

## Simple Life Insurance Act

### Article 1

This Act is being established to provide citizens with basic financial security, to construct a sound simple life insurance system, and to provide convenient and accessible insurance products for all citizens so as to add to the general welfare. Where matters are not covered under this Act, all other laws shall govern.

### Article 2

With regard to the simple life insurance managed by Chunghwa Post Co., Ltd. (hereinafter called Chunghwa Post), the Ministry of Transportation and Communications (MOTC) shall be its competent regulatory agency, and the Financial Supervisory Commission (FSC) will supervise its business operations.

With regard to the simple life insurance business of other insurance firms, the competent regulatory agency shall be the FSC, and Article 4 and Articles 6 to 26 hereof shall apply.

### Article 3

Chunghwa Post shall be the insurer for the simple life insurance it manages (hereinafter called postal simple life insurance) and, by law, it shall be responsible for the settlement of all claims.

### Article 4

Simple life insurance includes pure endowment insurance, mortality insurance and endowment insurance, and insurance carriers may offer health insurance and accident insurance in the form of riders.

### Article 5

The MOTC and the FSC shall jointly set the maximum and minimum insured amounts for postal simple life insurance as well as the limit for the total insured amount for which an individual may be covered.

In the event that the insured amount exceeds the upper limit as set in the preceding paragraph, the excess portion of the contract shall be deemed null and void and the premium paid for the excess portion shall be refunded without interest.

### Article 6

Those insured with simple life insurance shall not be required to have a physical checkup.

### Article 7

Non-ROC citizens are not eligible to be insured.

If the insured is a minor under 15 years of age when a simple life insurance contract (hereinafter called insurance contract) is entered into, with the exception of health insurance, the death benefits shall go into effect on the minor's 15th birthday. If the

insured dies before he or she turns 15, the insurer shall refund all premiums paid with interest.

The calculation of interest payments mentioned in the preceding paragraph shall be set forth by the FSC.

If any of the provisions from Paragraph 2 to Paragraph 3 is found to contradict applicable laws, then the applicable laws shall prevail.

#### Article 7-1

When a simple life insurance contract is entered into, if the insured is subject to the declaration of guardianship and such declaration has not yet been revoked, then all death benefits, with the exception of funeral expenses, shall be deemed null and void. This voiding of benefits does not apply to health insurance.

The insured amount for the funeral expenses mentioned in the preceding paragraph may not exceed one half of the funeral expense deduction allowed under Article 17 of the Estate and Gift Tax Act.

If any of the provisions from Paragraph 1 to Paragraph 2 is found to contradict applicable laws, then the applicable laws shall prevail.

#### Article 8

The insurance contract may be executed by the insured or a third party.

A contract shall be deemed null and void in the event that it is executed by a third party without written consent from the insured that specifies the insured amount. The insured may, at any time, notify the insurer and the applicant in writing to rescind consent made in accordance with the preceding paragraph.

In the event that the insured rescinds consent by exercising the right granted in the preceding paragraph, it shall be deemed that the applicant has terminated the insurance contract.

#### Article 9

When the applicant and the insured are not the same person, the applicant must have an insurable interest in the insured.

#### Article 10

Upon acceptance of an insurance application, the insurer shall issue an insurance policy.

#### Article 11

The insurance contract shall become effective as of the date that the insurance policy is issued. However, prior to the acceptance of the application, if the insurer collected an advance payment equal to the premium for the first term, then the insurer is liable from the moment of acceptance of the advance premium payment.

#### Article 12

Simple life insurance carriers may not take legal action to get the insured to pay

premiums.

#### Article 13

When a premium payment for a renewed policy has not been paid within one month from the date that it is due, the insurer shall notify the applicant within ten days and grant a grace period starting from the due date of three months for the current payment due. If the premium has still not been paid at the conclusion of the grace period, the insurance contract shall cease to be valid.

Once an insurance contract ceases to be valid in accordance with the provisions of the preceding paragraph, the insurer shall not be liable for any claims.

#### Article 14

In the event that an insurance contract ceases to be valid, the applicant may apply for reinstatement of the contract within two years.

Upon the consent of the insurer to reinstate an insurance contract, the contract shall become effective from the date that the unpaid premiums and interest accrued thereof are fully paid.

#### Article 15

When entering into an insurance contract or applying for reinstatement of an insurance contract in accordance with the foregoing article hereof, the applicant and the insured are required to answer truthfully the insurer's questions in writing.

In the event that the applicant or the insured fails to disclose facts, whether intentionally or unintentionally, or makes misrepresentations that may cause to alter or lower the insurer's estimation of the risk it will take on, the insurer may cancel the insurance contract. When a contingency requiring payment of insurance benefits has already transpired, the insurer may likewise refuse to pay when the misrepresentations were germane to the contingency requiring payment. However, when the applicant or the insured is able to prove that the undisclosed facts or misrepresentations had nothing to do with the contingency requiring payment, the insurer shall still be required to pay.

#### Article 16

The right to cancel an insurance contract as mentioned in the preceding article, if not exercised, shall be extinguished one month after the cause for termination has been known to the insurer. In the event that the insured peril occurs at least two years after the execution of the original contract or the reinstatement of the insurance contract, the insurer may not cancel the insurance contract even if there had been a valid reason to discontinue.

Where an insurance contract is cancelled in accordance with the provisions set forth in the preceding paragraph, the applicant may not make any requests other than to apply for the policy value reserve that the applicant is entitled to under the

provisions of Article 21 hereof.

#### Article 17

Unless otherwise specified, the applicant may, when executing the insurance contract, prior to maturity of the insurance contract or prior to occurrence of event insured against, designate or change the beneficiary. However, in the case that the applicant and the insured are not the same person, consent in writing from the insured must be first obtained.

In the event that a beneficiary has not been specified, where the settlement of a claim is based on the death of the insured, the benefit payable shall be deemed as part of the insured's inheritance; where the settlement of a claim is not based on the death of the insured, the insured shall be the beneficiary. In the event that the insured dies before the benefit is paid, the policy's endowment or the policy value reserve shall be deemed as belonging to the insured's inheritance.

#### Article 18

The applicant may at any time request the insurer to terminate the insurance contract; however, the effectiveness of the termination shall not be retroactive.

#### Article 19

With regard to insurance contracts executed before the enforcement of this amended Simple Life Insurance Act, in the case that the insured dies after the enforcement of this amended Act, the beneficiaries may receive the benefits in accordance with the following provisions:

1. All premiums that have been paid will be returned if the death occurs within three months.
2. One-fourth of the coverage will be paid out if the death occurs within three to six months.
3. Half of the coverage will be paid out if the death occurs within six to nine months.
4. The full amount of the coverage will be paid out if the death occurs after nine months.

#### Article 20

In the event that any of the following circumstances occur with regard to an insurance contract, the insurer shall, other than following the provisions under Article 21 hereof, not be held liable for any claims:

1. The insured intentionally commits suicide within one year from the date of commencement or from the date of reinstatement of the insurance contract.
2. The applicant intentionally causes the death of the insured.
3. The insured is executed for crimes committed or dies when resisting arrest or breaking out of jail.
4. The death of the insured is caused by war or other breakdown of public order.

5. Illness, disability, miscarriage or death resultant from intentional suicide, suicide attempt or abortion by an insured in the case of a health insurance policy; as well as injuries, disability or death resultant from intentional suicide, suicide attempt or from crimes committed by an insured in the case of an accident insurance policy.

#### Article 21

Where Articles 16, 18 or subparagraph 1, 3 or 4 of Article 20 applies and the premium has been paid for over one year, the applicant may, in accordance with the provisions under this Act, apply for a refund of the entitled policy value reserve.

Where subparagraph 2 of Article 20 applies and the premium has been paid for over one year, the insurer shall make the policy value reserve payable to whomsoever is so entitled.

#### Article 22

In the event that a beneficiary intentionally caused the death or attempted to cause the death of the insured, the beneficiary shall not be entitled to claim the death benefit of the insured.

In the event that a beneficiary intentionally inflicts injury upon the insured, the beneficiary shall not be entitled to claim the benefits payable under the accident insurance of the insured.

In the event of either of the circumstances mentioned in the two preceding paragraphs and there are other beneficiaries, the other beneficiaries may split the entire benefit payable in equal shares; where there are no other beneficiaries, the benefit payable shall be deemed as the inheritance of the insured.

#### Article 23

The applicant of a simple life insurance policy may, once the premium has been fully paid for more than one year, use the policy as collateral to apply for a loan not exceeding the policy value reserve with the insurer.

Prior to repayment of the loan described in the preceding paragraph, any unpaid principal and interest thereof shall be deducted from the endowment or benefits payable if and when the insurance contract ceases to be valid, terminates, reaches maturity or an event insured against has occurred.

#### Article 24

The insurer of a simple life insurance policy may not have the subrogated right of action against a third party on behalf of the applicant or the beneficiary in case an event insured against takes place.

#### Article 25

All rights generated from an insurance contract shall, if not exercised, be extinguished 5 years after the date of eligibility for claims.

#### Article 26

In the case of insurance contracts executed by a third party, the transfer of the rights or pledge thereof shall not come into effect without acknowledgement in writing by the insured.

#### Article 27

With the exception of deposits, utilization of postal simple life insurance capital shall be governed by subparagraphs 1, 2, 3, 5, 7, and 8 of paragraph 1 as well as paragraph 3 of Article 146, Article 146-1 to 146-4, 146-7 and 146-8 of the Insurance Act.

Subject to approval by the MOTC, Chunghwa Post may finance major public projects. However, the total financing amount may not exceed 30% of its capitalization.

The term capital used in the two foregoing paragraphs refers to owners' equity and various kinds of reserves.

#### Article 28

Accounting of postal simple life insurance shall be handled independently.

#### Article 29

The capital of postal simple life insurance shall be subject to approval by Executive Yuan via the MOTC and a bond of 15% of the capitalization shall be deposited in the national treasury.

#### Article 30

( Deleted )

#### Article 31

The MOTC and the FSC shall jointly formulate the terms and conditions of insurance policies, the rates of premiums and other related information, as well as the procedures taken before a sale, qualifications of persons-in-charge, actuaries, underwriters and claims adjusters, employment and certification, management of insurance agents and all other related matters of the postal simple life insurance business.

#### Article 32

Unless otherwise stipulated, Articles 137, 137-1, 138-1, 139, 141, 144, 145, subparagraph 4 and 6 of paragraph 1 as well as paragraphs 4 and 5 of Article 146, Articles 146-5, 146-6, 147, paragraphs 2 to 7 of Article 149, Article 149-1 to Article 162, Articles 166, 167, Articles 168 to 174, Article 176 and the regulations regarding the supervision of insurance agents, brokers and adjusters in Article 177 of the Insurance Act shall not apply to postal simple life insurance.

Five years after the establishment of Chunghwa Post, paragraphs 1 to 3 of Article 143-4 shall apply to postal simple life insurance.

#### Article 33

Should Chunghwa Post violate paragraph 1, 2 or 3 of Article 138, subparagraph 1, 2, 3, 5, 7 or 8 of paragraph 1; paragraph 2 or 3 of Article 146, Articles 146-1 or 146-2,

paragraph 1, 2, or 4 of Article 146-3, Articles 146-4, 146-7 or paragraph 2 of Article 163 of the Insurance Act, a fine of NT\$300,000 to NT\$1,500,000 will be levied. Should Chunghwa Post violate paragraph 3 of Article 146-3 or paragraph 1 of Article 146-8 of the Insurance Act, the violator shall be subject to a prison term of not more than three years, detention, or in lieu thereof or in addition thereto a fine of not more than NT\$3,000,000.

#### Article 34

When the FSC, in accordance with Article 148 of the Insurance Act, dispatches its own inspector or consigns an appropriate agency or experienced professionals to inspect Chunghwa Post's business and financial status, or instructs Chunghwa Post to provide a report on its operation within certain time, the person-in-charge or any employees of Chunghwa Post shall be subject to a fine of NT\$500,000 to NT\$2,500,000 in the event that any of them is found to be remiss in any of the following ways:

1. Any of them shuns, impedes, or refuses attempts at inspection.
2. Any of them conceals, damages or destroys account books related to its business or financial status.
3. Any of them refuses to answer without appropriate cause or purposefully provides false information when inspectors ask about their duties.
4. Any of them fails to meet the deadline for submitting a financial statement, list of assets or other related information, or submits false or incomplete reports, or fails to make payment for an inspection/audit within the given time limit.

When the FSC, in accordance with paragraph 4 of Article 148 of the Insurance Act, dispatches inspectors to inspect Chunghwa Post's affiliated businesses or other financial institutions, any of them who fails to provide a financial statement, accounting books, documents or other related transaction information shall be subject to a fine of NT\$500,000 to NT\$2,500,000.

#### Article 35

The person-in-charge or any employees of Chunghwa Post, or anyone who makes investment in the name of others and consequently directly or indirectly controls the personnel affairs, finances or business management of Chunghwa Post, with the intention to profit either themselves or a third party or to impair the interests of Chunghwa Post by engaging in behavior at variance with the business operations of postal simple life insurance managed by Chunghwa Post and thereby causes damage to the property or interests of Chunghwa Post, shall be subject to a prison term of one to seven years, or in addition thereto a fine of not more than NT\$30,000,000. In the event that the person-in-charge or any employees of Chunghwa Post, or anyone who makes an investment under someone else's name and consequently

directly or indirectly controls the personnel affairs, finance or business management of Chunghwa Post, and the crime as mentioned in the preceding paragraph is committed by two or more persons, the terms of punishment shall be increased by one-half.

Anyone who attempts to commit the crimes mentioned in the two preceding paragraphs hereof shall be punished by law.

#### Article 36

Should Chunghwa Post fail to meet the deadline or refuse to contribute for the Safety Fund, the FSC may, depending the seriousness of the case, levy a fine of NT\$240,000 to NT\$1,200,000.

#### Article 37

If Chunghwa Post is found to be remiss in any of the following ways, a fine of NT\$300,000 to NT\$1,500,000 shall be levied. In addition, the underwriters or actuaries involved may be replaced.

1. Violation of paragraph 1 of Article 5, Article 7, Article 7-1, Paragraph 2 of Article 8, Article 9, Paragraph 1 of Article 13, the proviso stated in Paragraph 1 of Article 17, and Articles 26 and 28 hereof.
2. Violation of rules regarding deposit of the reserve or its calculation as stipulated under the Regulations Governing Enrollment in Postal Simple Life Insurance Policies, which are formulated in accordance with Article 42 hereof.
3. Violation of Article 31 hereof concerning rules of compulsory enforcement or prohibition.

#### Article 38

In the event that Chunghwa Post should violate paragraph 1 of Article 148-2 of the Insurance Act by failing to provide the document of explanation for reference, or the document of explanation provided fails to provide the information required or contains misrepresentations, Chunghwa Post shall be subject to a fine of NT\$300,000 to NT\$1,500,000.

In the event that Chunghwa Post violates paragraph 2 of Article 148-2 of the Insurance Act by failing to make a report to the FSC or failing to take the initiative to make an open explanation before the deadline, or the report provided to the FSC or the open explanation runs counter to fact, Chunghwa Post shall be subject to a fine of NT\$150,000 to NT\$750,000.

#### Article 39

After Chunghwa Post is fined and is ordered to take corrective action within a certain time period in accordance with the Act hereof, in the case that Chunghwa Post fails to take corrective action by the given time limit, fines can be levied successively.

#### Article 40

The administrative punishments under this Act hereof are administered by the FSC, and the MOTC shall be kept duly informed.

Article 41

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Article 42

Subject to approval by Executive Yuan, the MOTC and the FSC shall jointly formulate postal simple life insurance's policy forms; terms and conditions for policy execution, change, reinstatement, termination and policy loans; settlement, premium rates, types of reserves, reserve deposits, and the calculation of reserves; as well as rules regarding other matters.

Article 43

The date of enforcement for this Act shall be at the directive of the Executive Yuan. The amendments to this Law shall take effect from the date of promulgation.