

May 30, 1990

AGREED MINUTES: INSURANCE

Delegations from the Coordination Council for North American Affairs (CCNAA) and the American Institute in Taiwan (AIT) met in Washington, D.C. on May 29, 1990, to discuss insurance issues. During the discussions, the two sides discussed the following points:

1. CCNAA reaffirmed that the policy of its authorities is to liberalize and internationalize the insurance market in the territory represented by CCNAA. CCNAA also stated that the Executive Yuan had asked the Legislative Yuan to include the amendments to the Insurance Law among the twelve bills which would receive priority review during the current session.
2. AIT reiterated its request that the laws and regulations governing insurance in the territory represented by CCNAA be transparent, predictable and non-restrictive, and provide foreign insurance providers access to the market on a national treatment basis.
3. CCNAA stated that the regulations referred to in paragraph 6 would be promulgated within six to twelve months, as CCNAA expected that the Insurance Law Implementing Regulations (保險法施行細則) would be promulgated within six to twelve months after passage of the amendments to the Insurance Law.
4. AIT stressed the importance of the implementing regulations to the Insurance Law to market access for U.S. insurance companies in the territory represented by CCNAA.
5. CCNAA stated that the increase in the annual quota for U.S. insurance companies outlined in the April 23 Memorandum will take effect for the August 1990 application period.
6. CCNAA stated that it would give priority to the promulgation of regulations permitting the establishment of branches of U.S. mutual insurance companies. CCNAA also stated that it would promulgate regulations permitting the conversion of U.S. stock branch licenses to U.S. mutual branch licenses within a reasonable period of time after: (a) the promulgation of regulations to permit the establishment of branches of U.S. mutual insurance companies; (b) legal and technical issues related to such conversion are satisfactorily resolved; and (c) the authorities represented by CCNAA are satisfied that such conversion will have no adverse effect on the rights and interests of holders of policies issued before such conversion.

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7. AIT expressed disappointment that, while the limitation on equity participation by U.S. insurance companies in existing insurance companies in the territory represented by CCNAA has been raised to 49 percent, the 5 or 15 percent restrictions on ownership by any one U.S. insurance company or group of U.S. insurance companies render this increase commercially insignificant. AIT urged CCNAA to liberalize these restrictions in the implementing regulations governing the establishment of new joint ventures or U.S. subsidiaries.
8. CCNAA stated that, effective August 1990, U.S. insurance companies with a branch in the territory represented by CCNAA may apply for one additional branch each year. CCNAA stated that applicants must meet the following criteria: (1) the applicant must have had a branch engaged in business in the territory represented by CCNAA for at least two years prior to application; and (2) the applicant or any of its local branches must have no record of major violations of any applicable insurance law subject to penalty in the territory represented by either party during the prior two years. CCNAA also stated that any company meeting these two criteria would, upon application, receive approval to establish an additional branch. CCNAA stated that the procedure for applying for an additional branch would be promulgated by June 30, 1990.
9. AIT urged CCNAA to apply the same rules on establishing additional branches to branches of U.S. insurance companies in the territory represented by CCNAA as are applied to domestic insurance companies. CCNAA took note of AIT's request. CCNAA agreed to provide AIT with a copy of the regulations governing domestic branching.
10. CCNAA stated that a U.S. insurance company may, in accordance with the Land Law in the territory represented by CCNAA, acquire land it needs for business use, provided that the value of the land does not exceed the net worth of that company's branch in the territory represented by CCNAA, as provided in the Insurance Law of the territory represented by CCNAA.
11. CCNAA reaffirmed that, in accordance with the Banking Law of the territory represented by CCNAA, effective July 17, 1989, U.S. insurance companies have up to two years to hold foreclosed mortgage property.

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12. CCNAA stated that the application process for inward remittance of additional working capital for branches of U.S. insurance companies should generally require two to three weeks, assuming the requisite documentation has been submitted. CCNAA agreed to look into any specific problems brought to its attention.
13. CCNAA stated that branches of U.S. insurance companies established for the first time in the territory represented by CCNAA will receive priority approval for their first three product applications. AIT suggested that CCNAA streamline the approval process for additional product applications, particularly for those products that are similar to those already approved for the local market.
14. CCNAA confirmed that a foreign brokerage firm may, upon application, establish a branch in the territory represented by CCNAA, provided that it meets the requirements of the "Guidelines Governing Control of Insurance Agents, Brokers and Adjusters," the major requirements of which are that the firm have at least ten years of experience in its home market and that its local representative be licensed as a broker by the MOF. In addition, the firm must meet the general requirements for doing business in the territory represented by CCNAA.
15. CCNAA confirmed that the ten-year experience requirement in the current branch guidelines will be reduced to five years. CCNAA agreed to provide AIT with a copy of the revised guidelines by June 30, 1990. AIT urged that the authorities represented by CCNAA show flexibility in the application of the guidelines to assure selection of the most qualified companies.
16. CCNAA noted AIT's proposal that a seminar on technical insurance issues, involving insurance experts of both parties, be held in the near future. Further discussions between CCNAA and AIT on AIT's proposal will be held in late June.
17. CCNAA urged AIT to investigate the difficulties experienced by a firm based in the territory represented by CCNAA with a New York state restriction on establishing insurance branches with foreign government ownership. AIT agreed to raise this issue with the appropriate authorities and to hold further discussions on this issue with CCNAA at the next consultation on insurance.
18. CCNAA and AIT agreed to hold further consultations on insurance issues. The next consultation will be held in Fall 1990.

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