

Taiwan Insurance Guaranty Fund

Establishment of Taiwan Insurance Guaranty Fund

In order to efficiently integrate the resources of Taiwan Insurance Guaranty Fund, set up and implement the exit mechanism, conduct off-site monitoring, strengthen the early warning system, have a good grasp of the performance of the insurance industry and help the regulator supervise and control the risks of insurance companies in a timely manner, the Fund is set up as a dedicated institution to actively carry out the functions mandated by the Insurance Act. On April 15, 2009, the Fund held its first donors' meeting. The Articles of Taiwan Insurance Guaranty Fund were finalized on May 8, 2009, and the Fund was established on July 3, 2009 accordingly..

1. Organization

The Fund has a Board of Directors composed of a minimum of thirteen and a maximum of seventeen members. The board elects one of its members to be the chairman. The chairman presides over the board meetings internally and represents the Fund externally.

The president of the Fund manages the entire operation of the Fund with the assistance from two vice presidents. There are three departments: Finance Department, Business Department and Administration Department. The three departments promote and carry out the Fund's business.

(1) Finance Department:

- Collections, payments, custody and uses of funds.
- Property custody and other accounting related matters.

(2) Business Department:

- Businesses related to Article 143-1 and the first paragraph of Article 143-3 of the Insurance Act.
- Researching and planning on exit mechanism of the insurance industry.

- Collection, classification, analysis, tracking and control of information obtained from the insurance industry.

(3) Administration Department:

- Legal affairs.
- Information Technology.
- Clerical, cashier, procurement, personnel, and other general affairs.

2. Duties and Responsibilities of the Fund

(1) The Fund shall handle the following matters:

- i. Extend loans to insurance enterprises experiencing business difficulties.
- ii. The Fund may provide low-interest loans or subsidies to insurance enterprises that incur loss by merging with troubled insurance enterprises or assuming their contracts.
- iii. When, in accordance with the provisions of Article 149, paragraph 4, an insurance enterprise is placed into receivership, ordered to suspend business and undergo rehabilitation, or ordered to dissolve, or when a receiver applies to a court for reorganization in accordance with the provisions of Article 149-2, paragraph 3, the Fund shall, as necessary, advance funds on behalf of the insurance enterprise to settle claims which policyholders, insureds, and beneficiaries are entitled to made under in-force contracts, and with respect to the amount thus advanced shall succeed to and exercise the rights of claim of those proposers, insureds, and beneficiaries against the insurance enterprise.
- iv. In order to safeguard the interests of insured parties and help expedite reorganization proceedings, when an insurance enterprise undergoes reorganization in accordance with provisions of the Insurance Act, policyholders insureds, and beneficiaries shall, unless they object in writing, be deemed to have granted consent for the Fund to act as their agent in attending meetings of related parties and exercising rights

related to the reorganization. The Fund shall adopt procedures for actions they take when serving as agent, as well as other compliance matters, and shall file them with the competent authority for recordation.

- v. Act as receiver, rehabilitator or liquidator upon appointment by the competent authority.
- vi. Assume, upon approval by the competent authority, the insurance contracts of insolvent insurance companies.
- vii. Undertake other matters, as approved by the competent authority, to stabilize the insurance market or safeguard the interests of insured parties.

(2) The Fund shall adopt rules governing the timing, scope, and dollar amount of their drawdown of funds to handle the matters set out in subparagraphs 1 to 3 and subparagraph 7 of the preceding paragraph, and shall file them with the competent authority for approval.

(3) Where an insurance enterprise applies to the Fund in accordance with paragraph 1, subparagraph 2 for subsidization of losses incurred upon merging with a troubled insurer or assuming such an insurer's contracts, the dollar amount may not exceed the total amount of funds advanced by the Fund pursuant to subparagraph 3 of the same paragraph.

3. Future Tasks

- (1) Establish a complete early warning system, help the regulator grasp the performance of the insurance industry, and assist the insurers to manage their business risks.
- (2) Develop and implement an exit mechanism for the insurance companies to protect the interests of policyholders and maintain financial stability.
- (3) Help the insurance industry understand domestic and international financial trends, gain insight to the changes of the business environment and manage business risks.