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NON-LIFE INSURANCE BUSINESS IN TAIWAN

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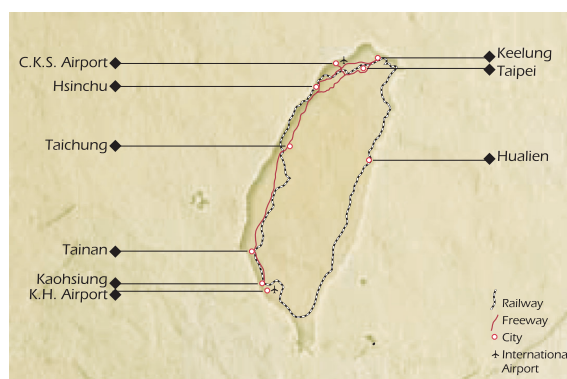
GENERAL INFORMATION

	2001	2002	2003
Population (million)	22.3	22.3	22.6
Area (sq. km)	36,000	36,000	36,000
GNP (US\$ billion)	286.8	289.2	295.9
GDP (US\$ billion)	282.4	281.9	286.2
GNP per Capita (US\$)	12,876	12,916	13,157
Value of Imports (US\$ billion)	107.24	112.53	127.26
Value of Exports (US\$ billion)	122.86	130.59	144.24
Real Economic Growth Rate (%)	-2.18	3.59	3.24
Annual Changes in Wholesale Price Index (%)	-1.3	0.1	2.5
Annual Changes in Consumer Price Index (%)	-0.0	-0.2	-0.3
Unemployment Rate (%)	4.6	5.2	5.0
Motor vehicles (thousand)	5,731	5,924	6,134
Motorcycles (thousand)	11,733	11,983	12,366
Telephone Sets (thousand)	34,478	37,004	38,450
Exchange Rates US\$/NT\$	34.99	34.76	33.98
Annual Interest Rates (Money Market Rate) (%)	3.69	2.03	1.05

Data Source: Publications of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan

1. GEOGRAPHY

Taiwan, also known as Formosa, is an island about 160 km off the southeast coast of Mainland China, 360 km from the northern tip of the Philippines, and 1,070 km from the southern tip of Japan. It is separated from Fukien Province on Mainland China by the Taiwan Straits. The island measures 377 km long and 142 km wide at its widest point.



2. MAJOR CITIES

City Name	Population	Noted For
Taipei	2.63 million	Political/Economic center. Capital city
Keelung	0.39 million	Northern major port city
Hsinchu	0.38 million	Northern hi-tech industrial park
Taichung	1.00 million	Largest central city with ports some 50 km west of the city
Tainan	0.74 million	Southern city with historic relics
Kaohsiung	1.50 million	Largest industrial city; also noted for its major ports; largest commercial city in the south
Hualien	0.35 million	Major city and port on the east coast

3. CLIMATE

Taiwan's climate is sub-tropical and pleasant. The average temperature is 22°C in the north and 24.5°C in the south. Summer runs from May to October, and there is a mild winter from December to February. Rainfall is abundant, averaging 2,500 millimeters (100 inches) annually. Local and seasonal variations are numerous. The North is often rainy in the winter, and the South sees heavy rains in the summer. Winter snows occur in the higher mountains.

4. PEOPLE

Apart from approximately 439,000 aborigines, the ancestors of Taiwan people originated in mainland China and settled here mainly during the 17th and 18th centuries.

5. LANGUAGES

The official language is Mandarin Chinese. Taiwanese and Hakka are the two

most popular dialects. English is the most popular foreign language and is taught from elementary school onwards. Japanese is the second most studied foreign language.

6. EDUCATION

A nine-year compulsory education system, from elementary school to junior high school, is available nationwide. The enrollment of eligible students is 99.9%. Most of them continue with senior high school education. After graduation from senior high school, more than 1.2 million students attend 154 universities, colleges and academies in Taiwan each year.

7. TRANSPORTATION

International Airports:

Taoyuan CKS Airport is in the north, around 40 km southwest of Taipei. Kaohsiung Airport serves the south.

Domestic Airports:

Located in Taipei, Kaohsiung, Taichung, Chiayi, Tainan, Hualien, Taitung, Pingtung

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and main offshore islands.

North-South Freeways:

The first Sun Yat-Sen Freeway began in 1978 linking Keelung and Kaohsiung (a distance of 381 km). The Second Northern Freeway was completed in 1999, beginning in Keelung and connecting with the N-S Freeway near Hsinchu (a distance of 117 Km).

Railway:

Taiwan's railway network totals a distance of 2,409.1 km, circling the entire island. Local as well as express trains serve travelers.

High Speed Rail:

The high-speed rail (HSR) is being constructed by adopting the Build-Operate- Transfer (BOT). The construction work on the high-speed rail system started on March 27, 2000. It starts from the Taipei Station and ends at Kaohsiung with a total distance of 345 km. There will be 10 stations built on the line, once completed. The HSR will reduce travel time between northern and southern Taiwan to around 90 minutes.

Highway Network:

A total of 20,180 km of roads connect all major cities and small towns island-wide.

Mass Rapid Transit:

Taipei's Metropolitan Area MRT System network totals a distance of 67.2 km and the system is comprised of 7 lines.

Kaohsiung's Metropolitan Area MRT system is under construction which are scheduled to start in October 2007. The completed system will comprise 2 lines running 42.7 km.

Harbors:

Kaohsiung Harbor is now the world's fifth largest harbor for container cargo. Keelung Harbor is the second largest harbor in Taiwan. Its service has played a vital role in international trade for Taipei and northern Taiwan. Other major harbors are Taichung Harbor (central west coast), Hualien Harbor and Suao Harbor (east coast) .

International Telecommunications:

Sophisticated IDD telephone exchange systems are common in Taiwan. Facsimiles and telegrams work 24 hours a day through satellites, submarine cables, and microwave transmitters.

8. ECONOMY

Taiwan's economy exhibited the first signs of recovery back in the first quarter of 2003, only to be interrupted by SARS, which brought the economic growth rate back into negative territory for the second quarter. In response, the government promptly introduced an NT\$ 50 billion SARS Prevention and Relief Fund, in addition to promoting an economic and employment expansion plan. With the SARS epidemic successfully controlled and the global economic recovering, Taiwan's private

investments, technology sector, and import/export businesses all began to experience an upturn. Economic growth for the third quarter of 2003 surged to 4.18%. According to the data published by the Directorate-General of Budget, Accounting & Statistics of the Executive Yuan, due to the high growth rate of 5.17% during the fourth quarter of 2003, Taiwan's annual economic growth rate for 2003 has been adjusted upward from 3.15% to 3.24%. While slightly lower than the 3.59% growth rate for 2002, Taiwan's 2003 growth rate put it back on top of the Four Asian Tigers.

In regards to trade and output, Taiwan has enjoyed a boom in exports and foreign orders. Exports and imports in 2003 rose 4.16% and 8.15%, respectively. Industrial output since the third quarter has been steadily rising as well, with whole year production levels 4.8% higher than the same comparison period in 2002. In the money market, financial loosening in the banking sector helped to keep interest rates low throughout the year. The Taiwan Stock Exchange lost ground in the first half of the year due to SARS, but since June trading has recovered enabling the index to rebound.

In order to reduce unemployment and stimulate the economy, the government has been carrying out NT\$57.7 billion public works program and NT\$20 billion public service expansion project.

The government continued to implement various job stimulus measures in 2003,

to alleviate structural and cyclical unemployment.

In order to reduce the impact of SARS on the domestic economy. The government approved special funding of NT\$50 billion for SARS prevention and relief work, to help business weather the crisis.

The government has been actively carrying out financial reforms, including the implementation of regulatory changes to expand the scale and function of the Financial Restructuring Fund, establish a unified financial regulatory body. Increase penalties for financial crimes, and establish a sound agricultural finance system, among other reforms.

In the insurance market, the government lifted the ceiling for overseas investments by local insurers to 35% of the industry's total capital from 20% in January 2003. In June the same year insurers were given the green light to invest in exchange traded funds (ETF). Securities markets were also liberalized, the Real Estate Securitization Statute was enacted to stimulate the real estate market. The government also shored up financial market by allowing financial institutions to engage in cross-industry operations, leading to the establishment of 14 financial holding companies by the end of 2003.

The government enacted a series of reforms to strengthen public sector finances. These measures, aimed at tax revenues, non-tax revenue, and public expenditures, have included tax system reform, strengthening

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of fee collection, requiring simultaneous consideration of new funding sources for new expenditures. These and other short-term, mid-term, and long-term reform measures aim to achieve a balanced government budget in five to ten years, and create a solid fiscal foundation for promoting economic stability and growth.

Looking ahead to 2004, Taiwan's foreign trade is expected to benefit from the recovery of the global economy. In regards to domestic demand, aggressive government reforms, expansionary fiscal policy and monetary loosening, as well as the launching of major investment projects in the key technology sectors is likely to boost private

investment and consumption. However, they also noted several variables that could hamper growth, such as the continuing threat of terrorism, the uncertain development prospects for cross-strait relations, as well as the transition of Taiwan's industrial structure and the difficulty of alleviating the structural unemployment problem in the near term. The " New Ten Major Constructions " project is successfully implemented, public investment in turn will stimulate private demand, create job, and stimulate private consumption. In sum, the outlook for Taiwan's economy in 2004 is brighter than 2003, with growth on track to meet the government 5% target.

