

## Content

Title :	Regulations Governing Pre-sale Procedures for Insurance Products <b>Ch</b>
Date :	2023.12.18
Legislative :	Amended on 18 December 2023 per Order No. Jin-Guan-Bao-Shou-Zi- 11204939651 of the Financial Supervisory Commission
Content :	<p>Article 4</p> <p>Procedures for design of insurance products shall include the following steps:</p> <ol style="list-style-type: none"><li>1. Product research and development.</li><li>2. Formal product development: including formulation of policy provisions, risk management manual and the pricing actuarial memorandum.</li><li>3. Preparation for submission for review.</li></ol> <p>The procedures for design of insurance products under the preceding paragraph, and any amendments thereto, shall be reported to the competent authority for recordation.</p> <p>Article 7</p> <p>An insurance enterprise shall rigorously execute the following matters when formulating policy provisions during formal insurance products development:</p> <ol style="list-style-type: none"><li>1. Drafting policy provisions on the basis of the content of the product's design.</li><li>2. Inspecting the text of policy provisions for clarity and definitiveness of wording and meaning.</li><li>3. Ascertaining compliance with insurance-related acts and regulations.</li><li>4. Reviewing past experience with complaints, arbitration, and litigation connected with insurance products that are similar in nature, and clearly setting forth the rights and obligations of proposers, insureds, and beneficiaries.</li><li>5. Making adjustments to ensure legal compliance when introducing an insurance product based on a foreign product.</li></ol> <p>Article 8</p> <p>An insurance enterprise shall rigorously execute the following matters when formulating the pricing actuarial memorandum during formal development of non-life insurance products:</p> <ol style="list-style-type: none"><li>1. Determining benefit items and collecting reference information for premium rate-setting, confirming the correlation between the experience data used and the rate-setting, and that the experience data meet the following criteria, and that premium rates are adequate, reasonable and fair, and reflect costs and reasonable profits, and the enterprise shall not solicit or conduct insurance business by offering unreasonable prices:<ol style="list-style-type: none"><li>(1) The experience data should use statistical data in the past 3 - 5 years and should be principally domestic data, and may include the enterprise' s own experience data. However if no statistical data in the past 3-5 years are available, comparable foreign data may be used.</li><li>(2) The setting of expected incidence rate in reference to domestic and foreign data should be commensurate with payment terms and conditions and exclusions stated in the insurance policy.</li><li>(3) The enterprise should understand clearly the domestic and foreign data used and obtain the source data, and should not just use the incidence rate provided by reinsurance companies. The data used should be completely consistent with the payment terms and conditions in the insurance policy. If it is not entirely consistent, the enterprise should describe the difference and analyze whether the difference affects the premium rate setting.</li></ol></li><li>2. Determining the basis for pricing of the risk.</li><li>3. Determining the method for calculation of premium rates.</li><li>4. Evaluating reinsurance arrangements.</li><li>5. Risk management mechanisms.</li></ol>

Premium rate - making mentioned in the preceding paragraph shall be carried out in accordance with the rates checking mechanism approved by the competent authority based on the characteristics of insurance product or the reference rate range set by an institution designated by the competent authority.

When an insurance enterprise formulates a risk management manual in the formal development of non-life insurance products, the manual shall include at least reinsurance arrangement, early warning and control mechanisms for evaluating sales limits, and shall state that the sales limits are commensurate with the risk appetite set by the company.

#### Article 9

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

1. Determining benefit items and collecting reference information for premium rate-setting, confirming the correlation between the experience data used and the rate-setting, and that the experience data meet the following criteria, and that premium rates are adequate, reasonable and fair, and reflect costs and reasonable profits, and the enterprise shall not solicit or conduct insurance business by offering unreasonable prices:

- (1) The experience data should use statistical data in the past 3 - 5 years and should be principally domestic data, and may include the enterprise's own experience data. However if no statistical data in the past 3-5 years are available, comparable foreign data may be used.

- (2) The setting of expected incidence rate in reference to domestic and foreign data should be commensurate with payment terms and conditions and exclusions stated in the insurance policy.

- (3) The enterprise should understand clearly the domestic and foreign data used and obtain the source data, and should not just use the incidence rate provided by reinsurance companies. The data used should be completely consistent with the payment terms and conditions in the insurance policy.

2. Setting limits on the insuring age and insuring amounts, and determining the method of premium payment.

3. Undertaking trial calculation of premiums.

4. Calculating reserves and contract amendments.

5. Carrying out pricing analysis and risk assessment.

6. Evaluating reinsurance arrangements.

7. Risk management mechanisms.

A life insurance enterprise shall rigorously execute the following matters when carrying out pricing analysis and risk assessment under subparagraph 5 of the preceding paragraph:

1. Analyzing the reasonableness of assumptions used.

2. Analyzing various profit benchmarks (including analysis of product profits, plus analysis of either asset share or the break-even point).

3. Reviewing the appropriateness of risk assessment results (including testing of actuarial data and sensitivity analysis).

4. Inspecting the text of policy provisions and the pricing actuarial memorandum for consistency.

When an insurance enterprise formulates a risk management manual in the formal development of life insurance products, the manual shall include at least reinsurance arrangement, early warning and control mechanisms for evaluating sales limits, and state that the sales limits are commensurate with the risk appetite set by the company.

#### Article 11

When a non-life insurance product is submitted for review, the term "qualified signatories" in paragraph 1 of the preceding article means personnel with the following qualifications who are designated by the insurance enterprise to bear responsibility and sign for the insurance product, unless it is otherwise provided by the competent authority:

1. Underwriters: Those qualified as underwriters under Article 12 of the Regulations Governing Business Solicitation, Policy Underwriting, and Claim Adjusting of Insurance Enterprises, and possessing three years or more of actual experience handling relevant insurance underwriting either at home or abroad.

2. Claims adjusters: Those qualified as claims adjusters under Article 13 of the Regulations Governing Business Solicitation, Policy Underwriting,

and Claim Adjusting of Insurance Enterprises, and possessing three years or more of actual experience handling relevant insurance claims adjustment either at home or abroad.

3. Actuaries: Those who have three years or more of actual experience handling relevant insurance actuarial work and possess any one of the following qualifications:

(1) Qualified as actuaries under Article 2, paragraph 2 of the Regulations Governing Appointed Actuaries and External Reviewing Actuaries of Insurance Enterprises whose qualification as an appointed actuary has not been revoked by the competent authority or whose period of suspension from working as an appointed actuary as imposed by the competent authority has expired, and possessing three years or more of actual experience handling relevant insurance actuarial work either at home or abroad.

(2) Having passed the examination conducted by a domestic academic insurance institution recognized by the competent authority and obtained the certificate of signatory actuary for non-life insurance products therefrom.

4. Legal affairs personnel: Those possessing any one of the following qualifications:

(1) Attorneys qualified to practice under the Attorney Regulation Act.

(2) Graduates of an insurance or law department at a domestic educational institution at the level of junior college or higher who have five or more years of actual work experience supervising insurance-related legal affairs.

(3) Having been in charge of the legal affairs department at an insurance enterprise and has actually served in that capacity for five years or more.

(4) Having worked for eight years or more in the legal affairs department of an insurance enterprise.

(5) Educators who have taught insurance law in an insurance or law department of a domestic educational institution at the level of junior college or higher.

5. Investment personnel: Supervisors of investment-related departments who have three years or more of actual experience at home or abroad handling financial, securities, or other investment affairs.

6. Risk management personnel: Supervisors of risk management related departments who have three years or more of actual experience at home or abroad handling financial, investment, actuarial, underwriting or risk management affairs of an insurance enterprise.

Article 12, paragraph 1, subparagraphs 5 and 6, and paragraph 2 herein apply mutatis mutandis to non-life insurance products mentioned in Article 16, paragraph 1, subparagraph 1 submitted by an insurance enterprise for review.

## Article 12

When a life insurance product is submitted for review, the term "qualified signatories" in Article 10, paragraph 1 means personnel with the following qualifications who are designated by the insurance enterprise to bear responsibility and sign for the insurance product, unless it is otherwise provided by the competent authority:

1. Underwriters: Those qualified as underwriters under Article 12 of the Regulations Governing Business Solicitation, Policy Underwriting, and Claim Adjusting of Insurance Enterprises, and possessing three years or more of actual experience handling relevant insurance underwriting either at home or abroad.

2. Claims adjusters: Those qualified as claims adjusters under Article 13 of the Regulations Governing Business Solicitation, Policy Underwriting, and Claim Adjusting of Insurance Enterprises, and possessing three years or more of actual experience handling relevant insurance claims adjustment either at home or abroad.

3. Actuaries: Those who possess any one of the following qualifications:

(1) Qualified as actuaries under Article 2, paragraph 2 of the Regulations Governing Appointed Actuaries and External Reviewing Actuaries of Insurance Enterprises whose qualification as an appointed actuary has not been revoked by the competent authority or whose period of suspension from working as an appointed actuary as imposed by the competent authority has expired, and possessing three years or more of actual experience handling relevant insurance actuarial work either at home or abroad.

(2) Having passed the examination conducted by a domestic academic insurance institution recognized by the competent authority and obtained the certificate of signatory actuary for non-life insurance products therefrom, and having three years or more of actual experience handling actuarial work related to health and injury insurance, where such actuarial work must include being a signatory for health and injury insurance products submitted (to the competent authority) by a non-life insurance enterprise for review.

4. Legal affairs personnel: Those possessing any one of the following qualifications:

(1) Attorneys qualified to practice under the Attorney Regulation Act.

(2) Graduates of an insurance or law department at a domestic educational institution at the level of junior college or higher who have five or more years of actual work experience supervising insurance-related legal affairs.

(3) Having been in charge of the legal affairs department at an insurance enterprise and has actually served in that capacity for five years or more.

(4) Having worked for eight years or more in the legal affairs department of an insurance enterprise.

(5) Educators who have taught insurance law in an insurance or law department of a domestic educational institution at the level of junior college or higher.

5. Investment personnel: Supervisors of investment-related departments who have three years or more of actual experience at home or abroad handling financial, securities, or other investment affairs.

6. Insurance conservation personnel: Those who have been the supervisor of a department handling amendments to insurance contracts or related conservation matters, and who have three or more years of actual experience handling amendments to insurance contracts and other insurance conservation-related matters at home or abroad.

7. Risk management personnel: Supervisors of risk management related departments who have three years or more of actual experience at home or abroad handling financial, investment, actuarial, underwriting or risk management affairs of an insurance enterprise.

A department head authorized by the general manager as set out in Article 10, paragraph 1 must have previously been responsible for insurance actuarial work and have one year or more of actual experience at home or abroad handling financial, securities, risk management, or other investment affairs.

#### Article 13

When signing an insurance product, the general manager (or a department head authorized thereby) and qualified signatories shall carefully check the factual accuracy, reasonableness, and legality of those for which they are responsible. They shall be responsible for at least the following:

1. General manager or a department head authorized thereby:

(1) The "Description of Insurance Product and Declaration Thereupon".

(2) The "Declaration Form for Submission to the Competent Authority of Insurance Product".

(3) The "Declaration of Partial Insurance Product Modification".

(4) Check the Insurance Product's "Self-Review Form" to see whether the boxes have been correctly checkmarked.

(5) The proposal.

(6) Completeness of documents submitted for review.

(7) Check whether the insurance product violates the relevant acts or regulations.

(8) Check whether the insurance product is prejudicial to the safeguarding of consumer interests.

(9) Check whether the insurance product violates the insurance enterprise's business strategy, and whether it poses a potential threat to current or future solvency.

(10) Check the appropriateness of asset-liability allocation.

2. Underwriters:

(1) Provisions and declarations pertaining to underwriting in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to underwriting in the "Policy Provision

Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

(5) Risk management manual.

3. Claims adjusters:

(1) Provisions and declarations pertaining to claims adjustment in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to claims adjustment in the "Policy Provision Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

4. Actuaries:

(1) Provisions and declarations pertaining to actuarial work in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to actuarial work in the "Policy Provision Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

(5) A pricing actuarial memorandum and other related statements.

(6) The content of the asset-liability allocation plan.

(7) The "Signing Actuary's Assessment Opinion and Declarations Thereupon".

(8) The "Rule Governing Management of the Financial and Operational Aspects of a Participating Life Insurance Policy," "Rule Governing Expense Apportionment and Income Distribution by Participating and Nonparticipating Life Insurance Policies," and "Rule Governing Dividend Participation."

(9) A statement of how the enterprise will respond if the return on investment fails to reach the assumed interest rate (applicable to insurance products with insurance period over one year).

(10) A statement explaining the reasonableness of product pricing.

(11) An assessment of operational risks and risk tolerance.

(12) Risk management manual.

5. Insurance conservation personnel:

(1) Provisions and declarations pertaining to insurance conservation in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to insurance conservation in the "Policy Provision Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

6. Legal affairs personnel:

(1) Provisions and declarations pertaining to legal affairs in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to legal affairs in the "Policy Provision Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

7. Investment personnel:

(1) Provisions and declarations pertaining to investment in the "Declaration Form for Submission to the Competent Authority of Insurance Product".

(2) Provisions pertaining to investment in the "Policy Provision Comparison Table".

(3) The proposal.

(4) The "Declaration of Partial Insurance Product Modification".

(5) The content of the asset-liability allocation plan.

(6) Investment instrument prospectus.

(7) A statement of how the enterprise will respond if the return on investment fails to reach the assumed interest rate (applicable to insurance products with insurance period over one year).

(8) A check of the inter-relatedness of the product's asset allocation plan and the product's assumed interest rate.

(9) An assessment of investment risks and risk tolerance.

(10) Risk management manual.

#### 8. Risk management personnel

- (1) Declaration Form for Submission to the Competent Authority of Insurance Product.
- (2) Declaration of Partial Insurance Product Modification.
- (3) Check the appropriateness of asset-liability allocation.
- (4) Check the impact of the insurance risks and sales of insurance products on risk appetite, and evaluate whether the risk management plan falls within the extent of the company's acceptable risk appetite.
- (5) A statement of how the enterprise will respond if the return on investment fails to reach the assumed interest rate (applicable to insurance products with insurance period over one year).
- (6) A check of the inter-relatedness of the product's asset allocation plan and the product's assumed interest rate.
- (7) Risk management manual.

#### Article 17

For the following life insurance products, an insurance enterprise may commence sale only after applying for and receiving prior approval from the competent authority, unless otherwise provided by the competent authority:

1. An annuity product launched in accordance with the applicable provisions of the Labor Pension Act.
2. An investment-linked insurance product with guaranteed benefits.
3. A new type of insurance product.
4. An insurance product for which the competent authority issues a notice for changing review method in accordance with paragraph 2 of Article 21-1. Standards for determining what qualifies as a "new type of insurance product" as referred to in subparagraph 3 of the preceding paragraph shall be drafted by the Life Insurance Association of the Republic of China and reported to the competent authority for review.

#### Article 20

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

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

For increasing the renewal premium rates of guaranteed renewable personal health insurance products, the insurance enterprise shall take actions in accordance with Subparagraph 1, Paragraph 1 of Article 9 herein, and in addition, three months before the time at which premium will be charged based on the new rate, deliver a notice to the applicant about the product that its renewal is guaranteed but its premium rate is not guaranteed and the content of rate adjustment, and assign staff or a dedicated person to explain to the applicant by phone. However explanation by phone is not required when the insurance enterprise or its sales channel partner sells a new contract or has explained to the applicant after underwriting the policy that the product's renewal is guaranteed but its premium rate is not guaranteed with proof of such action saved.

The content of rate adjustment mentioned in the preceding paragraph includes the new premium rate, reasons for rate adjustment, the time at which premium will be charged based on the new rate, and how it will be handled if the applicant has objection to the rate adjustment.

When an insurance enterprise increases the renewal premium rate of a guaranteed renewable personal health insurance product, its audit unit shall check and confirm whether the rate adjustment related provisions under the preceding four paragraphs are rigorously implemented and its chief auditor shall issue a statement to the effect before the premium rate is adjusted.

#### Article 24

After sales of an insurance product have commenced, the insurance enterprise shall convene meetings of its insurance product management team

at least once every half a year to review the following product-related matters and take responding measures, and shall make any necessary adjustments and amendments:

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

When the sales amount of insurance products reaches the early warning level or sales limit, the insurance enterprise shall promptly convene a meeting of its insurance product management team to discuss response measures to be adopted.

Actions taken in accordance with the meetings of the insurance product management team under the preceding two paragraphs shall be submitted to the upcoming meeting of the board of directors.

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

#### Article 29

Where any one of the following situations applies with respect to an insurance enterprise, the competent authority may, depending on the severity of the circumstances, prohibit the insurance enterprise for a period of one year or less from filing for prior approval or use-and-file launch of an insurance product in accordance with Article 15, paragraph 1 herein and make public announcement of the same, provided, however, that this does not apply where an insurance product has been amended in order to coordinate with changes to applicable acts or regulations, or where the competent authority has granted approval.

1. The enterprise has continued selling an insurance product after being ordered by the competent authority to suspend sales.
2. A signatory has continued to act as signatory after being disqualified by the competent authority.

3. Three times or more within the past year, the competent authority has determined that the circumstances set out in any one of the subparagraphs under paragraph 1 of Article 30 obtain with respect to the enterprise's insurance products, provided, however, that this does not apply to a minor violation of Article 30, paragraph 1, subparagraph 7 if the competent authority has dealt with the matter in accordance with Article 30, paragraph 3.

4. Within the past year, the competent authority has assessed a cumulative total of 10 or more violation points for insurance products that the insurance enterprise's signatories have signed off on in behalf of that insurance enterprise.

Article 32

These Regulations shall be implemented from the date of promulgation except that Article 24 amended and promulgated on November 8, 2017 shall be implemented from 1 January 2018 and Article 17, paragraph 1, subparagraph 4 and Article 21-1, paragraph 2 amended on March 30, 2020 shall be implemented on January 1, 2021, and Article 6, Article 22 and Article 24, paragraph 1, subparagraph 2 amended on March 29, 2022 shall be implemented on October 1, 2022, and Article 4, Article 7, Article 8, Article 9, Article 11, Article 12, Article 13, Article 17, Article 24, and Article 29 amended on December 18, 2023 shall be implemented on July 1, 2024.

Files : 英文.pdf

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System