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I SUMMARY

Social Security

Eligibility	Labour Insurance Programme (LI) applies to companies with 5 or more staff above age 15 and under age 60. Almost all employees are covered under Taiwan Labour Standards Law (TLSL) and Labour Pension Act (LPA). Citizens in Taiwan and those from Hong Kong, Macao China or foreign citizens residing in Taiwan are all obliged to enrol in the National Health Insurance Scheme.
Retirement Age	60M/55F subject to a minimum participation of 1 year.
Contributions	The most important compulsory employee benefit, Labour Insurance, is financed by the employer (70%), the employee (20%) and the government (10%).
Retirement Benefits	From January 1, 2009, three retirement benefit schemes are available: Old age lump sum (LI) Old age pension (LI) Retirement lump sum (TLSL scheme or LPA)
Disability Benefits	For those who suffer from permanent disability, lump sum payment or disability pension would be provided according to the degree and the cause of the disability.
Death Benefits	Funeral grant (LI) Survivors' lump sum benefit (LI) Survivors' Pension (LI)
Medical Benefits	Medical care benefits for ordinary injury/sickness are covered by the National Health Insurance, while medical benefits for occupational injury/sickness are paid by the Labour Insurance Programme.

Private Benefit Plans

Eligibility	All employees must be actively in work on the date of their enrolment in group insurance.
Retirement Age	60M/F
Contributions	Group insurance plans are normally non-contributory for employees, but contributory for dependants' benefits.
Retirement Benefits	Retirement plans traditionally provide lump sum benefits. Voluntary occupational retirement plans are normally modelled on the TLSSL retirement provisions.
Disability Benefits	Dismemberment benefits may be payable under accidental death and dismemberment policies. At present, long-term disability plans are not available.
Death Benefits	Typical group life and accidental death and dismemberment coverage is 24 to 36 times the monthly base salary.
Medical Benefits	Employer-provided medical plans which complement the NHI benefits are common, especially amongst subsidiaries of foreign companies. Hospitalisation coverage is provided, but no dental insurance plans.
Vesting	Typical vesting schedule is 25% after five years of service and 100% after 20 years of service.

Taxation

Employer Contributions	<p>Premiums of Labour Insurance Programme & National Health Insurance contributed by employer are tax-deductible.</p> <p>Employer contributions to retirement plans are subjected to the Taiwan labour standards law and are tax-deductible up to 15% of payroll.</p> <p>Employer contributions for group insurance are deductible as expenses.</p>
Employee Contributions	<p>Employee contributions to the Labour Insurance Programme for voluntary occupational plans are tax-deductible up to the maximum of TWD 24,000 per year as part of the personal allowances for income tax.</p>
Benefits	<p>Labour insurance benefits and death and medical benefits are tax-free. Taxation of retirement benefit varies for lump sum payments and for annuities.</p>

II INTRODUCTION

Country Statistics

Population/ growth rate	23.1 million (November 2009)/ 0.23% (2009 est.)	
Age structure		
0 - 14 years	16.7%	
15 - 64 years	72.6%	
65 years and over	10.7% (2009 est.)	
GDP / Real growth rate	USD 693.3 billion (2009 est.)/ -4% (2009 est.)	
Agriculture	1.7%	
Industry	23.1%	
Services	75.2% (2009 est.)	
Unemployment rate	5.86% (November 2009)	
Inflation rate	-0.7% (2009 est.)	
Annual gross salary*	in TWD	
Labourer	General: 478,000	Skilled: 692,000
Professionals	Junior: 1,001,000	Senior: 1,449,000
Management	Lower: 2,097,000	Upper: 3,035,000
Legal minimum wage	TWD 17,280 per month	
Exchange rate on February 28, 2010	1 TWD = 0.0312 USD	
Currency: Taiwan Dollar	1 TWD = 0.0230 EUR	

*Source: Mercer's International Geographic Salary Differentials, Edition 2008

Legislation and Insurance Market Update in Brief

Child Insurance

On January 7, 2010 the legislature passed an amendment to the Insurance Law, in a strong push to prevent insurance fraud involving the murder of minors. It will bar any compensation in the event of the death of insured children aged under 15.

The amendment forbids any payments at all in the event of the death of an insured child less than 15 years of age. It states that if a minor is insured for death benefits and dies before 15 years of age, the insurer shall return the premium plus accrued interest. The amendment was written to reduce ethical risks against children.

Under the existing law, the beneficiary can receive up to TWD 2 million (USD 62,700) in terms of funeral expenses for an insured minor aged 14 or under. It is said that although there is no provision for death benefits to the beneficiary of the policy in the event of the death of an insured child, the funeral payout might be an attractive enough incentive for parents to murder their children.

The amendment will not be retroactive, which minimises the impact on insurance companies. The existing 520,000 insured minors will not be affected by the amendment.

Mental Illnesses put on List of Occupational Disease Categories

The Council of Labour Affairs (CLA) has officially listed work-related mental illnesses as an occupational disease that entitles sufferers to labour insurance compensation.

According to a proclamation published by the CLA, employees who develop schizophrenia, depression or post-traumatic stress disorder are eligible to apply for compensation under the new regulation. However, such workers are required to provide medical proof that the conditions have been caused by work-related stress, the CLA stated.

The assessments must be carried out by three physicians, including a psychiatrist and an occupational health physician.

Retirement at 60 Proposed for Certain Employees

A revision to the Labour Standards Law that would allow employees to receive retirement payments if they choose to retire at the age of 60 was proposed and passed its first review on January 7, 2009. An increase of the mandatory retirement age to 65 has already been approved and will be phased in starting in 2017 and completed by 2040. If passed, this will be the latest of several exceptions to that rule.

The main features of the proposed revision are:

- The new rule will allow employees who have worked for at least 10 years to apply for retirement at the age of 60.
- Current legislation already states that workers can claim retirement payments at age 55 if they have worked for the same company for at least 15 years. This also applies to those who have worked for a total of 25 years.

Source: Watson Wyatt Global News Briefs

III SOCIAL SECURITY

Background Information

The Constitution of Taiwan states that the government has the responsibility to improve and protect the livelihood of the labour force. The Taiwan Labour Standards Law (TLSL) and Labour Insurance Act (LI) protect the rights, obligations and statutory benefits of the workers in Taiwan. The National Health Insurance Scheme (NHI) offers health coverage to all residents in Taiwan.

The Labour Insurance Programme was first introduced by the Taiwan Provincial Government in January 1950 in pursuit of social policies in accordance with the principles of social well-being. After July 1956, in-patient hospitalisation benefits for sickness were included in the programme. In July 1958, the central government introduced the Labour Insurance Act (LI), and in 1970 it launched out-patient medical care benefits for sickness. In 1979, the Labour Insurance was divided into two major categories: Ordinary injury/sickness insurance and occupational injury/sickness insurance. After the National Health Insurance Scheme (NHI) came into effect on March 1, 1995, the medical care benefits for ordinary injury/sickness were provided by the Bureau of National Health Insurance. After January 1, 1999, unemployment benefits were also included, which is referred to as Employment Insurance. Since January 1, 2009, the LI scheme has started providing pension benefit as an alternative method of payment.

The Taiwan Labour Standards Law (TLSL) was introduced on August 1, 1984 to provide minimum standards of labour conditions, protect workers rights' and interests, provide compensation for occupational accidents and retirement benefits, and strengthen the labour management relationship, as well as to promote social and economic development.

The Labour Pension Act (LPA), a modified alternative of the TLSL retirement scheme, was announced by the President on June 30, 2004 and became effective on July 1, 2005. The purpose of the act is to enhance the protection of employees' lives after retirement. The main system under LPA is the "individual pension fund account", supplemented by the "annuity insurance" system. Employers with over 200 employees may purchase annuity insurance, provided that they obtain the consent of a labour union or, if no labour union exists, they must obtain the consent of over half of their employees. For new entrants to the employment market, the Taiwan Labour Standards Law, a defined benefit provision, has been replaced by the Labour Pension Act, a portable defined contribution plan.

Eligibility

- Labour Insurance (LI): Workers employed by a unit with more than five employees, and above 15 full years and below 60 years of age
- Labour Pension Act scheme (LPA scheme): All employees in every industry
- Employment Insurance (EI): Every employed native worker above 15 full years and below 60 years of age
- National Health Insurance (NHI): All nationals who have been domiciled in Taiwan over 4 months, and every employee

Contributions

The current wage ceiling for Labour insurance is TWD 43,900 per month. The premium rate of the LI is 6.5% for ordinary injury/sickness coverage. Insured persons contribute 20%, the employers contribute 70% and the government contributes the remaining 10% of the premium.

The premium rate of the Labour Insurance Programme is 0.07% to 3% for occupational injury/sickness coverage. The employers contribute 100% of the premium.

The insured wage ceiling of EI follows LI, and the contribution ratio as well. The premium rate of EI is 1%.

The TLSL scheme is 100% funded by employers. The funding standard has been established by the government with a broad range of 2% to 15% of payroll.

The LPA pension benefits are funded by employers. The employer's monthly contribution to the Labour Pension Fund shall not be less than 6% of the employee's monthly wages (defined contribution). Employees may make voluntary monthly contributions to their own pension fund account of up to 6% of their monthly wages. The full amount of the voluntary pension contribution made by an employee is tax-deductible.

The NHI premium is currently fixed at 4.55% of the employee's insured earnings, of which the employer bears 60% and the employee 30%, with the remaining 10% borne by the government. For NHI the ceiling is TWD 131,700 per month. There is a schedule of insured salaries ranging between TWD 17,280 and TWD 131,700 per month. NHI contributions must be paid for employees and each of their dependants.

Coverage for	% of Salary Contributed	
	Employer	Employee
Employee	2.73	1.365
Dependants	1.911	1.365/each

In addition to paying 1.365% of the insured salary, the employee also pays 1.365% for each dependant, up to a maximum of 4.095%. The employer pays 0.7 dependant's premiums for each employee no matter how many dependants the employee has (0.7 is the current national average number of dependants per employee). Therefore the premium rate that the employer actually bears is 4.641% for each employee (2.73% for the employee plus 2.73% x 0.7 for dependants).

Retirement Benefits

Retirement Age

- Labour Insurance scheme:
 - Old age Pension: Age 60 with 15 years of service
 - Old age lump sum payment: Age 60 with less than 15 years of service
 - Old age Benefit: For those who joined the LI before January 1, 2009, 60M/55F subject to a minimum participation of 1 year, 55M subject to a minimum participation of 15 years, 50M/F subject to a minimum participation of 25 years. Subject to a minimum 25 years of service in the same company.
- PLA scheme: Benefits are only paid at age 60.
- TLSL scheme: Benefits are only payable to those who joined the work force before the PLA was enacted. The payment will be granted at age 60, or age 55 with 15 years of service, or 25 years of service, or upon mental or physical disability.

Qualifying Conditions

See retirement age above.

Benefits

Labour Insurance Scheme

- Old-age Pension: The benefit is calculated according to one of two formulae:
 - Average Monthly Insured Salary x coverage year x 0.775% + 3,000
 - Average Monthly Insured Salary x coverage year x 1.55%The Bureau of Labour Insurance will use the formula that is more favourable to the insured.
- Old-age lump sum: One month of average monthly insured salary for each year of service.
- Old-age Benefit: One month of average monthly insured salary for each of the first 15 years of service plus two months of average monthly insured salary for each succeeding year. Maximum 45 average monthly insured salaries for regular retirement and 50 average monthly insured salaries for late retirement.

PLA Scheme

The LPA provides a lump sum pension payment to the employee whose seniority is less than 15 years. The principal and accrued returns in an employee's personal pension account are claimed in full at one time.

The LPA provides monthly pension payments to an employee whose seniority is more than 15 years. The principal and accrued returns in an employee's personal pension account are paid in fixed instalments. The amount of each instalment shall be calculated based on the annuity table, the average life expectancy, the interest rate and on other factors.

Disability Benefits

Qualifying Conditions

- Disability Pension: the disability is categorized as permanent and incapable of working for the rest of the life
- Disability lump sum payment: A. the disability is categorized as permanent but NOT incapable of working for the rest of the life or B. qualified for disability pension and joined the LI before Jan. 1, 2009.

Benefits

- Disability Pension: The benefit is calculated according to the formula, average monthly insured salary x coverage year x 1.55%, with the minimum amount of TWD 4,000. There should be up to 50% increase for qualified dependants. Additional 20 average monthly insured salary lump sum payment would be granted if the disability was caused by occupational hazard.
- Disability lump sum payment: UP to 40 months' insured earnings will be provided

Death Benefits

Qualifying Conditions

- Funeral Benefit: payable to the survivors of the insureds during the insured period.
- Survivors' lump sum payment: the insured must have joined the LI before Jan. 1, 2009. The payment is only payable should there be qualified survivors.
- Survivors' Pension: A. the insured was under the LI scheme, or B. the insured was receiving old age/disability pension, or C. the insured with early retirement who had more than 15 years contribution.

Benefits

- Funeral benefit: 5 months of average monthly insured salary is payable if there's any qualified dependant. 10 months of average monthly insured salary are payable to the person who held the funeral should there be no qualified dependant.
- Survivor's lump sum benefit: The amount varies from 10 to 30 months of average monthly insured salary according to coverage year. 40 average monthly insured salary if the disability was caused by occupational hazard.
- Survivors' Pension: The benefit is calculated according to the formula, average monthly insured salary x coverage year x 1.55%, with the minimum amount of TWD 3,000. Up to 50% increase should there be more than one qualified survivor. Additional 10 average monthly insured salary lump sum payment would be granted if the death was caused by occupational hazard.

Sickness Benefits

Qualifying Conditions

Sickness benefits are paid to employees who suffer from incapacity due to accident or illness.

Benefits

The Labour Insurance Bureau pays 50% of average insured wage for ordinary injury/sickness for up to a maximum of one year.

Under the TLSL an employee will be granted sick leave for up to one year for hospitalisation or 30 days if not hospitalised – subject to a combined maximum of one year. The employee is entitled to 50% of pay during the first 30 days of sick leave.

For work injury/sickness, please see Work Injury Benefits

Medical/Health Benefits

Qualifying Conditions

Since March 1, 1995 all people have been covered by the National Health Insurance.

Benefits

Treatment for sickness, injury and maternity is covered by National Health Insurance. The insureds should only cover the co-payment for each out-patient and hospitalisation treatment. The following applies:

- Out-patient: TWD 50 to TWD 450
- Hospitalisation: 5% to 30%

Co-payment does not apply in case of serious injury or illness, childbirth or preventive health care. The list of exclusions states transportation charges, eyeglasses, wheelchairs, crutches and other appliances, cosmetic surgery, the cost of blood and non-prescription drugs.

Medical care benefits for ordinary injury/sickness are covered by the National Health Insurance, while medical benefits for occupational injury/sickness are paid by the Labour Insurance Programme. The co-payment paid by the insured would also be covered by LI.

Work Injury Benefits

Qualifying Conditions

Work Injury Benefits are paid to employees who died or suffer from incapacity due to occupational accident or illness.

Benefits

- Medical/Health Benefit: The co-payment paid by the insured would be covered by LI
- Sickness Benefit: For occupational injury/sickness, the Labour Insurance Bureau pays 70% of average insured wage for the first year, then reducing to 50% during the second year. According to TLSL, the employer should offer full pay (not insured wage) for occupational injury/sickness during the first 2 years of medical treatment.
- Disability Benefit: See Disability Benefit above for benefit payable from LI. Under TLSL, if the employee has not recovered after 2-years of treatment, the employer should make a lump sum payment of 40 months' full pay (not insured wage)
- Death Benefit: See Death Benefit above for benefit payable from LI. Benefits granted by TLSL; full pay for occupational injury/sickness during the first 2 years of medical treatment.

The benefit payable by the LI can be integrated into the regulation of TLSL

Unemployment Benefits

Qualifying Conditions

An insured with accumulated 1 year of service in the past three years who has involuntarily left work and has registered at a public employment service institution but has not been offered a job or vocational training within 14 days of registration

Benefits

Unemployment benefits are calculated on the basis of 60% of the average insured wage (based on a 6-month period) and will be paid in monthly instalments to the insured employee for a maximum of 6 months. Unemployment benefits are calculated from the 15th day after the insured person filed the application to seek a job.

For those who get a job during the unemployment period and whose monthly income, plus unemployment benefit payment, is in excess of 80% of the average insured wage, that excess portion will be subtracted from the unemployment benefit payments, except when the total amount is less than the legal minimum wage.

Other Benefits

Maternity Benefits

Maternity benefits are paid to women who have made at least 280 days of contributions prior to confinement and who have made at least 181 days of contribution prior to premature delivery. Benefits are paid in the form of a lump sum grant of one month's insured earnings for normal and premature labour and 15 days' insured earnings for a miscarriage.

Severance Pay

The TLSSL provides for severance pay of 1 month's average wage (based on a 6-month period) per year of service. The TLSSL has no provisions for partial vesting of retirement benefits.

The LPA provides for severance pay of the half-monthly average wage for each year of service. The total severance pay shall not exceed six monthly average wages.

Taxation

Contributions

The premium for Labour Insurance Programme & National Health Insurance contributed by the employer is tax-deductible. Employer contributions to retirement plans subjected to the Taiwan Labour Standards Law are tax-deductible up to 15% of payroll.

Employee contributions for all types of insurance (including social security and group insurance) are tax-deductible up to a maximum of TWD 24,000 per annum. Besides, all of the employee contributions for NHI are tax-deductible. This applies if the employee chooses the separate listing expense model in reporting annual personal income tax.

Benefits

Labour insurance benefits are tax-free. Taxation of retirement benefit varies for lump sum payments and for annuities.

Other Information

Reciprocal Social Security Agreements

None.

IV PRIVATE BENEFIT PLANS

Background Information

There are no provisions for mandatory private employee benefits other than the Taiwan Labour Standards Law (TLSL) and Labour Pension Act (LPA), which requires employers to provide retirement benefits. Voluntary occupational retirement plans are modelled on the TLSL retirement provisions. Employers are required to file their plan documents with the government for approval and to form a Retirement Fund Supervisory Committee. The committee members are made up of employer and employee representatives.

Most enterprises utilise private group insurance covering death, medical etc., as an extra employee benefit. Life insurance companies cannot participate in retirement plans for industries covered under the TLSL.

Eligibility

All employees must be actively at work on the date of their enrolment in group insurance.

Contributions

Group insurance plans are normally non-contributory for employees, but contributory for dependants' benefits.

Retirement Benefits

Retirement Age

Normal retirement: 60M/F

Benefits

Retirement plans traditionally provide lump sum benefits.

With the TLSL in force, there are 2 categories of employers. Under the TLSL, employers have adapted their existing plans so as to provide at least the legal minimum. Where plans are more generous than the legal minimum provides, companies have tended to maintain their previous benefit levels.

Vesting

The TLSL makes no provision for partial vesting with respect to retirement benefits in the event of resignation, but some companies provide leaving service benefits under a separate non tax-deductible programme. A significant number of companies, which until 1998 were not subject to the TLSL, now provide vesting in their retirement plans. Typical vesting schedule is 25% after five years of service and 100% after 20 years of service.

Disability Benefits

Dismemberment benefits may be payable under accidental death and dismemberment policies (see Death Benefits). At present, long-term disability plans are not available.

Death Benefits

Typical group life and accidental death and dismemberment coverage is 24 to 36 times the monthly base salary.

Medical/Health Benefits

Group hospital and medical plans for salaried staff are quite popular, especially among foreign companies. The benefits are in addition to those provided by the national health programme and must be integrated. An average plan provides the following benefits:

Medical Schedule	Maximum Reimbursement
Hospital	
Daily benefit for room and board	TWD 1,000 - 2,000
Maximum number of days per disability	60
Hospital services (other than room and board)	TWD 50,000
Out-patient treatment	TWD 400
Surgery and anaesthesia	TWD 75,000
Doctor's Visits In-Hospital	
Each daily visit	TWD 750 - 1,000
Maximum number of visits per disability	60
Doctor's visits office	TWD 750
Doctor's visits home	TWD 1,000
Maternity Benefits	
Normal	100%
Caesarean	150% of TWD 20,000
Miscarriage	50%

Sickness and Work Injury Benefits

No separate schemes. The risks are covered by TLSL.

Other Benefits

Fringe benefits, such as company cars, club membership and interest free loans vary significantly. Most companies restrict these benefits to senior or key personnel.

Taxation

Employer contributions

Employer contributions for group insurance, accidental death and dismemberment and medical plans are fully deductible as expenses.

Employee contributions

Employee contributions to group term life and medical plans, or group life with maturity benefit, are tax-deductible up to the maximum of TWD 24,000. This applies if the employee chooses the separate listing expense model in reporting annual personal income tax.

Benefits

Group insurance benefits are tax-free.

Taxation of retirement benefit varies for lump sum payment and for annuity as follows:

Lump Sum Payment

	Benefit Amount		
	Below A	Between A and B	Over B
% of the amount that should be taxed	0	50	100

A = TWD 161,000 multiplied by number of years served

B = TWD 322,000 multiplied by number of years served

Annuity

Total annual benefits below TWD 697,000 are tax-free, if above this amount, the part in excess of TWD 697,000 should be taxed.

Double Taxation Agreements

Australia, Belgium, Denmark, Gambia, Indonesia, Macedonia, New Zealand, Paraguay, Senegal, Singapore, South Africa, Sweden, Thailand, the United Kingdom, the United States of America, and Vietnam

Source: United Nations Conference on Trade and Development (UNCTAD)

V FUTURE OUTLOOK

Trends in the Insurance Industry

National Health Insurance Premium Rates expected to increase

The head of the Department of Health (DOH) stated his concerns at a discussion in November 2009 with business leaders over the possible decrease in health care quality if the government does not raise National Health Insurance (NHI) fees to salvage the ailing financial state of the NHI system.

Since the NHI premium is split between employers and workers, Yaung Chih-liang, the minister of the DOH, met with large employer groups to rally support for raising the premiums to prevent a further drop in future health care quality.

The NHI is on the verge of financial breakdown, Yaung said, adding that more and more wealthy people are buying private medical insurance and seeking medical treatment using their private programmes. The annual increase of 20% in the sales of private insurance shows that an increasing number of people are dissatisfied with the NHI coverage, continued Yaung.

Yaung told his listeners that the people with private coverage will be the ones most opposed to an increase in NHI premiums in the future. However, losses incurred from keeping premiums at the current low levels will inevitably be shared by all citizens and coverage cannot be expanded, Yaung said.

Although increases in insurance rates have been temporarily suspended, the government will base its premium calculation on expanded wage brackets, causing a de facto rise in insurance payments for high wage earners, starting next January.

Under the new system the highest insured monthly wage will increase from TWD 137,000 to TWD 212,000, affecting about 80,000 people and their respective employers.

Regulations mandate employers to be responsible for 60% of the premium payment. For an employee earning TWD 212,000 per month, the employer would have to pay TWD 5,787.

Source: The China Post