

Content

Title : Compliance Matters for Disclosure of Information on Investment-linked Insurance **Ch**

Date : 2023.03.29

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Content : 4. An insurance product prospectus shall contain and disclose the following particulars:

- (1) Cover page;
- (2) Inside front cover;
- (3) Profile of the insurance company;
- (4) Detailed description of the insurance plan;
- (5) Investment risk warnings;
- (6) Fees and charges;
- (7) Investment objects;
- (8) Notice of policy value;
- (9) Period during which the applicant may exercise the right of contract cancellation;
- (10) Summary of important policy clauses, and exhibits and tables attached thereto;
- (11) Signatures (seals) of the insurer and its responsible person and the date of signatures.

(12) Delivery of the insurance product prospectus: The insurance product prospectus must be provided on the website of the insurance company and must be provided in the business locations of the insurance company or partner channels. It may also be provided for the public to download with equipment in the aforementioned business locations.

For discretionary investment-linked insurance, the insurance company shall make disclosure in its product prospectus in accordance with Subparagraph 2, Paragraph 1, Article 22 of the Regulations Governing Investment of Investment-linked Insurance in addition to the provisions of the preceding paragraph. Any change in the product prospectus which may result in material influence on policyholder's rights and interests shall be reported to the competent authority for future reference in accordance with Paragraph 2, Article 22 of the same Regulations.

8. Detailed description of the insurance plan presented in the product prospectus shall include the following particulars:

- (1) Introduction of the investment objects (including name and address of the management company for respective investment object) and reasons for selecting the investment objects. If the insurance contract contains a clause giving the insurance company the right to increase or decrease the investment objects while the contract is in force, the specific criteria for selecting new investment objects shall be described.
- (2) Principles for premium payment (e.g. method for paying minimum premium and premiums on riders), restrictions and consequence of non-payment.
- (3) Benefits (e.g. death benefit, disability benefit, survival benefit, and annuity) and payment terms (e.g. terms for annuity payment), and examples of return on investment (ROI) and charts; the examples should describe the basis for expense assumptions. The description and examples given on ROI shall include the basis for calculating return and observe the following principles:
 - a. If the investment object has principal protection or is an investment object specified in Article 11, Subparagraph 3 to Subparagraph 5 and provides regular investment income or investment income at maturity: Give examples on reasonable expected ROI and show the calculation results based on total premium and net investment amount respectively. In case of conditional principal protection, regular investment income or investment

income at maturity, describe side-by-side the conditions for principal protection, regular investment income or investment income at maturity in identical font color and size, and add warnings and reminders at a conspicuous place that cover all material matters having a bearing on the scope of application or validity of the principal protection, regular investment income or investment income at maturity and the consequence of breach of those conditions.

b. If the investment object is not included in the preceding item: Give examples on four ROIs in reference to the past performance of the investment objects, which however shall not be higher than an annual ROI of 6% (inclusive). If there is the possibility of investment loss, provide at least one example on negative ROI with relatively higher absolute value for the reference of policyholder (e.g. 6%, 2%, 0%, -6%), and refer to relevant provisions in the Securities Investment Trust and Consulting Association Guidelines for Advertisements and Business Activities Performed by Members and Their Sales Agents.

c. If the investment object is an investment-linked product with guaranteed benefits, it must disclose the guaranteed minimum death benefits.

(4) If the insurance product carries surrender charges, it should be noted that the examples on policy value given are exclusive of surrender charges that when the policyholder requests for the payment of cash surrender value, they should deduct the surrender charges from the policy value. In addition, the rate of surrender charge and the amount of surrender charges the policyholder can receive for terminating the contract each year calculated on the basis of the four rates of return (e.g., 6%, 2%, 0, -0.6%) should be disclosed in examples.

9. The disclosure of investment risk warnings in the product prospectus shall observe the following rules:

(1) The following wordings shall be printed on the inside front cover in a conspicuous manner and using emphasized font style:

a. The past performance of the issuer or manager of all investment objects that the product is linked to is not indicative of future investment income. Unless it is otherwise agreed in the insurance contract, the Company will not be held responsible for investment gain or loss. The applicant should read this prospectus carefully before purchasing the insurance.

b. If the insurance product has principal protection or is an investment object specified in Article 11, Subparagraph 3 to Subparagraph 5 and provides regular investment income or investment income at maturity, print an additional paragraph stating "You must hold ○○○○ (name of the investment object) until the regular investment income payment date or maturity before you are entitled to enjoy the income provided by its issuer or guarantor. If the applicant decides to transfer or redeem his/her holding or terminates the contract early, the applicant is not covered by the income payment and shall assume all associated investment risks and expenses. The applicant should make sure that he/she understands its associated risks and features before selecting this particular investment." .

c. If the investment object is not included in the preceding item, print an additional paragraph stating "○○○○ (name of the investment object) does not provide principal protection, regular investment income or investment income at maturity, and the maximum probable loss is the entire principal of investment. The applicant should make sure that he/she understands its associated risks and features before selecting this particular investment."

d. If the investment object includes currency related derivatives transactions in accordance with Paragraph 3, Article 10 of the Regulations Governing Investment of Investment-linked Insurance, print an additional paragraph stating "This product involves currency related derivatives transactions in connection with utilization and management of assets in a separate account undertaken for the purpose of currency hedging by an enterprise that is approved by the competent authorities to engage in or concurrently engage in discretionary investment service. However such hedging transaction do not guarantee that they are absolutely currency risk free. It is still possible that exchange rate variation may result in losses or decrease the return on investment due to the nature of hedging

instrument, hedge ratio, market movement or other factors."

e. If this product prospectus contains false statement or misrepresentation or conceals material facts, the Company, its responsible officer and other signatories of the prospectus shall be held responsible according to law.

f. If the investment object is an investment-linked product with guaranteed benefits, the prospectus must specify that "The guaranteed minimum death benefits provided by the product are only provided to the beneficiary of the death benefits in the event of the death of the insured during the insurance period (or death before the starting date of the payment of the annuity for the investment annuity insurance) and the insurance policy does not have principal protection."

(2) The following important features shall be printed on the first page of the product prospectus:

a. The important features described here are disclosed in accordance with the Compliance Matters for Disclosure of Information on Investment-linked Insurance set out by the competent authority and are to help you understand and decide whether this product is suitable for your needs.

b. For a fixed-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) This is a long-term insurance policy. If you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid.

(b) You should choose this plan only if you are sure long-term insurance is right for you.

(c) You must give careful consideration to all other fees and charges that may incur in the future before deciding the amount of premium you will be able to pay.

c. For a flexible-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) The balance in your policy account is determined by the amount of premiums you have paid and return on investment less policy-related charges, principal and interest on the loan you have taken out, and the amount of benefit cancelled or paid.

(b) Once you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid.

d. For a single-premium investment-linked insurance plan, the product prospectus shall state the following:

(a) The balance in your policy account is determined by the amount of premiums you have paid and return on investment less policy-related charges, principal and interest on the loan you have taken out, and the amount of benefit cancelled or paid.

(b) Unless it is unlikely that the cash surrender value will be less than the premiums paid, the prospectus should always state: "Once you decide to cancel your policy early, the cash surrender value you may receive is likely to be less than the sum of premiums you have paid."

11. The disclosure of investment objects in the product prospectus shall include basic data of respective investment object, allocation percentage, investment targets and associated risks as follows:

(1) Where the investment object is the beneficiary certificates of a securities investment trust fund or the beneficial securities for a mutual fund, the insurance company shall make disclosure in accordance with the requirements for fund disclosure set out by the competent authority for securities or trust enterprises, and the disclosure shall contain at least the following particulars:

a. Name of fund to invest in, relative percentage of investment under the insurance plan, or the extent by which the applicant may designate or change its allocation percentage.

b. Types of funds (stock fund, bond fund, balanced fund, currency fund, principal-guaranteed fund or fund of funds), and their investment targets.

c. Scheme of fund (open-ended or close-ended).

d. Where the underlying fund invests in foreign areas, note "Invest overseas" and the geographic distribution of the investment areas.

e. Total face value of the fund that has been approved for offering and current asset size of the fund.

f. Profile of fund manager.

g.Risk disclosure (e.g. the risk of over-concentration on certain stock sector, industry cycle risk, risk of inadequate market liquidity, risk of foreign currency control and exchange rate risk, risk associated with political or economic changes in the investment area, and other investment risks).

h.Performance and beta coefficients of the fund in the past three, two and one years (or since inception); if no beta coefficient is available, provide the risk level.

i.Name of the securities investment trust enterprise or trust enterprise.

j.The disclosure of foreign securities investment trust funds should in addition refer to the particulars to be contained in the investor brochure delivered by the master agent and sub-distributors when offering and selling offshore funds pursuant to the Regulations Governing Offshore Funds or Sample Investor Brochure on Offshore Funds prepared by the Securities Investment Trust & Consulting Association of R.O.C.

k.Other information.

(2)If the investment object is an exchanged traded fund (ETF), the prospectus shall disclose the underlying index the ETF tracks and the name of exchange on which the ETF is listed in addition to following the provisions in the preceding subparagraph.

(3)If the investment object is a structured product, the prospectus shall contain at least the following particulars. However if the investment object is an offshore structured product, the prospectus only needs to disclose its relative percentage of investment under the insurance plan, or the extent by which the applicant may designate or change its allocation percentage. The rest of the disclosed items may be substituted by the Chinese product prospectus prepared by the issuer and delivered by the insurance company to the applicant:

a.Name and rating of the structured product to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.

b.Names and credit ratings of its issuer and guarantor; where the issuer or guarantor is downgraded by any credit rating agency in the future, the insurance company will publicly announce the related fact for the information of policyholders.

c.Issue volume.

d.Underlying assets, e.g. name of index or stock, and their relative weights.

e.Issue date and maturity date.

f.Observation dates.

g.Currency.

h.Cash settlement amount (including minimum redemption amount and participation factors).

i.Name of secondary market or institution giving quote.

j.Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.). The market risk (including maximum probable loss) should be highlighted and presented with figures, and include a phrase: "If you choose to redeem the structured product before it matures, the amount you recover will be less than your original investment (in the worst case scenario, the amount you recover could be zero), or you may not be able to redeem your investment."

k.Method of handling when the issuer or the guarantor is unable to fulfill its repayment obligation.

l.Other information.

(4)Where the investment object is a financial debenture or corporate bond, the disclosure shall contain at least the following particulars:

a.Name and rating of the financial debenture or corporate bond to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.

b.Names and credit ratings of its issuer; where the issuer is downgraded by any credit rating agency in the future, the insurance company will publicly announce the related fact for the information of policyholders.

c.Issue date and maturity date.

d.Face value.

e.Coupon rate.

- f. Currency.
- g. Name of secondary market or institution giving quote.
- h. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
- i. Method of handling when the issuer is unable to fulfill its repayment obligation.
- j. Other information.

(5) Where the investment object is government bonds, treasury notes, savings bonds or bank certificates of deposit, disclosure shall be made according to the disclosure required of financial debentures.

(6) Where the investment object is the beneficial securities of a real estate investment trust (REIT) or real estate asset trust (REAT), the disclosure shall contain at least the following particulars:

- a. Name of beneficial securities to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
- b. Duration of the trust deed.
- c. Fund scheme (open-ended or close-ended).
- d. Total issue amount of beneficial securities.
- e. Name or designation of trustor.
- f. Names, addresses, and credit ratings of the trustee, real estate management institution and professional appraiser, and their respective obligations and responsibilities.
- g. Profile of operation and management personnel.
- h. Basic policy, scope, and investment strategy for fund utilization or management and disposal of trust property.
- i. Items, schedule, and payment method for income allocation.
- j. Matters concerning funds borrowed for handling trust affairs and related expenses.
- k. Credit rating of the beneficial securities.
- l. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
- m. Method of handling in case of non-performance of repayment obligation.
- n. Other information.

(7) Where the investment object is asset-backed securities (ABS), the disclosure shall contain at least the following particulars:

- a. Name of beneficial securities to be invested in, the relative percentage of investment under the insurance plan or the extent by which the applicant may designate or change its allocation percentage.
- b. Duration of the special-purpose trust deed.
- c. Total issue amount of beneficial securities.
- d. Name and address of originator.
- e. Names, addresses, and credit ratings of the trustee and other participating service institutions, and their respective obligations and responsibilities.
- f. Profile of operation and management personnel.
- g. Variety, name, quantity, amount, average yield, expiry, and trust period of the trust property.
- h. Basic policy, scope, and investment strategy for fund utilization or management and disposal of trust property.
- i. The method for allocating the principal of trust property and the profits, interest, and other proceeds accrued therefrom.
- j. Matters concerning funds borrowed for handling affairs of the special-purpose trust and related expenses.
- k. Credit rating of the beneficial securities.
- l. Investment risks (e.g. credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.).
- m. Method of handling in case of non-performance of repayment obligation.
- n. Other information.

(8) Where the investment object is mortgage-backed securities (MBS), disclosure shall be made according to the disclosure required of asset-backed securities.

(9) Where the investment object is handled in a manner provided in Subparagraph 2, Paragraph 1, Article 5 of the Regulations Governing Investment of Investment-linked Insurance, the provisions of Subparagraph (1) hereof apply to the disclosure of the investment object in addition to

the following particulars:

- a. The educational and professional backgrounds of manager managing the discretionary account, and the status of any disciplinary action received by such person in the preceding two years pursuant to Securities Investment Trust and Consulting Act, Futures Trading Act, or Securities and Exchange Act. Where the investment manager simultaneously manages investment accounts or funds linked to investment insurance policies of other insurance companies, it must disclose the name of the investment accounts or funds linked to investment insurance policies of other insurance companies and the measures implemented to prevent conflict of interests.
- b. Name of enterprise entrusted to provide discretionary investment service and compensation or fees for the entrusted services.
- c. A description of any litigious or non-litigious matters of the enterprise entrusted to provide discretionary investment service resulting from conduct of the business in the past year.
- d. Where the investment object offers income allocation, the contents of income allocation, e.g. sources of income, link for inquiring the composition table of sources of income allocation in the past twelve months, allocation plan and adjustment mechanism, and method of notice for change of adjustment mechanism, and method for paying allocated income, should be described.
- e. Where the investment object offers income allocation, the effect of income allocation on the policy value should be described in the examples based on the income allocation plan.
- f. Where the investment object offers income allocation, remind the applicants that income allocation may affect, or even lower the value of the investment object, depending on the income allocation plan and income payment method.
- g. Where the investment object includes currency related derivatives transactions undertaken for hedging purpose in accordance with Paragraph 3, Article 10 of the Regulations Governing Investment of Investment-linked Insurance, the disclosure shall contain at least the following particulars:
 - (a) Types of financial derivatives to be used, currencies to be hedged, hedge ratio and hedge strategies.
 - (b) The name of financial institution for counterparty of derivatives transactions and its credit rating; if a counterparty is downgraded by a credit rating agency, the insurance enterprise will make announcement of relevant facts and inform policyholders of the same.
 - (c) Investment risks (e.g. counterparty credit risk, price risk, legal risk, etc.) and reminder that exchange rate variation may result in losses or decrease the return on investment due to the nature of hedging instrument, hedge ratio, market movement or other factors.
 - (d) Ways to handle loss incurred by investors resulting from violation by the enterprise entrusted to provide discretionary investment service in undertaking currency related derivatives transactions for the purpose of currency hedging.
 - (e) Ways to handle the situation where the counterparty of derivatives transactions is unable to perform debt repayment obligation.
 - (f) Add the wording "This account can undertake ○○ (currency) exchange rate hedging" behind the name of investment object.
- h. Investments guidelines and scope of the investment account.
- i. Main risks of the investment account.
- j. The risk ratings of the investment account and analysis of the suitable customer attributes.
- k. If there are asset payback mechanisms, it must specify the warning "The asset payback mechanisms for discretionary accounts entrusted to the discretionary investment business by the Company (Branch) may be paid out of the income or principal of such accounts. Any payment from the principal may cause the original investment to loss its value." It must also specify "The payback rate or payback amount is not fixed" and "The source of funding of the asset payback mechanisms of the discretionary account may be the principal" in bold or prominent colors and identical fonts behind the account name.

16. An introduction of insurance product shall include at least the following particulars:

- (1) Name of insurance product.

(2) Cautionary language in emphasized font style on the first page.

(3) Product No. and date.

(4) Insurance coverage, including benefits and benefit payment, and note "Please read the product prospectus for details on exclusions or exceptions.

(5) Types of investment objects and allocation percentage, conditions for principal protection, regular payment or investment income at maturity (no disclosure is required if there are no allocation percentages for investments or conditions for principal protection, regular payment or investment income at maturity).

(6) Disclosure of investment risks, including credit risk, market risk (including maximum probable loss), legal risk, exchange risk, etc.; such disclosure is not required if the aforementioned risks do not exist.

(7) With regard to the disclosure of fees and charges, enumerate all fees and charges payable by the applicant to the insurance company, including front-end loading, policy-related charges, investment-related fees, redemption charges, and other charges.

(8) Note "Information on compensation, fees, discounts and other interests to be received from the counterparty of the investment object will be provided to the applicant for reference before the signing of contract."

(9) Profile of the insurance company, including company name, address, website or email, and toll-free service and complaint hotline.

(10) Where the investment object is processed in accordance with subparagraph 2, paragraph 1 of Article 5 of the Regulations Governing Investment of Investment-linked Insurance and includes asset payback mechanisms, it must specify the warnings "The payback rate or payback amount is not fixed" and "The source of funding of the asset payback mechanisms of the discretionary account may be the principal".

The introduction of insurance product shall not contain exaggerated or false representations, shall be consistent with the data and information submitted for product approval, and shall not contradict the contents of the product prospectus, and shall not exceed eight pages of A4 paper.

18. Regular reports on policy value shall disclose the following particulars:

(1) Items to be disclosed quarterly:

- Current status of investment portfolio.
- Number of units and unit value at the beginning of period.
- Change in the number of units during the period (including the date of change and unit value at the time of change).
- Number of units and unit value at the end of period.
- Amount of premium received in the period.
- Detailed fees and charges deducted for the period (including sales charges, administration fees, mortality charges and premium on rider).
- Death benefit and net cash surrender value at the end of period.
- Principal and interest of policy loan at the end of period.
- If currency hedging has been undertaken, disclose additionally hedge ratio and the effect of hedging gain/loss on unit value.
- Where the investment object is processed in accordance with Article 5, Paragraph 1, Subparagraph 2 of the Regulations Governing Investment of Investment-linked Insurance and includes asset payback mechanisms, it must specify "A part of the source of funding of the asset payback may be the principal. For detailed information on the composition of the income distribution, please refer to the Company's website: ○○○○○○".

(2) Items to be disclosed annually: Aside from disclosing annual summary data on items specified in the preceding paragraph, the annual report shall also include the following items:

- The financial statements and net ROI on respective investment object related to the insurance plan, investment details on the date of report, detailed fees and charges, changes in investment targets or restrictions, and changes in manager.
- Where the investment objects are processed in accordance with Article 5, Paragraph 1, Subparagraph 2 of the Regulations Governing Investment of Investment-linked Insurance, the link for inquiring the following items shall be disclosed:
 - The fee rate of management fee and custodian fee based on the NAV of the investment object and sub-investment object that the amount of

investment is over 1% (inclusive) of the NAV of the investment object.

(b) Investment performance (including “asset reversal included” and “asset reversal not included”) in the past three year, two year, and one year and the calculation method.

(c) Composition table of sources of income allocation in the past 12 months.

(3) Method of disclosure: The regular reports shall be delivered in writing or by email as agreed in the insurance contract or as designated by the applicant. However financial statements and net ROI on respective investment object related to the insurance plan, investment details on the date of report, detailed fees and charges, changes in investment targets or restrictions, and changes in manager to be disclosed annually may be disclosed on the company website and made available in writing upon request.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System