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

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Legislative : Amended on 7 July 2023 per Order No. Jin-Guan-Bao-Shou-Zi- 11201408255 of the Financial Supervisory Commission

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

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

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

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

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

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

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

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

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

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

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

Insurance enterprises shall observe the following when the customer purchases the Product:

(1) The insurance enterprise shall assign personnel from a non-sales channel to conduct phone call, video call or remote interview to inform or confirm with the customer the following matters after the insurance contract is sold but before underwriting is approved. The insurance enterprise shall also save the phone interview recording or the audio or video recording of the video call or remote interview for future inspection, and safekeep the recording for at least five years after the expiry of the insurance contract or five years from the date the decision of not to underwrite the policy is finalized:

- a. For customers whose source of funding for insurance premiums payment is a loan or a policy loan, the customer must be clearly informed of related risks caused by the financial leverage operations and the maximum amount of potential losses.
- b. For customers whose source of funding for insurance premiums payment is the termination of a contract, the customer must be clearly informed of related losses of interests in insurance contracts as a result of the insurance purchase after the termination of the contract.
- c. For customers over 65 years of age, the staff should ask questions gently around possible disadvantages of the Product the customer has purchased to confirm that the customer understands the potential effects and disadvantages on the customer associated with the characteristics of the Product. However the preceding provision does not apply if the characteristics of the Product are not found to have potential effects and disadvantages on customers over 65 years of age following an evaluation in accordance with Subparagraph 7, Article 6 of the Regulations Governing Pre-sale Procedures for Insurance Products.

(2) If insurance brokers or insurance agents have conducted phone call, video call or remote interview of their customers in accordance with Article 33-1 of the Regulations Governing Insurance Brokers or Article 33-1 of the Regulations Governing Insurance Agents, insurance enterprises need not conduct phone call, video call or remote interview of such customers regarding the same matters in accordance with the preceding subparagraph.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System