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Ministry of Justice Anti-Corruption Hotline 0800-286-586
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- Promulgation of the “Operation Directions Governing Insurance Enterprises Application for the Approval of Business Trials”
- Promulgation of the interpretive order of Article 2 of the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises
- Promulgation of the determination criteria and handling principles for the “immediate use” and “benefit” of real estate invested by an insurance company specified in Paragraph 1 of Article 146-2 of the Insurance Act

Policy and Law

Promulgation of the “Operation Directions Governing Insurance Enterprises Application for the Approval of Business Trials”

The FSC promulgated the aforementioned Operation Directions on August 13, 2019 for insurance companies related to application for innovation cases, which may include services for enhancement of their competitiveness and improvement on the protection of financial customer rights. The business activities which insurance companies are allowed to apply for the trials are as follows: (1) expansion of approved business activities of an insurance company; (2) “other business activity” that regulations authorize the competent authority may grant approvals; (3) the business activities that other insurance companies have not submitted applications for the trials, or have submitted applications but have not kicked off the operation; or (4) the business activities may be the same as those involved in innovation experiments that are approved in accordance with the Financial Technology Development and Innovative Experimentation Act. However, insurance companies shall apply for innovation experiments instead of trials if the business activities involve anything prohibited by laws and regulations.

Promulgation of the interpretive order of Article 2 of the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises

On August 16, 2019, the FSC promulgated the order, allowing insurance companies to invest and participate in government-led urban renewal projects which the land or superficies right is 100% held by the National Housing and Urban Regeneration Center (HURC), in order to increase the number of government-led urban renewal projects that insurance

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)



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companies can participate in.

Promulgation of the determination criteria and handling principles for the “immediate use” and “benefit” of real estate invested by an insurance company specified in Paragraph 1 of Article 146-2 of the Insurance Act

In order to encourage insurance companies to invest in domestic long-term care facilities and real estate needed by senior housing for rent, the FSC promulgated the order on August 23, 2019 to reduce the regulatory requirements on the minimum annualized return rate of the real property investments in long-term care facilities and senior housing for rent.

International Activities

Australian Government’s FinTech Advisory Group visited the FSC on August 28, 2019

Mr. Scott Farrell, Co-chair of Australian Government’s FinTech Advisory Group, was warmly received by FSC Chairman Koo on August 28, 2019. The two sides broadly exchanged views on “Open Banking” issue.

Industry Updates

The FSC approved Taiwan Cooperative Bank for providing loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral

On August 23, 2019, the FSC approved Taiwan Cooperative Bank for providing loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral when the bank is the trustee. The bank is the first bank to receive such approval.

To avoid trustors overleveraging their finance and ensure banks’ loan assets are secured, the FSC has established the related control mechanism for the aforementioned business activities. Banks interested in this business may submit their applications after finishing their information systems modification and introducing the related internal control mechanism. Currently, there have been other banks submitted such applications. The FSC will review the applications and grant approvals to those banks which meet the criteria.

FSC held award meetings for securities firms and insurance companies who outperformed in regard to “Treating Customers Fairly Principles”

The FSC held two award meetings on August 14 and 16, 2019 respectively, for communication over the mechanism for assessing the performance of insurance companies and securities firms in regard to their compliance with the Treating Customers Fairly Principles and acclaim of the companies with outperformance. The FSC presented awards to the outstanding companies, who shared their compliance practices and related experiences with their peers

for their reference with respect to their promotion of protection of consumer rights. The FSC also shared the violation, deficiencies and related cases discovered through its supervision activities for review of operation procedures or establishment of control mechanism of these companies, in order to enhance their mechanism and performance of compliance with the Treating Customers Fairly Principles.

FSC announced the list of insurance firms rewarded for outstanding performance in support of the Program for Improving Insurance Protection for the People

In order to maximize the insurance coverage and provide citizens with adequate coverage of personal insurance, the FSC has implemented the “Program for Improving Insurance Protection for the People.” Insurance firms which meet certain requirements for performance are offered incentives, such as addition of the number of new financial instruments submitted for review and regularly publishing a list of firms with outstanding performance. The insurance firms that achieved outstanding performance for increasing insurance protection January-June 2019 include 15 life insurance firms, including BankTaiwan Life Insurance, PCA Life Assurance, China Life Insurance, Nan Shan Life Insurance, Shin Kong Life Insurance, Fubon Life Insurance, Allianz Taiwan Life Insurance, First Life Insurance, TCB Life Insurance, Prudential Life Insurance, TransGlobe Life, Yuanta Life Insurance, AIA, BNP Paribas Cardif, and Chubb Tempest Life Reinsurance. They were granted an extra 1 to 4 submissions of products for review.

NPL ratio for domestic banks at 0.23% at the end of August 2019

The total outstanding loans extended by the current 36 domestic banks at the end of August 2019 increased by NT\$142.6 billion as compared to the figure of the previous month and amounted to NT\$29.48 trillion. Meanwhile, the NPLs of these banks totaled at NT\$68.9 billion, which decreased by NT\$0.9 billion from the end of last month. The average NPL ratio of the 36 banks decreased by 0.01 percentage points from the end of the previous month to 0.23% and was down by 0.04 percentage points compared to the same month of the previous year (2018).

The average coverage ratio of allowances for NPLs at the end of August 2019 increased by 12.53 percentage points to 594.97% from 582.44% of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of August 2019.

NPL situation of credit cooperatives at the end of August 2019

Total NPLs at Taiwan’s 23 credit cooperatives stood at approximately NT\$0.59 billion as of the end of August 2019, generating an NPL ratio of 0.12%, down by 0.01 percentage points from 0.13% at the end of July 2019.

The NPL coverage ratio was 1,677.82%, up by 95.75 percentage points from 1,582.07% at the end of July 2019.

Net foreign and Mainland China investment in listed shares

As of the end of August 2019, foreign investors had bought around NT\$5,058.6 billion and sold around NT\$5,139.6 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$81 billion. In addition, foreign investors had bought around NT\$606.3 billion and sold around NT\$594.3 billion worth of shares listed on Taipei Exchange, amounting to a net-buy of around NT\$12 billion. Meanwhile, Mainland China investors had bought around NT\$14,078 million and sold around NT\$14,771 million worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$693 million; Mainland China investors had bought around NT\$2,328 million and sold around NT\$1,842 million worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$486 million.

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 August 2019 stood at approximately US\$199.4 billion, down by around US\$6.4 billion from US\$205.8 billion at the end of July 2019. The figure for cumulative net inward remittances by Mainland China investors was US\$186 million, down by around US\$1 million from US\$187 million at the end of July 2019.

Sales situation of foreign-currency denominated products by life insurance industry as of the end of June 2019

The sales situation of foreign-currency denominated products by life insurance industry as of the end of June 2019 (accumulated) was as follows: the premium revenue from new foreign-currency denominated policies was equivalent to around NT\$287.124 billion, down by 20% from NT\$356.988 billion compared with the same period last year. Among them, investment-linked insurance products accounted for NT\$85.802 billion (around 30% of the total), down by 40% from NT\$143.299 billion compared with the same period last year, and the sales of traditional insurance products totaled NT\$201.322 billion (around 70% of the total), down by 6% from the NT\$213.689 billion compared with the same period last year.

Profit/loss, net value and exchange gains/losses of the insurance industry in July 2019

Pre-tax profit of insurance enterprises at the end of July 2019 was NT\$147.7 billion; pre-tax profit of life insurance enterprises was NT\$137.4 billion, an increase of NT\$29.7 billion, or 27.6%, compared with the same period in 2018; pre-tax profit of non-life insurance enterprises was NT\$10.3 billion, down by NT\$1 billion or 8.8% compared with the same period

in 2018.

Owners' equity of insurance enterprises at the end of July 2019 was NT\$1.907 trillion; owners' equity of life insurance enterprises was NT\$1.7782 trillion, an increase of NT\$333.1 billion, or 23.1%, compared with the same period in 2018; owners' equity of non-life insurance enterprises was NT\$128.8 billion, an increase of NT\$9.7 billion or 8.1% compared with the same period in 2018.

Up to the end of July 2019, depreciation of the NT\$/US\$ exchange rate was 1.18%, and the balance of foreign exchange valuation reserve of life insurance enterprises was NT\$83.7 billion, the same as last month. Pre-tax profit of life insurance enterprises at the end of July 2019 including the exchange gains/losses, hedging gains/losses, and the net effects of foreign exchange valuation reserve was NT\$137.4 billion.

Investor and Consumer Protection

Reinforcement of the instant notification mechanism for credit card transactions

To allow cardholders to keep abreast of their credit card transactions and so be able to identify suspicious ones, the FSC has instructed the Bankers Association of the Republic of China and card issuers to establish an instant notification mechanism for credit card transactions as follows:

1.General Transaction Notification:

(1)Where credit card issuers have already provided transaction notification which can be set by the cardholders through the official website or APP push notification, the card issuers shall enhance promotion to encourage customers to use such function.

(2)Where card issuers do not provide the service mentioned above, they will text or email the cardholders in real-time when a general credit card transaction reaches NT\$5,000 or more.

2.Online Transaction Notification: Card issuers will text, send through APP or email to notify the cardholders in real-time when an online credit card transaction reaches NT\$5,000 or more, or the number of online overseas transactions reaches 5 or more a day.

FSC reminds people to carefully read the insurance policy terms and conditions before purchasing

Given that many insurance disputes derive from policyholders not reading carefully the insurance policy in advance, the FSC called on the consumers to read the terms and conditions stated in the insurance policy in detail and fully understand whether the insurance products meet their needs before purchasing. The FSC stated that policyholders and insurers shall abide by the rights and obligations set forth in insurance contracts. When an insurance incident occurred, the claims handling shall also follow the contracts. Thus, reading the insurance contracts is the first step for policyholders to protect their own rights and interests. Considering that consumers are generally not familiar with insurance, the FSC reminded consumers to

understand the nature of the insurance products, scope of coverage (payment items), exclusions and exception clauses and read the insurance product brochure. In this way, consumers would more easily and effectively grasp the main points of the insurance products.

Cross analysis of long-term care insurance policyholders' gender, age, districts they are located, and annual income

As of the first half of 2019, life insurance firms have 692,081 effective long-term care insurance contracts which male policyholders account for 45.52%, and female policyholders account for 54.48%. It shows that women have slightly greater need for long-term care insurance than men. With regard to the influence of age on the demand for long-term care insurance, the age of policyholders is mainly from 40 to 49 years old, where male and female policyholders account for 24.73% and 29.90%, respectively. It may be related to the fact that, as people grow old and reach financial stability, they gradually cherish their health and the needs of long-term care in the future. When this kind of insurance products is promoted and advocated in future, the concept of "early planning" will be reinforced in order to raise young peoples' (20 to 39 years old) willingness to purchase long-term care insurance.

When categorizing the data mentioned above based on policyholders' contact address, among the 6 special municipalities, Tainan City had the highest insurance coverage rate, 2.12% for men, and 4.56% for women; among the 16 counties and cities, Yilan County had the highest insurance coverage rate, 3.01% for men, and 6.41% for women.

When analyzing the 32,954 new contracts in the first half of 2019 based on the annual income (intervals of NT\$0.5 million) of the policyholders, it shows that the policyholders with annual income of NT\$0.51 million to 1 million account for the majority, 41.17% for men, and 43.88% for women; when annual income exceeds 1 million, the proportion of female policyholders is slightly lower than that of male policyholders.

Gender statistics of microinsurance in the second quarter of 2019

As of the second quarter of 2019, microinsurance has covered 692,329 people accumulatively, among which there are 357,813 (51.68%) female policyholders, more than male policyholders, 334,516 (48.32%). People insured are mainly of Taiwanese indigenous people, 250,433 (36.17%), where women account for 53.85%, higher than that of women insured overall, 51.68%. Age range covered is primarily from 20 to 29 years old, in total 173,408 people (25.05%), where women account for 51.87%, quite close to that of women insured overall, 51.68%. In terms of region, Taoyuan City has the highest number of people insured, 160,405 (23.17%), where women account for 50.50%, lower than that of women insured overall, 51.68%, though the gap is not large.

2019 School and Community Financial Literacy Campaign

As part of 2019 School and Community Financial Literacy Campaign, in September 2019 the FSC held 35 financial literacy promotion sessions at schools and organizations, including Nantou Guanghua Elementary School, with a total of 4,462 participants. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of September 2019, in all 6,180 sessions have been held and over 1 million people have attended. The target participants include students at all levels of schools, communities, women's groups, indigenous people, immigrants and military service personnel.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2019. 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

Shin Kong Commercial Bank Co., Ltd. was fined

When conducting money-laundering prevention operations, Shin Kong Commercial Bank did not properly carry out customer due diligence and ongoing monitoring procedures and also failed to report large cash transactions; thus, it was in violation of Article 45-1 of the Banking Act. The FSC imposed a fine of NT\$4 million on the bank in accordance with Subparagraph 7 of Article 129 of the Banking Act at the time the conduct occurred.

Union Bank of Taiwan was fined

Concerning online applications for trust accounts opening by customers with an existing deposit account, Union Bank of Taiwan failed to set up operating procedures for ongoing customer due diligence to assess customers' risk. The bank, which had deficiencies in failing to establish an internal control system properly, that were detrimental to identifying, assessing and monitoring money-laundering risk, violated Paragraph 1 of Article 45-1 of the Banking Act. The FSC thus imposed a fine of NT\$2 million on the bank in accordance with Subparagraph 7 of Article 129 of the Banking Act at the time the conduct occurred.

Yuanta Commercial Bank Co., Ltd. was fined

When engaging in information operations, a deficiency led to some of Yuanta Commercial Bank's recorded information lost. The bank was in violation of Paragraph 1 of Article 45-1 of the Banking Act due to failing to implement its internal control system properly. The FSC thus imposed a fine of NT\$2 million on the bank in accordance with Subparagraph 7 of Article 129 of the Banking Act at the time the conduct occurred.