

金融展望月刊

Financial Outlook Monthly

Publisher Tien-Mu Huang

Advisor Yung-Chin Hsu
Jean Chiu
Kai-Yuan Chen

Executive Editor
Department of Planning

Publishers & Editorial Office
Financial Supervisory
Commission

Add 18F., No.7, Sec. 2, Xiamin
Blvd., Banqiao Dist., New
Taipei City 22041, Taiwan,
Republic of China

Tel 8968-0899

Fax 8969-1271

E-mail planning@fsc.gov.tw

Website <http://www.fsc.gov.tw>

GPN 2009305443

ISSN 1992-2507

*The Chinese version rules if
any contradiction in meaning
exists between the Chinese
version and English versionl.

December 2020

《Chinese version please refer to page 1》

No. 193

Ministry of Justice Anti-Corruption Hotline 0800-286-586
Anti-Corruption Hotline 0800-088-789

- FSC amends qualification requirements for responsible persons of financial institutions, facilitating recruitment of interdisciplinary experts
- FSC explains new method of calculating natural disaster risk capital charge
- FSC approves a fintech sandbox experiment — a group buying platform for bonds

Policy and Law

FSC amends qualification requirements for responsible persons of financial institutions, facilitating recruitment of interdisciplinary experts

In response to market diversification and a gathering international trend toward the development of digital finance, the FSC is seeking to help financial institutions recruit persons with multi-interdisciplinary expertise and achieve better efficiency. With these goals in mind, the FSC recently amended the following regulations:

1. Banks and financial holding companies: On 26 October 2020, the FSC amended Article 5 of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks," Article 6 of the "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company," Article 4 of the "Regulations Governing Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operations and Managerial Personnel of Trust Enterprises," Article 6 of the "Regulations Governing the Responsible Persons and Business Staff Members of Bills Houses," and Article 13 of the "Regulations Governing the Qualifications and Election/Appointment of Membership Representatives, Directors, Supervisors and Managerial Officers of Credit Cooperatives." When a financial institution determines that a responsible person has more than 10 years of professional experience in information science, technology, law, e-commerce, the digital economy, financial accounting, marketing, or human resources, there is no need to apply to the competent authority for recognition of that person's qualifications.
2. Securities and futures firms: On 26 October 2020, the FSC amended Article 10 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms," Articles 4 and 4-1 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises," Articles 3-1 and 4 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Consulting Enterprises," Article 3 of the "Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants," Articles 44 and 45 of the "Regulations Governing Futures Trust Enterprises," Article 51 of the "Regulations Governing Managed Futures Enterprises," and Article 21 of the "Regulations Governing Futures Advisory Enterprises." Under the amended provisions, a person who has professional experience in information science, technology, e-commerce, or the digital economy and has performed well in that field is allowed to serve at a securities and futures firm as a division supervisor; as a vice president, director, or manager in a business department; and as a responsible person of a branch unit.
3. Insurance enterprises: On 28 October 2020, the FSC amended Article 8 of the "Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises" and added a new Article 8-1. The qualification requirements for any person serving in the position of vice president, assistant vice president, manager, or an equivalent position, which had been set out in Article 8 prior to the amendment, have now been moved to Article 8-1. Also, Article 8-1 expressly provides that any person who holds a position of this type must possess the ability to lead and effectively manage an insurance enterprise, and newly provides that a person with interdisciplinary expertise who has more than 10 years of professional experience in information science, technology, law, e-commerce, the digital economy, financial accounting,

Notification of E-journal of Financial Outlook Monthly

Thank you for reading the Financial Outlook Monthly. We will stop printing and sending the paper-form journal since January 2021 (No.194), and still provide E-journals on our website. If you would like to receive E-journal every month, please send your E-mail address to yhhsu@fsc.gov.tw. You may also download E-journal files from our website through the QR code as the following or the URL (<https://www.fsc.gov.tw/en/home.jsp?id=55&parentpath=0,4>).

Many thanks,

Financial Supervisory Commission, Republic of China (Taiwan)



Financial Outlook
Monthly

or human resources and has performed well in that field is allowed to serve in this type of position. Moreover, if this type of position is to be held by a person for whom there is other factual evidence sufficient to prove that he/she has professional insurance expertise, or experience in managing an insurance enterprise, and is capable of safe, sound, and effective operation of an insurance business, those qualifications must be recognized in advance by the competent authority, and the person may only serve in a position related to his or her area of professional area(s) of expertise.

FSC explains new method of calculating natural disaster risk capital charge

The FSC has completed a method for calculating natural disaster risk capital charge. Beginning from end-December 2020, non-life insurers and reinsurers will: (a) incorporate natural disaster risk into the risk capital used for calculating capital adequacy ratio; and (b) take the special claim reserve currently set aside against various types of natural disaster insurance and include them in adjusted net capital (to the degree that risk capital has increased). These actions will be taken to reflect the actual natural disaster risk that companies face in the course of their business operations.

To ensure that the solvency of non-life insurers and reinsurers reflects both the retained risks of their natural disaster lines and the credit risk associated with reinsurance losses payable, the FSC in 2015 began studying the possibility of incorporating natural disaster risk into the current risk-based capital system. On 15 October 2020, the FSC invited non-life insurers and reinsurers to discuss the matter, and a consensus was reached.

The new natural disaster risk capital charge to be introduced from end-December 2020 will prompt non-life insurers and reinsurers to strengthen their ability to assume natural disaster risk and attach importance to natural disaster risk management, and will guide them to gradually move toward compliance with international standards. Also, catastrophe perils, as defined in the Insurance Capital Standard (ICS), also include terrorist attacks, communicable diseases, and credit guarantees. This is still somewhat broader than what the FSC is now adding to the scope of natural disaster risk, so the FSC will continue to rely on the results of field testing of the New Generation Insurance Solvency Regime to plan a phased introduction of an ICS catastrophe risk program, in the hope that Taiwan can converge gradually and stably with the international regime.

FSC approves a fintech sandbox experiment — a group buying platform for bonds

On 23 October 2020, the FSC approved an application by Joinvest Co. to take part in an one-year fintech sandbox experiment involving a group buying platform for bonds. Joinvest Co. is exempt from certain penalty provisions during the experimentation period, as set out in Article 26 of the “Financial Technology Development and Innovative Experimentation Act,” and the FSC further agrees during this period not to apply the provisions of Article 23-1 of the “Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises.” This is the first application for a regulatory sandbox experiment that the FSC has approved since it issued the “Fintech Development Roadmap” on 27 August 2020.

After going through an advisory process, Joinvest Co. submitted its application on 9 July 2020, and is the second startup in the FinTechSpace to obtain approval to run a sandbox experiment. Joinvest uses technologically innovative methods to conduct securities brokerage and dealing business, and focuses primarily on building a group buying platform for parties who wish to invest in domestic and foreign bonds. It uses blockchain technology to record transaction data, and acts via banks to provide an escrow mechanism to ensure the security of both funds and securities. Bonds offer better returns than time deposits and are at the same time safer than some other investment instruments, but the minimum investment amounts are high. With these facts in mind, Joinvest has launched its sandbox experiment, which will enable retail investors to buy bonds for as little as NT\$100 or US\$10. In today's low interest rate environment, this would meet the demand of ordinary people to invest small amounts in bonds, and fully online trading is in line with the current trend toward digital finance. Such developments promote financial inclusion.

FSC promulgates the “Regulations Governing Domestic Juridical Persons Opening Accounts for the Purpose of Handling Loan-related Receipts and Disbursements in Offshore Banking Units”

Offshore banking units are capable of providing diverse foreign-currency financial services and providing treasury functions involving foreign exchange transactions. To respond to the implementation of economic substance law in the international community and help Taiwanese businesses implement treasury management across borders, the FSC promulgated the “Regulations Governing Domestic Juridical Persons Opening Accounts for the Purpose of Handling Loan-related Receipts and Disbursements in Offshore Banking Units” on 26 October 2020, to allow the use of the accounts for the purpose of handling loan-related receipts and disbursements, satisfying their demand for cross-border treasury

management, and enhancing competitiveness in international markets.

FSC amends the “Directions Governing the Acquisition of Treasury Stock by Exchange-listed and OTC-listed Financial Institutions”

The FSC amended the aforementioned Directions on 16 October 2020. Key amendments are as follows: (1) In accordance with Paragraph 4 of Article 28-2 of the “Securities and Exchange Act,” the deadline for transferring a company's repurchase shares to its employees, and for equity conversion in coordination with the issuance of corporate bonds with warrants, convertible corporate bonds, share subscription warrants, etc., has been extended from 3 years to 5 years. (2) In accordance with the adjustment of the capital adequacy regulations of banks and insurance companies, the capital adequacy ratios of banks, insurance companies and bills finance (subsidiaries) companies have been added or changed. (3) Banks and bills finance companies are now subject to strengthened financial soundness requirements for NPL ratio, NPL coverage ratio, and other such indicators.

FSC amends the “Regulations Governing the Securities Investor and Futures Trader Protection Institution” and Article 21 of the “Regulations Governing the Organization and Mediation Procedures of Securities Investor and Futures Trader Protection Institution Mediation Committees”

To coordinate with a 10 June 2020 amendment to the “Securities Investor and Futures Trader Protection Act,” the FSC on 6 November 2020 amended the aforementioned Regulations. The key points are as follows:

1. When the protection institution conducts litigation in accordance with Articles 10-1 and 10-2 of the “Securities Investor and Futures Trader Protection Act,” it must report the matter to the FSC and adopt related procedural rules.
2. A newly added provision requires the protection institution to hold stock in emerging stock board companies.
3. The protection institution's managers and employees must not, in any manner, hold any post or honorary position at an emerging stock board company.
4. Newly added provisions set out: (a) the documentary evidence from a mediation proceeding that must be filed together with the mediation agreement with a court for ratification; (b) rules governing the procedure for delivery of mediation documents; and (c) the reason for any refusal by a court to ratify a mediation agreement.

FSC amends the “Regulations Governing Securities Investment Trust Fund Beneficiaries Meetings”

To facilitate the adoption of electronic transmission as one of the methods for exercising voting power at meetings of securities investment trust fund beneficiaries, the FSC on 25 November 2020 amended the aforementioned Regulations. Key points of the amended provisions are as follows:

1. Parties that have the power to convene meetings of securities investment trust fund beneficiaries are allowed to adopt electronic transmission as one of the methods for exercising voting power at the meetings, and are required to indicate the voting method in meeting notices.
2. For meetings of beneficiaries that are convened via correspondence, in addition to the casting of votes in written form as before, the amended Regulations now additionally provide for the exercise of voting rights by electronic means, and set out the method by which to handle either the withdrawal or reiteration of an expression of intent.
3. For meetings of beneficiaries that are convened by attendance in person, in addition to the casting of votes in person or via proxy as before, the amended Regulations now additionally provide for the exercise of voting rights by electronic means, and set out the method by which to handle either the withdrawal or the reiteration of an expression of intent.
4. To clarify the procedures for exercise of voting rights by electronic transmission at meetings of beneficiaries, the amended provisions: (a) require beneficiaries to make an expression of intent using the form prepared by the convener of the meeting; (b) set out a time limit for delivery of an expression of intent; (c) define the legal effect of non-expression of intent; and (d) set out the method of handling the exercise of voting rights by electronic transmission on extraordinary motions and amendments to the original motions.

FSC amends the “Regulations Governing Approval of Certified Public Accountants to Audit and Attest to the Financial Reports of Public Companies”

In order to hold certified public accountant (CPA) firms to a more rigorous standard of quality control liability, to improve the quality of CPAs' auditing and attesting services, and to accommodate the practical needs of both CPAs and supervisory authorities, the FSC amended the aforementioned Regulations on 26 October 2020. Key points of the amended provisions are as follows:

1. Stronger requirements regarding work experience and ongoing professional development: To improve the quality of auditing and attesting services, practicing CPAs at a CPA firm applying to audit and attest to the financial reports of public companies are now required

to have at least 5 years of experience (up from the previous 3-year requirement) in conducting or assisting in the conduct of attestation to the financial reports of public companies. Also, in light of the fact that CPAs must be independent and perform engagement quality control reviews, the minimum number of CPAs with the aforementioned work experience at a CPA firm has been increased to 3. In addition, the amended provisions require that the CPAs at a CPA firm that applies to audit and attest to the financial reports of public companies must have completed at least 40 hours of continuing education during the most recent year (up from the previously required 20 hours).

2. Stronger requirements regarding duty of CPA firms to establish an engagement quality control system: The amended provisions: (a) expressly require CPA firms to establish an engagement quality control system in accordance with the provisions of the "Taiwan Statement of Auditing Standards No. 46"; and (b) set out "failure to establish or effectively implement an engagement quality control system" as a reason for denying a CPA firm's application to audit and attest to the financial reports of public companies.
3. Supervision of CPA switches: To accommodate practical needs and supervisory requirements, amended provisions expressly state that when, at a CPA firm that has obtained approval to audit and attest to the financial reports of public companies, a newly hired CPA is to conduct such auditing and attestation work, the firm must apply with the FSC for approval. When a CPA who, having been approved to audit and attest to the financial reports of public companies, subsequently leaves his/her CPA firm, the FSC must revoke that CPA's approval, and the CPA firm must report the matter to the FSC within a prescribed time period.

FSC explains necessity of sanctions imposed on insurers in recent years

FSC statistics show that from 1 January to 8 October 2020, among the various types of firms that received fines for deficiencies set out in financial examination reports or discovered in the course of routine supervisory work, only insurance brokerages and insurance agencies received more fines than that in the same period of 2019. As for types of fines, life and non-life insurers were fined mainly for affecting consumer interests and for shortcomings in internal controls or corporate governance, while insurance brokerages and insurance agencies were fined mainly for failure to properly confirm the suitability of insurance products for the buyers, failure to establish effective internal controls, and serious compliance or consumer protection shortcomings. Where shortcomings were minor, the FSC simply issued official reprimands or imposed no sanction at all, according to the principle of proportionality. In its supervisory work, the FSC's key focus is not on how heavy its fines are or whether the revenues generated by its fines meets any budgetary target. The main focus is whether firms that receive fines can correct shortcomings as quickly as possible so as to uphold the interests of customers, maintain orderly financial markets, and get insurers to change their behavior. The FSC calls upon insurers to appreciate the importance of internal controls, and to act accordingly, thereby comporting with the spirit of corporate governance and maintaining the professional image of insurers.

FSC amends the "Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance"

The FSC has completed a project to study possible adjustments to premium rates for various benefits paid out under individual travel accident insurance, and has decided to reduce standard premium rates for accident, death, and disability benefits under individual travel accident insurance by 10% effective from 1 January 2021.

Also, to improve the financial structure of insurers, beginning from 2021 they will be required, after the end of each fiscal year, to act in accordance with the "Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance" to take a prescribed share of premium income and set it aside to the special reserve account under owners' equity. This prescribed share is calculated as follows: (10% of total premium income) – (20% nominal tax).

FSC amends the "Regulations Governing Online Insurance Business and Online Insurance Services of Insurance Agent Companies and Insurance Broker Companies"

The FSC amended the aforementioned Regulations on 26 October 2020 in order to respond to the establishment of internet-only banks, to ensure compliance with the "Directions for Insurance Enterprises Engaging in Online Insurance Business," and to meet the business needs of financial institutions. The amended provisions: (a) allow for insurance agent companies and insurance broker companies to jointly promote auxiliary insurance products via the internet in cooperation with other types of business entities; (b) set out the method for determining whether an internet-only bank applying to conduct online insurance sales meets all financial and operating qualification requirements; (c) set out new methods of identity verification; and (d) require the establishment of monitoring and control mechanisms for investment-linked annuity insurance.

FSC amends the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies"

For the sake of consistent financial supervision, and in order to strengthen mechanisms for handling major contingencies, the FSC on 28 October 2020 amended the aforementioned Regulations. The amended provisions are as follows: (a) internal control procedures shall include mechanisms for handling major contingencies; (b) the provision in the aforementioned Regulations which requires that "auditors shall conduct a routine audit on different management units of the company at least once every year, and a special audit as deemed necessary" will not apply to a bank concurrently operating insurance broker or agent business that has already obtained the approval of the competent authority to adopt a risk-based internal auditing system; and (c) insurance broker companies, insurance agent companies, and banks concurrently operating insurance broker or agent businesses shall submit a report on the irregularities and deficiencies found in the previous year's internal audits as well as improvement actions taken to the competent authority within five months after the end of each fiscal year.

The new contract policy reserve rate in each currency for 2nd-half of 2020 to remain unchanged in 2021

To ensure that Taiwanese insurers are operated in a safe and sound manner, and to ensure that new contract policy reserves reflect market interest rates in a timely manner, the FSC announced that the policy reserve rates that applied to new life insurance policies in the second half of 2020 will remain unchanged in 2021. This decision: (a) was based on the fact that government bond yields in the second half of 2020 differed little from the first half; and (b) reflected the FSC's overall thinking regarding premium rate stability, consumer interests, and the operating costs of insurers. The FSC will continue to monitor market rates over the coming year and discuss the possibility of adjustments if the need arises.

International Activities

TFSR and TABF hold Fintech Taipei Forum 2020

On 28-29 October 2020, the Taiwan Financial Services Roundtable (TFSR) and the Taiwan Academy of Banking and Finance (TABF) held the "Fintech Taipei Forum 2020". Fintech experts from the United States, the United Kingdom, Australia, and five other foreign countries were invited to come and exchange views with representatives of the FSC and various financial industry self-regulatory organizations.

Industry Updates

FSC conducts first visits to pilot bilingual branches in central Taiwan

On 3 November 2020, the FSC Vice Chairperson Jean Chiu, National Development Council Deputy Minister Chien-Hwa Yu, and Political Deputy Minister of Finance Tsui-Yun Chuang proceeded together to central Taiwan to conduct visits at 2 pilot bilingual branches there for the first time. The branches visited were both in Taichung City – the Shi Zheng Branch of Taipei Fubon Commercial Bank, and the Taichung Branch of Chang Hwa Commercial Bank. Domestic banks have actively responded to the Bilingual Nation 2030 policy by adopting plans to open pilot bilingual branches in northern, central, and southern Taiwan. Since the promotion of pilot bilingual branches last year, 15 banks have opened 69 such branches.

Mega International Commercial Bank gets green light to apply for representative office in Hai Phong Vietnam

The FSC recently approved plans by Mega International Commercial Bank to apply with the authorities in Vietnam for permission to establish a representative office in Hai Phong. 14 domestic Taiwan banks currently have a total of 12 representative offices, 12 branches, and 1 banking subsidiary in Ho Chi Minh City, Hanoi, Dongnai, and elsewhere in Vietnam.

NPL ratio for domestic banks as of the end of October 2020

The total outstanding loans extended by the current 36 domestic banks increased by NT\$138.1 billion as compared to the figure of previous month and amounted to NT\$31.2445 trillion at the end of October 2020. Meanwhile, the NPLs of these banks totaled at NT\$77.7 billion which increased by NT\$3.7 billion from NT\$74 billion as of the end of the previous month. The average NPL ratio of the 36 banks was 0.25%, which was up by 0.01 percentage points compared to the previous month and the same month last year.

The coverage ratio of allowances for NPLs stood at 553.5%, which decreased by 26.34 percentage points from 579.84% of the previous month.

NPL situation of credit cooperatives at the end of October 2020

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$496 million as of the end of October 2020, generating an NPL ratio of 0.1%, up by 0.01 percentage points from 0.09% at the end of September

2020. The NPL coverage ratio was 2,132.54%, down by 149.44 percentage points from 2,281.98% at the end of September 2020.

Net foreign and mainland China investment in listed shares

As of the end of October 2020, foreign investors had bought around NT\$9,731.4 billion and sold around NT\$10,495.6 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$764.2 billion. In addition, foreign investors had bought around NT\$1,117 billion and sold around NT\$1,122 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$5 billion. Meanwhile, mainland China investors had bought around NT\$15.4 billion and sold around NT\$18 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$2.6 billion; mainland China investors had bought around NT\$3.7 billion and sold around NT\$5.1 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$1.4 billion. As for inward remittances by foreign and mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese, and foreign nationals at the end of October 2020 stood at approximately US\$198.1 billion, up by around US\$2.1 billion from US\$196 billion at the end of September 2020. The figure for cumulative net inward remittances by mainland China investors was US\$84 million, down by around US\$18 million from US\$102 million at the end of September 2020.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of August 2020

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of August 2020 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$344.453 billion, down by 7% from NT\$369.03 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$85.517 billion (around 25% of the total), down by 27% from NT\$117.28 billion year-on-year, and the sales of traditional insurance products totaled NT\$258.936 billion (around 75% of the total), up by 3% from NT\$251.75 billion year-on-year.

Profit/loss, net value and exchange gains/losses of the insurance industry in September 2020

The pre-tax profit of insurance enterprises at the end of September 2020 was NT\$210 billion; the pre-tax profit of life insurance enterprises was NT\$196.7 billion, an increase of NT\$22 billion, or 12.6%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$13.3 billion, up by NT\$0.1 billion or 0.8% compared with the same period in 2019.

Owners' equity of insurance enterprises at the end of September 2020 was NT\$2,333.3 billion; owners' equity of life insurance enterprises was NT\$2,196.4 billion, an increase of NT\$338.8 billion, or 18.2%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$136.9 billion, up by NT\$6.1 billion or 4.7% compared with the same period in 2019.

As of the end of September 2020, the NT Dollar had appreciated by 3.3% versus the US Dollar from the end of 2019, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$34.6 billion, down by NT\$20 billion from the end of 2019. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises was negative NT\$219.3 billion. Over the same period, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$476.3 billion.

Sales of spillover-effect insurance products and provision of in-kind benefits by life insurers in 2020 through Q3

As of the third quarter of 2020, the performance of life insurers in selling spillover-effect insurance products and providing in-kind benefits was as follows:

1. The FSC has approved or accepted registrations of 46 spillover-effect insurance products from 8 life insurance companies. In total, 121,774 new contracts for such products have been sold as of the third quarter of 2020, up by 329% from 28,383 compared to the third quarter of 2019. The first-year premium income was NT\$1,427.02 million, up by 287% from NT\$368.62 million compared to the third quarter of 2019.
2. The FSC has approved or accepted registrations of 21 in-kind payment insurance products from 6 life insurance companies. In total, 30,283 new contracts for such products have been sold as of the third quarter of 2020, down by 75.3% from 122,655 compared to the third quarter of 2019. The first-year premium income was NT\$16.18 million, down by 41.7% from NT\$27.79 million in the third quarter of 2019.

Investor and Consumer Protection

FSC requires dealer-owned auto insurance agents to inform consumers of the insurers they represent

When consumers purchase automobiles they usually buy auto insurance via a dealer-owned insurance agency, which will commonly represent multiple insurers. To help consumers be fully informed of their right to

choose among insurers, the FSC recently reminded consumers that, when purchasing auto insurance via a dealer-owned insurance agency, in addition to understanding the type of insurance they are buying, they are also free to choose which insurer they want to buy from, and do not have to simply let the insurance agent decide.

FSC urges consumers to understand scope of liability insurance coverage

With industrial and commercial activities rapidly expanding, and consumer consciousness on the rise, companies often transfer risks by means of liability insurance. However, disputes may occur when consumers do not fully understand the scope of liability insurance coverage. The FSC recently reminded consumers that the liability insurer is liable to provide indemnification when an insured party is legally obligated to indemnify a third party and receives a claim in connection therewith. Therefore, three criteria must be met before a liability insurer is to make indemnification: (a) the insured party is bound to indemnify for damage or injury of the third-party (b) the insured party is legally obligated to indemnify a third party; and (c) the third-party requires the insured to indemnify for damage or injury. The claim paid out under liability insurance is generally based on the result of a settlement agreement, mediation agreement, or court judgment, is determined on the basis of actual losses and is limited to no more than the coverage amount.

FSC reminds consumers to consider purchasing travel accident insurance

Due to the COVID-19 pandemic, people in Taiwan have become more interested in domestic travel. The FSC has recently reminded the public that, when planning to engage in domestic travel, there is more to consider than just itineraries, tourist information, and what to pack. In addition, travelers can also purchase travel insurance to guard against various travel risks.

Travel accident insurance mainly provides the insured party with coverage during the life of the policy against injury by accident (i.e. physical harm caused by unforeseen external events other than illness) that results in disablement or death. In addition, a traveler who purchases travel accident insurance can also supplement it with a personal injury medical expense endorsement to arrange for protection against medical expenses that might arise from injuries suffered during a trip. The FSC reminds the public that, before buying insurance, one must first thoroughly understand and compare the protections, coverage scopes, and claim application settlement procedures offered by different insurers. This approach is necessary in order to keep disputes from arising later on.

2020 School and Community Financial Literacy Campaign

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 80 financial literacy events in November 2020 at schools and organizations, including Longshan Elementary School in Hsinchu City, attracting a total attendance of 6,749 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of October 2020, a total of 6,759 events had been held and over 1.05 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, social welfare groups, senior citizens' groups, police, fire fighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2020. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau. For more information, please call (02) 8968-9709.

Major Enforcement Actions

FSC imposes sanctions on Hotai Insurance Co.

During the off-site supervision and on-site inspection, the FSC found that Hotai Insurance Co. had failed to establish firewalls between the company and its affiliated enterprises and obeyed decisions made by its parent company without observing its internal standards, thus severely violating the principles of corporate governance and the three pillars of internal control. Besides, serious internal control deficiencies with respect to its monitoring and control of personnel appointments, premium collection, and issuance of insurance policies were found as well. Such deficiencies are violations of the "Insurance Act." Accordingly, the FSC handed the company administrative fines totaling NT\$11.4 million and ordered the company file an integrated corrective action plan within 3 months addressing problems in its internal controls, legal compliance, and internal audits. The FSC also ordered the company to punish the personnel responsible for the violations.

Personnel Changes

Personnel changes at the FSC

Former Deputy Director-General Su-Fen Chen of the FSC Financial Examination Bureau retired on 2 December, 2020, and her vacated position was filled that same day by Tzu-Ming Cheng, who was promoted from the position of Deputy Director of the Financial Examination Bureau's Division.