Insurance regulation in Taiwan

Ten things to know

In conjunction with Lee and Li, Attorneys-at-Law
Insurance regulation in Taiwan*

In conjunction with Lee and Li, Attorneys-at-Law
* as at 6 November 2012

1 The regulator

Taiwan is officially known as the Republic of China (ROC). The ROC insurance regulator is the Financial Supervisory Commission (FSC).

Insurers must be licensed and will be either life or non-life. Composite licences are not granted to insurers, but are available for reinsurers.

A company carrying on business as an insurance broker, insurance agent or loss adjuster must be approved by FSC and at least one individual must be appropriately qualified.

2 Subsidiary/Branch

Both Taiwanese incorporated entities (including subsidiaries of foreign insurers) and branches of foreign insurers are permitted.

A foreign insurer that has been in operation for more than three years must have sound business and financial ability and have no record of material violation of laws and regulations in order to be permitted to establish a branch.

A foreign insurer that has been in operation for less than three years must establish a representative office within ROC for at least one year before establishing a branch.

3 FDI restrictions

Nil.

4 Control approvals

Prior approval from the FSC is required to acquire more than each of 10 per cent, 25 per cent or 50 per cent of the voting shares in an insurance company.

Any person who acquires more than 5 per cent of an insurance company’s shares must notify the FSC within 10 days of such acquisition. Any subsequent and cumulative increase or decrease of more than 1 per cent must similarly be notified to the FSC.

Shares held by nominees and related parties are aggregated for the purpose of assessing whether the limits have been reached.

5 Minimum capital

Minimum paid-up capital requirement:

<table>
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<th>Minimum paid-up capital requirement</th>
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<tbody>
<tr>
<td>Insurance companies</td>
<td>NT$2 billion, 20 per cent to be paid in at the time of application</td>
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<tr>
<td>Insurance brokers</td>
<td>NT$3 million</td>
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<tr>
<td>Reinsurance brokers</td>
<td>NT$6 million</td>
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<tr>
<td>Insurance agent companies</td>
<td>NT$3 million</td>
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<tr>
<td>Insurance adjustor companies</td>
<td>NT$2 million</td>
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A branch of a foreign insurer must have minimum operating funds of NT$50 million. If the foreign insurer has been in operation for less than three years, it must have minimum paid-up capital of NT$2 billion and meet the FSC’s credit rating requirements.

NT$29.24 = US$1.00 as at 6 November 2012

6 Risk based capital

Yes. An insurance company must maintain a ratio of total adjusted net capital to its risk-based capital requirement of at least 200 per cent. The risk based capital requirement is determined by a formula that takes into account asset risk, insurance risk, interest rate risk and business risk.

7 Group supervision

No.

8 Policyholder protection

Yes. The Stabilization Fund is a private organisation, sponsored by insurance companies, established to stabilise the market and safeguard the interests of insured parties. The Stabilization Fund may provide loans to insurers experiencing business difficulties, advance claims payments to insureds or beneficiaries if an insurer is unable to make payments, and make other payments approved by the FSC.
9 Portfolio transfers

Yes. An insurance company and/or a branch of a foreign insurer may apply to the FSC for approval to transfer all or part of its insurance business to another Taiwanese insurer or Taiwanese branch of a foreign insurer. In practice, prior notice is often given to policyholders to give them the opportunity to object. If no objection is received within the specified period, consent is deemed.

10 Outsourcing

The outsourcing of business operations by an insurer is limited to the following: (1) logistical support for data processing, (2) providing additional services other than the performance of insurance contracts, (3) forms and documents relating to the performance of insurance contracts, (4) overseas emergency assistance and roadside assistance services, (5) production, distribution, broadcast and posting of sales advertisements and consumer publications, (6) collection of premiums, policy loans and other payments, provided the service provider has been approved by the competent authority, (7) collection of debts, (8) electronic customer services, (9) real estate related activities, (10) locating cars with auto loan default and [sale at] car auction, but excluding the determination of floor price for auction, (11) valuation, classification, bundling and sale of non-performing loans, and (12) other operations approved by the competent authority.

The business operations in (1)-(6) and (8)-(11) above may be outsourced without restriction to a local person/company. Prior approval from the FSC is required to outsource the business operations identified in items (7) and/or (12) to a local person/company.

Prior approval from the FSC is required to outsource any and all of the business operations identified above to a foreign/foreign company.

(See: Directions for Operation Outsourcing by Insurance Enterprises, announced on 21 July 2010.)