business and financial matters, or fails to transfer them completely.
2. It conceals or destroys account books or documents related to business matters, conceals or destroys assets of the insurance enterprise, or otherwise disposes thereof to the detriment of creditors' rights.
3. It counterfeits a debt or acknowledges false debts.
4. It refuses to respond to the inquiries of the supervisor, conservator, or receiver without cause, or responds with untrue answers, thereby affecting the rights and interests of insured persons or beneficiaries.

#### Article 172-2

If an insurance enterprise or the punished person, after having been punished in accordance with the provisions of this Section, violations remain uncured within the time period provided, the competent authority may mete out penalties each time a violation occurs.

Fine for an act under this Section may be remitted if the act was committed in a trivial circumstance for which it is considered appropriate not to punish.

#### Article 176

The establishment, registration, transfer, merger, and dissolution and receivership of insurance enterprises shall, in addition to being carried out in accordance with the provisions of the Company Act, be further subject to detailed procedures set forth in the Regulations Governing the Administration of Insurance Enterprises.

#### Article 177-1

A person that complies with any of the subparagraphs below may collect, process or use personal information such as medical records, medical treatment or health examination of individuals, with the written consent of the principal party:

1. Insurance enterprises, insurance agents, brokers, and surveyors that operate or practice business in accordance with the Act.
2. Juristic persons commissioned by insurance enterprises to provide assistance in confirming or performing their obligations under an insurance contract.
3. Insurance-related foundations established with the permission of the competent authority to handle disputes and matters relating to compensation for victims of motor vehicle accidents.

Regulations governing the manner of written consent mentioned in the preceding paragraph, scope of business mentioned in the first subparagraph of preceding paragraph and other matters of compliance shall be set forth by the competent authority.

Insurance enterprises may be exempted from the obligation to notify as provided in paragraph 1, Article 9 of the Personal Information Protection Act when they process and use legally collected information on the name, date of birth, ID Card number and method of contact of beneficiaries of insurance contracts for the needs of underwriting or claims operations. Personal information on medical records, medical treatment, and health examination already collected by persons mentioned in subparagraphs of the first paragraph hereof prior to the enforcement of this article amended on 14 June 2011 may continue to be processed and used within the extent necessary to serve the specific purposes of collection.

