

**UNION INSURANCE CO., LTD.****Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2018 and 2017**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of Union Insurance Co., LTD.:

### Opinion

We have audited the financial statements of Union Insurance Co., LTD. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We have determined the matters described below to be the key audit matters to be communicated in our report.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined the key audit matters that should be performed in the financial report are as follows:

#### 1. Impairment assessment of investment property

Please refer to Note 4(i) "Investment property" and Note 4(o) "Impairment of non-financial assets" for the related accounting policy regarding investment property, as well as Note 6(h) for details on the information about the valuation.

Description of key audit matter:

The Company evaluates the impairment of its investment properties periodically via the appraising methods of fair value. The reference of fair value is mainly the market trade, however, the selection of appraising methods involved the exercise of significant professional judgments. Therefore, impairment assessment of investment property has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing the management whether evaluates the investment properties in accordance with the control procedures of impairment indications, while considering how the management decides the proper ways to evaluate the adequacy of investment property impairment evaluation.

## 2. The assessment of insurance liability

Please refer to Note 4(p) “Insurance liabilities” for the related accounting policy regarding the assessment of insurance liability, Note 5(a) for accounting assumptions and estimation uncertainty of insurance liability, and Note 6(m) for details on the information about the assessment of insurance liability.

Description of key audit matter:

The Company measures insurance liabilities in accordance with “Regulations Governing the Provision of Various Reserves” and relevant administrative rules, of which the judgment of future uncertainty and related hypothetical parameters include claim development factor and expected claim rate used in estimating the claim reserve, as well as the reserve of unearned premium is based on the calculated factors according to characteristics of each insurance type. Above mentioned assessment is involved the exercise of significant professional judgments. Therefore, the valuation of insurance liabilities has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: engaging our internal actuarial specialists to perform relevant audit procedures over insurance liability, inspecting whether the methods and parameters of insurance liabilities are in accordance with insurance related regulations and administrative rules and relevant practical principles set by the Actuarial Institute of the Republic of China; independently establishing models to recalculate the amount of reserves and further comparing the result of recalculation with the one provided by the management; the appropriateness of actuarial assumptions based on internal data or industry experiences with the characteristics of insurance products, performing the changes of insurance liabilities analysis, including understanding of industry and market, and evaluating the rationality of actuarial assumption adopted by the management.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Feng-Hui Lee and Tan-Tan Chung.

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2019

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
UNION INSURANCE CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017			December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
11000 Cash and cash equivalents(note 6(a))	\$ 2,268,129	13	2,585,164	16	21000 Accounts payable(note 6(b) and (e))	\$ 1,209,944	7	1,254,165	8
12000 Receivables(note 6(b))	888,537	5	711,557	4	21700 Current tax liabilities	13,914	-	-	-
12600 Current tax assets	5,395	-	16,690	-	24000 Insurance liabilities(note 6(m))	10,899,072	63	10,284,374	63
14110 Financial assets at fair value through profit or loss(note 6(f))	653,974	4	1,442,930	9	27000 Provisions(note 6(k))	275,649	2	254,150	2
14190 Financial assets at fair value through other comprehensive income(note 6(f))	987,120	6	-	-	28000 Deferred tax liabilities(note 6(n))	63,920	-	63,920	-
14120 Available-for-sale financial assets(note 6(f))	-	-	1,384,607	9	25000 Other liabilities	40,652	-	51,670	-
14140 Financial assets at cost(note 6(f))	-	-	1,260	-	<b>Total liabilities</b>	<u>12,503,151</u>	<u>72</u>	<u>11,908,279</u>	<u>73</u>
14145 Financial assets at amortized cost(note 6(f))	1,239,344	7	-	-	<b>Equity</b>				
14150 Investments accounted for using equity method, net(note 6(g))	38,794	-	41,140	-	31100 Ordinary share(note 6(o))	2,129,600	12	2,129,600	13
14160 Investments in debt instrument without active market(note 6(f))	-	-	450,000	3	33100 Legal reserve(note 6(o))	456,160	3	328,895	2
14170 Held-to-maturity financial assets(note 6(f))	-	-	524,591	3	33200 Special reserve(note 6(m) and (o))	1,764,966	10	1,495,014	10
14180 Other financial assets, net(note 6(f))	4,027,034	23	2,120,519	13	33300 Total unappropriated retained earnings(note 6(o))	431,190	3	347,153	2
14200 Investment property, net(note 6(h))	846,807	5	1,036,970	6	34100 Exchange differences on translation of foreign financial statements	668	-	(864)	-
15000 Reinsurance assets(note 6(c))	4,510,868	26	4,151,807	26	34210 Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income(note)	55,224	-	-	-
16000 Property and equipment(note 6(i))	1,037,396	6	816,841	5	34250 Unrealized gains (losses) on available-for-sale financial assets(note 6(o))	-	-	14,608	-
17000 Intangible assets	134,484	1	74,893	1	<b>Total equity</b>	<u>4,837,808</u>	<u>28</u>	<u>4,314,406</u>	<u>27</u>
18000 Other assets	703,077	4	863,716	5	<b>Total liabilities and equity</b>	<u>\$ 17,340,959</u>	<u>100</u>	<u>16,222,685</u>	<u>100</u>
<b>Total assets</b>	<u>\$ 17,340,959</u>	<u>100</u>	<u>16,222,685</u>	<u>100</u>					

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
UNION INSURANCE CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2018		2017		Change
	Amount	%	Amount	%	
41000 <b>Operating revenue:</b>					
41110 Written premium	9,825,722	128	9,087,522	126	8
41120 Reinsurance premium	<u>412,541</u>	<u>5</u>	<u>572,463</u>	<u>8</u>	(28)
41100 Premium	10,238,263	133	9,659,985	134	
51100 Less: Reinsurance expense	3,216,960	42	2,986,337	42	8
51310 Net change in unearned premiums reserve	<u>169,992</u>	<u>2</u>	<u>362,577</u>	<u>5</u>	(53)
41130 Retained earned premium	6,851,311	89	6,311,071	87	
41300 Reinsurance commission received	613,076	8	581,000	8	6
41500 Net income(loss) from investments					
41510 Interest income	76,978	1	67,647	1	14
41521 Gains on financial assets or liabilities at fair value through profit or loss	60,207	1	184,104	3	(67)
41522 Realized gains on available-for-sale financial assets	-	-	20,433	-	(100)
41523 Realized gains on financial assets or liabilities at cost	-	-	140	-	(100)
41527 Realized gains (losses) on financial assets at fair value through other comprehensive income	25,930	-	-	-	-
41540 Share of loss of associates and joint ventures accounted for using equity method(note 6(g))	(3,878)	-	(716)	-	(442)
41550 Foreign exchange gains (losses), investments	(779)	-	(13,707)	-	94
41570 Gains (losses) on investment property	46,756	1	48,649	1	(4)
41585 Expected credit losses or reversal of expected credit losses of investments(note 6(f))	44	-	-	-	-
41800 Total other operating income	<u>26,045</u>	<u>-</u>	<u>21,788</u>	<u>-</u>	20
<b>Operating revenue, net</b>	<u>7,695,690</u>	<u>100</u>	<u>7,220,409</u>	<u>100</u>	
51000 <b>Operating costs:</b>					
51200 Total insurance claim payment	5,268,064	68	5,360,373	74	(2)
41200 Less: Claims recovered from reinsurers	<u>1,728,553</u>	<u>22</u>	<u>2,060,122</u>	<u>28</u>	(16)
51260 Retained claim payment	3,539,511	46	3,300,251	46	
51300 Net change in other insurance liability(note6(m))					
51320 Net change in claim reserve	63,915	1	8,287	-	671
51340 Net change in special claim reserve	(2,775)	-	(41,011)	(1)	93
51350 Net change in premium deficiency reserve	4,314	-	(14,550)	-	130
51380 Net change in reserve for insurance with nature of financial instrument	-	-	(44,087)	(1)	100
51500 Commission expense(note)	1,515,268	20	1,449,900	20	5
51800 Other operating costs(note)	37,966	-	66,917	1	(43)
51700 Finance costs(note)	<u>2,095</u>	<u>-</u>	<u>1,471</u>	<u>-</u>	42
<b>Total operating costs</b>	<u>5,160,294</u>	<u>67</u>	<u>4,727,178</u>	<u>65</u>	
58000 <b>Operating expenses:</b>					
58100 General expenses	1,585,686	21	1,468,988	21	8
58200 Administrative expenses	345,247	4	364,596	5	(5)
58300 Staff training expenses	1,441	-	1,292	-	12
58400 Expected credit losses or reversal of expected credit losses of non-investments	<u>10,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
<b>Total operating expenses</b>	<u>1,942,719</u>	<u>25</u>	<u>1,834,876</u>	<u>26</u>	
<b>Net operating income</b>	<u>592,677</u>	<u>8</u>	<u>658,355</u>	<u>9</u>	(10)
59100 Gains (losses) on disposals of property and equipment	2	-	-	-	-
59900 Other non-operating income and expenses, net	<u>34,067</u>	<u>-</u>	<u>5,103</u>	<u>-</u>	568
<b>Total non-operating income and expenses</b>	<u>34,069</u>	<u>-</u>	<u>5,103</u>	<u>-</u>	-
62000 <b>Profit from continuing operations before tax</b>	626,746	8	663,458	9	(6)
63000 <b>Less: Tax expense (income)</b>	<u>21,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
<b>Profit</b>	<u>605,620</u>	<u>8</u>	<u>663,458</u>	<u>9</u>	(9)
83000 <b>Other comprehensive income:</b>					
83100 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
83110 Gains (losses) on remeasurements of defined benefit plans	(30,600)	-	(16,039)	-	(91)
83190 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	<u>84,825</u>	<u>1</u>	<u>-</u>	<u>-</u>	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>54,225</u>	<u>1</u>	<u>(16,039)</u>	<u>-</u>	438
83200 <b>Other components of other comprehensive income that will not be reclassified to profit or loss</b>					
83210 Exchange differences on translation	1,532	-	587	-	161
83220 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	61,424	1	(100)
83250 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(667)</u>	<u>-</u>	100
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>1,532</u>	<u>-</u>	<u>61,344</u>	<u>1</u>	(98)
83000 <b>Other comprehensive income, net</b>	<u>55,757</u>	<u>1</u>	<u>45,305</u>	<u>1</u>	23
<b>Total comprehensive income</b>	<u>\$ 661,377</u>	<u>9</u>	<u>708,763</u>	<u>10</u>	
<b>Basic earnings per share</b>	<u>\$ 2.84</u>		<u>3.12</u>		
<b>Diluted earnings per share</b>	<u>\$ 2.84</u>		<u>3.11</u>		

See accompanying notes to financial statements.



(English Translation of Financial Statements Originally Issued in Chinese)  
UNION INSURANCE CO., LTD.

Statements of Changes in Equity  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest			Total equity
	Ordinary shares	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets		
<b>Balance at January 1, 2017</b>	\$ 2,129,600	292,293	1,205,844	25,506	(1,451)	-	(46,149)	3,605,643	
Profit	-	-	-	663,458	-	-	-	663,458	
Other comprehensive income	-	-	-	(16,039)	587	-	60,757	45,305	
Total comprehensive income	-	-	-	647,419	587	-	60,757	708,763	
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	36,602	-	(36,602)	-	-	-	-	
Special reserve appropriated	-	-	289,170	(289,170)	-	-	-	-	
Balance at December 31, 2017	2,129,600	328,895	1,495,014	347,153	(864)	-	14,608	4,314,406	
Effects of retrospective application	-	-	-	(45,650)	-	71,355	(14,608)	11,097	
Equity at beginning of period after adjustments	2,129,600	328,895	1,495,014	301,503	(864)	71,355	-	4,325,503	
Profit	-	-	-	605,620	-	-	-	605,620	
Other comprehensive income	-	-	-	(30,600)	1,532	84,825	-	55,757	
Total comprehensive income	-	-	-	575,020	1,532	84,825	-	661,377	
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	127,265	-	(127,265)	-	-	-	-	
Special reserve appropriated	-	-	269,952	(269,952)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(149,072)	-	-	-	(149,072)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	100,956	-	(100,956)	-	-	
<b>Balance at December 31, 2018</b>	\$ 2,129,600	456,160	1,764,966	431,190	668	55,224	-	4,837,808	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
UNION INSURANCE CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2018	2017
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 626,746	663,458
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	38,397	36,853
Amortization expense	12,816	9,636
Interest expense	2,095	1,471
Interest income	(76,978)	(67,647)
Net change in insurance liabilities	630,174	95,046
Net change in reserve for insurance with nature of financial instrument	-	(44,087)
Net change in other provisions	(9,101)	(793)
Expected credit loss (Reversal of credit loss)	(44)	-
Expected credit loss (Reversal of credit loss)	10,345	-
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	3,878	716
Loss (gain) on disposal of property and equipment	(2)	-
Loss (gain) on disposal of investment properties	-	(1,141)
Provision for bad debt expense	-	7,005
<b>Total adjustments to reconcile profit (loss)</b>	<b>611,580</b>	<b>37,059</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Increase in notes receivable	(52,529)	(21,432)
Increase in premiums receivable	(123,489)	(24,583)
Increase in other receivable	(3,972)	(11,685)
Decrease (increase) in financial assets at fair value through profit or loss	1,184,302	(599,932)
Decrease in financial assets at fair value through other comprehensive income	100,028	-
Increase in financial assets at amortized cost	(265,414)	-
Decrease (increase) in other financial assets	(1,906,515)	307,918
Decrease (increase) in reinsurance assets	(359,061)	240,518
Decrease in prepaid expenses and other prepayments	-	(6,527)
Increase in available-for-sale financial assets	-	(34,898)
Decrease in held-to-maturity financial assets	-	6,009
Decrease (increase) in other assets	98,083	(29,535)
<b>Total changes in operating assets</b>	<b>(1,328,567)</b>	<b>(174,147)</b>
Changes in operating liabilities:		
Increase (decrease) in other payable	(44,221)	74,959
Increase (decrease) in other liabilities	(11,018)	41,583
<b>Total changes in operating liabilities</b>	<b>(55,239)</b>	<b>116,542</b>
Cash inflow (outflow) generated from operations	(145,480)	642,912
Interest received	69,643	65,808
Interest paid	(2,095)	(1,471)
Income taxes refund (paid)	4,083	-
<b>Net Cash flows from (used in) operating activities</b>	<b>(73,849)</b>	<b>707,249</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments in debt instrument without active market	-	(200,000)
Acquisition of property and equipment	(68,319)	(16,150)
Proceeds from disposal of property and equipment	3	-
Acquisition of intangible assets	(25,327)	(2,829)
Acquisition of investment properties	(471)	(1,005)
Proceeds from disposal of investment properties	-	2,050
<b>Net cash flows from (used in) investing activities</b>	<b>(94,114)</b>	<b>(217,934)</b>
<b>Cash flows from (used in) financing activities:</b>		
Cash dividends paid	(149,072)	-
<b>Net cash flows from (used in) financing activities</b>	<b>(149,072)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(317,035)</b>	<b>489,315</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,585,164</b>	<b>2,095,849</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,268,129</b>	<b>2,585,164</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**UNION INSURANCE CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

UNION INSURANCE CO., LTD. (the “Company”) was founded on February 20, 1963 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 12th Floor, No. 219, Sec. 4, Zhongxiao E. Road, Taipei, Taiwan, R.O.C. The Company are primarily engaged in underwriting of fire, marine, automobile, engineering, liability and accident insurance, reinsurance, insurance businesses entrusted by other companies, performing a variety of investments and other businesses in accordance with the regulations.

**(2) Approval date and procedures of the financial statements:**

These individual financial reports were approved and announced by the board of directors on March 25, 2019.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	2,585,164	Amortized cost	2,585,164
Receivables	Amortized cost (Loans and receivables)	711,557	Amortized cost	711,557
Financial assets at fair value through profit or loss	Measured at fair value through profit or loss	1,442,930	Measured at fair value through profit or loss	1,442,930
Available for sale financial assets, net	Measured at fair value through other comprehensive income	1,384,607	Measured at fair value through profit or loss (Note1)	395,346

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
			Measured at fair value through other comprehensive income	989,261
Financial assets at cost	Measured at cost	1,260	Measured at fair value through other comprehensive income (Note3)	13,062
Debts instrument without active market	Amortized cost	450,000	Amortized cost (Note2)	449,613
Held-to-maturity Financial Assets	Amortized cost	524,591	Amortized cost (Note2)	524,273
Other financial assets	Amortized cost	2,120,519	Amortized cost	2,120,519
Other assets	Amortized cost	789,590	Amortized cost	789,590

Note1: The corporate debt securities were categorized as available for sale under IAS 39. The Company assesses that these securities are held within a business model whose objective is achieved by selling securities. Consequently, the Company has designated these investments at the date of initial application as financial assets at FVTPL, resulting in a decrease of \$44,945 in retained earnings and an increase of \$44,945 in other equity on January 1, 2018, respectively.

Note2: The debt securities are categorized as held to maturity financial assets and debts instrument without active market under IAS 39. The Company assesses that these securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities. The Company has identified certain securities which are managed separately, and for which the past practice has been held to collect the contractual cash flows. Consequently, the Company has designated these investments at the date of initial application as measured at amortized cost. An allowance for impairment of \$705 was recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.

Note3: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of \$11,802 in those assets recognized and an increase of \$11,802 in the reserves were recognized on January 1, 2018.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The following table reconciles the carrying amount of financial assets under IAS39 to the carrying amount under IFRS9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS39			2018.1.1 IFRS9	2018.1.1 Retained earnings	2018.1.1 Other equity	Note
	<u>Carrying amount</u>	<u>Reclassification</u>	<u>Remeasurement</u>	<u>Carrying amount</u>			
<b>Measured at fair value through profit or loss</b>							
From FVTPL (IAS 39)	\$ 1,442,930	-	-	1,442,930	-	-	
Additions:							
From available for sale (IAS 39)	-	395,346	-	395,346	(44,945)	44,945	
Subtotal	-	395,346	-	395,346	(44,945)	44,945	
<b>Measured at fair value through other comprehensive income</b>							
Additions:							
From available for sale (IAS 39)	989,261	-	-	989,261	-	-	
From measured at cost (IAS 39)	1,260	-	11,802	13,062	-	11,802	
Available for sale (IAS 39) to FVTPL (IFRS 9) - required reclassification according to classification conditions	395,346	(395,346)	-	-	-	-	
Subtotal	1,385,867	(395,346)	11,802	1,002,323	-	11,802	
<b>Amortized cost</b>							
Additions:							
From held-to-maturity financial assets (IAS 39)	524,591	-	(318)	524,273	(318)	-	
From debts instruments without active market (IAS 39)	450,000	-	(387)	449,613	(387)	-	
Subtotal	974,591	-	(705)	973,886	(705)	-	
<b>Total</b>	<b>\$ 3,803,388</b>	<b>-</b>	<b>11,097</b>	<b>3,814,485</b>	<b>(45,650)</b>	<b>56,747</b>	

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The following table reconciles the loss allowance from the "incurred loss" model under IAS39 to the "expected credit loss" model under IFRS9 on January 1, 2018.

	<b>Loss allowance under IAS39 and provision under IAS37</b>	<b>Reclassifica- tion</b>	<b>Remeasure- ment</b>	<b>Allowance balance under IFRS9</b>
<b>Loans and Receivables(IAS39)/ Financial assets at amortized cost(IFRS9)</b>				
Receivables	\$ 14,654	-	-	14,654
<b>Available for sale financial instruments(IAS39)/ FVTPL(IFRS9)</b>				
Available-for-sale financial assets	119,367	-	(119,367)	-
<b>Held to maturity(IAS39) / Financial assets at amortized cost(IFRS9)</b>				
Held-to-maturity financial assets	-	-	318	318
<b>Investments in debt instrument without active market(IAS39)/ Financial assets at amortized cost(IFRS9)</b>				
Investments in debt instrument without active market	-	-	387	387
<b>Financial assets at cost(IAS39)/ FVTPL(IFRS9)</b>				
Financial assets at cost	296,010	-	(296,010)	-
	<u>415,377</u>	<u>-</u>	<u>(414,672)</u>	<u>705</u>
<b>Total</b>	<b>\$ <u>430,031</u></b>	<b><u>-</u></b>	<b><u>(414,672)</u></b>	<b><u>15,359</u></b>

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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**UNION INSURANCE CO., LTD.**  
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IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company considers using the following optional practical expedients.

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right of use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption instead of recognizing the right-of-use assets and lease liabilities when the lease term ends within 12 months from initial applicable date.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
  - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices and transportation equipment. The Company estimated that the right of use assets and the lease liabilities to increase by \$29,848 and \$29,525, respectively, as well as other assets to decrease by \$323 on January 1, 2019.

The actual impact of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

Those which may be relevant to the Company are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
May 18, 2016	IFRS 17 “Insurance Contracts”	<p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> <li>· Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.</li> <li>· Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.</li> <li>· Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.</li> </ul>

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized as follows. Unless otherwise indicated, the significant accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Companies.

(b) Basis of preparation

(i) Basis of measure

The financial statements have been prepared on the historical cost basis except the following:

- 1) FVTPL are measured at fair value.
- 2) FVOCI (Available for sale financial assets) are measured at fair value.
- 3) Net defined benefit liability is recognized as the fair value of the plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling.
- 4) Part of investment properties are measured at fair value as their recognized cost.
- 5) Reinsurance reserve assets, insurance liability, and the insurance contract with the nature of financial products are measured in accordance with the “Regulations Governing the Provision of Various Reserves”.

(ii) Functional currency and Presentation Currency

The functional currency of the Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statement is presented in New Taiwan Dollar, which is the Group’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

The Company translates all foreign currency items, which recorded initially at the rate of exchange at the trade day, into its functional currency. Monetary assets and liabilities are translated at the closing rate at the date of the balance sheet. Exchange differences, which arise when monetary items are translated at rates different from those initially recognized, are reported in profit or loss in the period. Non-monetary assets and liabilities measured at fair value are reported at the rate of exchange at the date of fair value determined. Non-monetary items measured at historical cost are translated at the rate of exchange at the trade day.

Exchange differences arising when they are translated at rates difference from those initially recognized, except those from FVOCI (available-for-sale) financial assets are recognized in other comprehensive income, are recognized in profit or loss.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency in New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Principle of classifying assets and liabilities as current and non-current

Due to the specific business feature of insurance business, the operating cycle is more difficult to establish, and therefore assets and liabilities are not classified as current or non-current. Nonetheless, the items are classified per their properties and are arranged per their liquidity.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise time deposits due within three months and bonds purchased under resale agreements which are held for the purpose of meeting short term cash commitments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Those time deposits exceed three months are recognized as other financial assets—net.

(f) Bills and bonds purchased/sold under agreements to resell

Bills and bonds purchased/sold under agreements to resell, they are accounted at the transaction price and are included in assets on the delivery date if it's compliance with financing conditions. When selling back, they are regarded as the realization of the assets, and the difference between the trading and the selling is classified as interest income.

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, receivables, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable and contract assets.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis;

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex dividend date.

3) Debt instruments without active market

Debt investments without active market are debt investments with fixed or determinable payments that are not quoted in an active market. At initial recognition, debt instruments without active market quote are recognized at fair value plus any directly attributable transaction costs. Disposal gain or loss is recognized in profit or loss upon derecognition. Subsequent to initial recognition, these debt investments without active market are measured at amortized cost using the effective interest rate method.

4) Held to maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

5) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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**UNION INSURANCE CO., LTD.**  
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6) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

7) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available for sale financial assets”.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value (including payables and other liabilities), plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

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**UNION INSURANCE CO., LTD.**  
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(h) Investments in subsidiaries

When preparing parent-Company-only financial report, the Company uses equity method in evaluating the control of an investee. Under equity method, the net income or loss for the period of parent-Company-only financial report and other comprehensive income of parent-Company-only financial report are the same as net income or loss for the period attributed to owners of parents of consolidated report and other comprehensive income attributed to owners of parents of consolidated report, respectively. The equity of the parent-Company-only financial statements are the same as the equity attributable to the owners of parents of the consolidated report. Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(j) Insurance contracts

An insurance contract is a “contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”. The Company defines significant insurance risk as the event which might lead to additional significant payment.

Once a contract has qualified as an insurance contract, it remains an insurance contract until all rights and obligations are extinguished or expired, even if insurance risk becomes insignificant or not existent. However, some contracts do not transfer any insurance risk to the Company at inception, although they do transfer insurance risk at a later time. In those cases, the contract is not considered an insurance contract until the risk transfer happens.

(k) Reinsurance contract assets

The Company’s rights to the reinsurer include ceded unearned premium reserve, ceded claim reserve, ceded premium deficiency reserve, claims recoverable from reinsurers, and net reinsurance receivables. The way to estimate claims and payments recoverable from reinsures is consistent with the way to estimate claims of policies. Receivables and payables of reinsurance are not offset and present by net amounts unless both parties to the contract have statutory offsetting rights and intend to deliver on a net basis or at the same time.

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The Company periodically assesses the impairment of the reinsurance assets described above, reinsurance reserve assets, claims recoverable from reinsurers, reinsurance receivables, and reinsurance liabilities reserve deposit. A reinsurance asset is impaired if, and only if (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and (b) that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. If the Company's reinsurance reserve assets are impaired, the Company shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss, and recognize proper allowance for claims recoverable from reinsurers, reinsurance receivables, and reinsurance liabilities reserve deposit.

The Company assesses whether significant insurance risks have been transferred to the reinsurer. If significant insurance risks of the insurance contract have not been transferred, the contract is recognized via deposit accounting. The premium minus the company retained reinsurance premium (or fee) is recognized as deposit asset or liability, not profit or loss.

Compliance with the "Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company", the Company deposits reserve for those unauthorized reinsurance ceded businesses according to "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" on ceded date or balance sheet date and discloses in notes of financial statements.

(l) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be considered as separate projects (main component) of property, plant and equipment and depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassifies the property to investment property

When the use of a property changes to investment property, the Company reclassifies the property to investment property based on the carrying amount when the use is changed.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

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(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated by straight line method over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings 21-60 years
- 2) Office and other equipment 3-8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(m) Leases

(i) Lessor

Lease income from operating lease is recognized in profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Operating lease asset is not recognized in the balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Lease payments under operating lease shall be recognized in renting expenses and disclosed in financial report.

(n) Intangible assets

(i) Computer software

Computer software is recognized at its cost and amortized in 3-10 years by straight line method.

(ii) Golf membership

Golf membership is recognized at its cost, amortized in 10-20 years by straight line method and measured at its cost minus accumulated amortization and accumulated impairments.

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(iii) Other intangible assets

The Company measures other intangible assets at its cost minus accumulated amortization and accumulated impairments.

(iv) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(v) Amortization

The amortizable amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each financial year end. Such changes shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is indication that such impairment loss no longer exists or has decreased. The Company then estimates the recoverable amount of an individual asset or a cash generating unit. If the value of the recoverable amount increases after assessments, the impairment loss could be reversed to increase assets or increase the book value of cash generating units to recoverable amounts. However, the value of an individual asset or a cash generating unit could not exceed the amortized or depreciated amount without recognizing impairment loss.

The recoverable amount of intangible assets with an indefinite useful life is regularly assessed. If the recoverable amount of any of these assets is lower than its carrying amount, impairment loss is recognized.

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(p) Insurance liability

The Company determines reserves for insurance contracts in accordance with the “Regulations Governing the Provision of Various Reserves”, “Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, and “Regulations for the Reserve of Nuclear Insurance”, methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the Financial Supervisory Commission, Executive Yuan.

The methodologies used to determine the reserves are described as follows:

(i) Unearned premiums reserve:

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

(ii) Claim reserve:

The Company shall determine claim reserve, including case reserve and IBNR, using actuarial approaches, based on the historical experiences for each line of business. The case reserve shall be estimated case by case, based on actual relevant information.

(iii) Special reserve:

Special reserve comprises two parts, catastrophe reserve and risk volatility reserve.

1) Special reserve - catastrophe special reserve

Catastrophe special reserve for each line of business shall be determined based on ratios regulated by the Authority. The portion of the losses over NT\$ 30 million shall be recovered from catastrophe special reserve. Catastrophe special reserve can be released after 15 years based on the mechanism decided by the appointed actuary and filed to the Authority.

From July 1, 2011, reserve of Commercial Earthquake Insurance and Typhoon and Flood Insurance can be released after 30 years and recognized in accordance with the “Regulations for Insurance Companies Determining Various Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”

2) Special reserve - risk volatility special reserve

If the actual loss, after deducting catastrophe special reserve, is less than the expected loss, an equalization special reserve shall be recognized at 15% of that difference. From July 1, 2011, according to “Regulations for Insurance Companies Determining Various Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”, for commercial earthquake insurance and typhoon and flood insurance, if the actual claim of the retention, deducted by the balance of the insurance written off by catastrophe special reserve, is lower than the expected claim, then a equalization special reserve shall be provided based on 75% of the difference. The expected claim shall not be less than 60% of the expected rate of loss.

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If the actual loss, after deducting the catastrophe special reserve recovered for the line of business, exceeds the expected loss, the amount of that difference shall be recovered from the equalization special reserve. If the equalization special reserve is insufficient to deduct for a specific line of business, it can be released from other line of business. The amount released and the line of business from which shall follow the related regulations. If the cumulative equalization special reserve exceeds 60% of the net earned premium, the equalization special reserve shall be released by that difference. Although accident insurance and health insurance shall be released in accordance with the “Regulations Governing the Provision of Various Reserves” Art. 20.1.(3).

From July 1, 2011, according to “Regulations for Insurance Companies Determining Various Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”, if the equalization special reserve of commercial earthquake insurance exceeds 18 times of the net earned premium, or the equalization special reserve of typhoon and flood insurance exceeds 8 times of the net earned premium, the equalization special reserve shall be released by that difference.

In addition, according to “Directions Concerning Enhanced Natural Disaster Reserve of Property Insurance (Commercial Earthquake Insurance, Typhoon Insurance, and Flood Insurance)” under Jin Guan Bao Tsai No. 10102515061, from January 1, 2013, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance” under Jin Guan Bao Chan No. 10102531691, and “Regulations for Insurance Companies Determining Various Reserves of Nuclear Insurance” under Jin Guan Bao Tsai No. 10102517091, the Company should first fill the special catastrophe reserve and risk volatility reserve for commercial earthquake insurance and typhoon and flood insurance to maximum amount with the special catastrophe reserve and risk volatility reserve, which was in liability account and was provided before December 31, 2012, in the equity account. The calculation of the maximum amount of the special catastrophe reserve and risk volatility reserve for Commercial Earthquake Insurance, Typhoon Insurance, and Flood Insurance is to take the net earned premium of 2012 and the average amount of net earned premium from 2008 to 2012, which is higher, as the base. The catastrophe special reserve is calculated by the base amount described above multiply the catastrophe special reserve rate (7%) and cumulative age (30 years), and the maximum amount of risk volatility reserve is calculated by the base amount described above multiply the cumulative multiples (Commercial Earthquake Insurance multiply 18; Typhoon Insurance and Flood Insurance multiply 8).

The deficiency between the amount which was in liability and equity accounts on December 31, 2012 and the maximum amount of the special catastrophe reserve shall be first filled by special reserves of other insurances and then scaled to the risk volatility special reserve of Commercial Earthquake Insurance, Typhoon Insurance, and Flood Insurance. If there is any reserve left, the amount deducted by income tax calculated based on IAS 12 shall be reclassified to special reserve in equity account.

The amount that is transferred from special reserves of other insurances to catastrophe special reserve under liability accounts shall be released by one thirtieth of the ending balance of liability on January 1, 2013. The recoverable amount described above shall first deduct the amount of losses caused by the event exceed over NT\$ 30 million dollars for the individual company. If the cumulative amount of catastrophe special reserve is lower than the recoverable amount described above before deduction, the excess amount

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can only be released after the deficiency being filled. In addition, the recoverable amount described above shall be reviewed annually before 2025. If the recoverable amount described above is greater than the released amount of other types of accidents before the implementation of the precautions, the after tax difference shall be transferred to equity account. The difference described above shall be allocated in proportion to the retained premiums of other insurances of current period.

The “ Regulations for Insurance Companies Determining Various Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance” shall be followed when determining risk volatility special reserve of Commercial Earthquake Insurance and Typhoon and Flood Insurance.

3) Compulsory automobile liability insurance

The special reserve of compulsory automobile liability insurance is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance. The amount calculated by sum of retention of earned premium, withdrawal of claims reserve and special reserve of prior period plus interests deducts retained claim payment and deposit claim reserve, shall be deposited as special reserve. If the former amount is less than the latter amount, the deficiency shall be recovered by the special reserve cumulated in previous periods. If the deficiency still exists, it shall be recorded by memo entries and recovered by the special reserve cumulated in future periods.

Except for the special reserve of compulsory automobile liability insurance, the provision each year is recognized in special reserve under equity account with the amount deducted by income tax. The amount is calculated based on IAS 12. For the amount which should be written off or reclaimed, the Company writes off and reclaims it via special reserve under equity account with the amount deducted by income tax.

(iv) Premium deficiency reserve

The company shall evaluate the future losses and expenses for the unexpired policies and the policies that have been not terminated. If the expected future losses and expenses exceed the sum of the recognized unearned premium reserve and the expected future premium income, a premium deficiency reserve shall be recognized at the amount of that difference.

(v) Liability adequacy reserve

In accordance with IFRS 4, the Company should assess whether its recognized insurance liabilities are adequate, using current estimates of future cash flows at the end of each reporting period. If that assessment shows that the carrying amount of its insurance liabilities (less related intangible assets) is inadequate, the entire deficiency shall be recognized as a liability adequacy reserve.

(q) Reserve for the insurance contract with the nature of financial products

The Company issued financial products without discretion and participation, and determines reserves for those insurance contracts in accordance with the “Regulations Governing the Provision of Various Reserves”.

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**UNION INSURANCE CO., LTD.**  
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(r) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(s) Premium income and acquisition costs

Premium income direct business is recognized based on the written policies and endorsement. Since January 1, 2015, sales that are attributable to car insurance recognize revenue. Assumed reinsurance premiums for reinsurance assumed business is recognized when the reinsurance statement arrived. For those statements have not been received, assumed reinsurance premium shall be estimated by a reasonable and systematic method on the balance sheet date. The related acquisition costs (such as: commissions, brokerages, fees, reinsurance commissions and etc.) is recognized in the same period without deferring.

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

Unearned premium reserve for the compulsory auto liability is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

Unearned premium reserve for the Residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premiums reserve for the nuclear insurance is determined in accordance with the Regulations for the Reserve of Nuclear Insurance.

The approaches to determine unearned premiums reserves selected based on the characteristics of the line of business and decided by the actuary (The approaches are not allowed to change without the permission of the Authority.) Unearned premium reserve shall be certified by the appointed actuary.

Income tax, based on Value added and Non value added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations, related to the premium income shall be recognized on accrual basis.

(t) The cost of insurance claims

Loss for direct business is recognized based on the paid losses for the reported claims. Loss shall be estimated case by case, based on the actual relevant information, and recognized as the net change in reported but unpaid reserve for the claims which have been not yet paid, either have been determined or not been determined by the claim department.

Assumed reinsurance loss for reinsurance assumed business is recognized when the statement is arrival. For those statements have not been received, assumed reinsurance, loss shall be estimated in a reasonable and systematic way and recognized as the net change in loss reserve.

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Unreported loss for direct written business and reinsurance assumed business shall be estimated using actuarial methodologies, based on the historical experience, and recognized as net change in the IBNR.

The loss receivable from the reinsurance companies according to the reinsurance ceded contract shall be recognized as claims recovered from reinsurers if the loss has been paid and recognized as net change in loss reserve if the loss has not been paid.

The loss reserve is not discounted.

The loss reserve for compulsory automobile liability insurance is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

The loss reserve for residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

The loss reserve for nuclear insurance is determined based on the Regulations for the Reserve of Nuclear Insurance.

- (u) Coinsurance organization, coinsurance business and guarantee fund agreement.

The Company signed coinsurance contract of the compulsory automobile liability insurance with all the member companies which approved by the government to operate the compulsory automobile liability coinsurance. It was agreed that all business of compulsory automobile liability insurance should be covered by the coinsurance institution or the Company should pay the penalty and be audited by the auditor of the coinsurance organization. The business of the coinsurance was calculated based on pure premium, and distribute by coinsurance percentage.

- (v) Employee Benefits

- (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

- (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. The fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company recognize remeasurements of the net defined benefit liability (asset) in retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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(w) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) the entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(x) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(y) Operating segments

The Company has disclosed operating segments information in the consolidated financial report; therefore, the individual financial report do not disclose operating segments information.

(z) Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shall be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The carrying amount of the assets and liabilities as mentioned below may be affected by accounting estimates and judgment that have the most significant effects on the amounts recognized in the consolidated financial statements. The actual results may be influenced by the change of taken accounting estimates and professional judgments with the content has an existing significant difference as follows:

(a) Insurance liability and provision for investment-linked insurance contracts

The Company measures insurance liabilities in accordance with “ Regulations Governing the Provision of Various Reserves”.

(i) Unearned premium reserve is estimated based on the exposure of the unexpired period of each business line. The provision of reserves is determined by actuarial specialists in accordance with of characteristics each business line.

(ii) Claim reserve is estimated in accordance with the method of a loss triangle. The final claim cost is calculated based on the primary assumptions that are loss development factors and expected claim ratio. The loss development factors and expected claim ratio of each business line are calculated based on historical claim experience and adjusted by Company's policies such as insurance rate and claim management.

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The professional judgment used in the above process will affect the amount recognized, including net change in insurance liability, the provision of insurance liability and reserve for the insurance contract with the nature of financial products.

(b) Reinsurance Reserve assets

The estimate of ceded reinsurance unearned premiums reserve, ceded reinsurance claim reserve and ceded reinsurance liability reserve is according to with the “Regulations Governing the Provision of Various Reserves”.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 480	425
Petty cash	17,960	17,960
Cash in bank	2,039,550	2,191,214
Bonds investment under resell agreements	<u>210,139</u>	<u>375,565</u>
Total	<u><u>\$ 2,268,129</u></u>	<u><u>2,585,164</u></u>

(b) Receivables and Payables

(i) Receivables

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Notes receivable	\$ 265,123	213,729
Premiums receivable	510,626	389,760
Other receivables	<u>112,788</u>	<u>108,068</u>
Total	<u><u>\$ 888,537</u></u>	<u><u>711,557</u></u>

(ii) Payables

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Commission payable	\$ 166,147	131,236
Due to ceding companies	118,238	88,996
Reinsurance premium payable	578,829	498,436
Reinsurance commission payable	559	661
Insurance claim payable	12,261	202,164
Other payables	<u>333,910</u>	<u>332,672</u>
Total	<u><u>\$ 1,209,944</u></u>	<u><u>1,254,165</u></u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Receivables of insurance contracts

<u>Item</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 266,490	213,961
Less : Loss allowance	<u>(1,367)</u>	<u>(232)</u>
Total	<u><u>\$ 265,123</u></u>	<u><u>213,729</u></u>
<u>Item</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Premiums receivable		
Fire insurance	\$ 175,731	132,463
Marine insurance	55,826	45,644
Hull and fishing vessel insurance	9,680	9,299
Other accident insurance	124,449	52,380
Compulsory pure premium	11,600	13,431
Voluntary automobile insurance	83,172	95,027
Compulsory automobile liability insurance	5,518	5,634
Overdue receivables	<u>49,741</u>	<u>38,350</u>
Subtotal	515,717	392,228
Less : Loss allowance	<u>(5,091)</u>	<u>(2,468)</u>
Total	<u><u>\$ 510,626</u></u>	<u><u>389,760</u></u>

## (iv) Other Receivables

<u>Item</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other Receivables	\$ 131,329	120,022
Less : Loss allowance	<u>(18,541)</u>	<u>(11,954)</u>
Total	<u><u>\$ 112,788</u></u>	<u><u>108,068</u></u>

The Company's Board of Directors has decided to write off premiums receivable and notes receivable which are impossible to recover on April 28, 2017. Total amount was \$1,588. As of December 31, 2018 and 2017, the overdue receivables in notes receivable, premiums receivable and other receivable were \$74,003 and \$54,076, which provisioned the loss allowance \$24,999 and \$14,654, respectively. The movements of the loss allowance of receivable are as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 14,654	7,943
Recognition (Reversal)	10,345	8,299
Write-off	<u>-</u>	<u>(1,588)</u>
Ending balance	<u><u>\$ 24,999</u></u>	<u><u>14,654</u></u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The Company's aging analysis of receivables is as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Under 90 days	\$ 866,285	690,414
90~270 days	29,273	27,854
More than 270 days	17,978	7,943

The estimate of expected credit losses of the Company's receivable please refer to Note 6(t)

(v) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Commission Payable	<u>\$ 166,147</u>	<u>131,236</u>

(c) Reinsurance assets

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Claims recoverable from reinsurers (Note 6(d))	\$ 331,694	412,946
Due from reinsurers and ceding companies — net (Note 6(e))	279,237	233,652
Reinsurance reserve assets (Note 6(m))		
Ceded unearned premiums reserve	1,849,954	(1,776,150)
Ceded claim reserve	2,009,313	(1,706,149)
Ceded premium deficiency reserve	40,670	(22,910)
Total	<u>\$ 4,510,868</u>	<u>4,151,807</u>

(d) Claims recoverable from reinsurers

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Fire insurance	\$ 3,729	10,953
Marine insurance	15,712	3,422
Liability insurance	75,776	73,787
Guarantee insurance	44	8,861
Other property insurance	111,274	112,031
Accident insurance	55,477	46,102
Health insurance	845	714
Compulsory automobile liability insurance	68,633	151,223
Overdue receivables	204	5,853
Subtotal	331,694	412,946
Less : Loss allowance	-	-
Total	<u>\$ 331,694</u>	<u>412,946</u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The movements of the loss allowance of receivable are as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Beginning	\$ -	41
Provision (Recovery)	-	(41)
Ending balance	<u>\$ -</u>	<u>-</u>

(e) Due from (to) reinsurers and ceding companies

(i) Receivables of insurance contracts

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Due from ceding companies	\$ 96,203	81,373
Reinsurance premium receivable	55,277	56,810
Reinsurance commission receivable	110,500	84,025
Overdue receivable	<u>17,257</u>	<u>11,444</u>
Subtotal	279,237	233,652
Less : Loss allowance	<u>-</u>	<u>-</u>
Total	<u>\$ 279,237</u>	<u>233,652</u>

The movements of the loss allowance of receivables of insurance contracts are as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ -	18,193
Reversal	-	(1,245)
Write-off	<u>-</u>	<u>(16,948)</u>
Ending balance	<u>\$ -</u>	<u>-</u>

The Company's Board of Directors decided to write off overdue receivables from reinsurers and ceding companies which were impossible to recoverable on April 28, 2017. Total amount was \$16,948.

(ii) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Due to ceding companies	\$ 118,238	88,996
Reinsurance premium payable	578,829	498,436
Reinsurance commission payable	<u>559</u>	<u>661</u>
Total	<u>\$ 697,626</u>	<u>588,093</u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (f) Financial assets

## (i) Financial assets measured at fair value through profit or loss

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificate	\$ 36,049	-
Real estate investment trust beneficiary certificate	252,620	-
Stocks listed on domestic markets	365,305	-
Financial assets held for trading:		
Non-derivative financial assets		
Beneficiary certificate		505,232
Stocks listed on domestic markets		937,698
<b>Total</b>	<b><u>\$ 653,974</u></b>	<b><u>1,442,930</u></b>

Sensitivity analysis - the risk of equity price:

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on comprehensive income for 2018 and 2017 will increase \$6,540 and \$14,429, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

## (ii) Financial assets at fair value through other comprehensive income

	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income	
Stocks listed on domestic markets	\$ 973,470
Stocks unlisted on domestic markets	13,650
<b>Total</b>	<b><u>\$ 987,120</u></b>

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long term for strategic purposes, rather than trading purposes. These investments were classified as available for sale financial assets and financial assets measured at cost on December 31, 2017.

During the year ended December 31, 2018, the dividend of \$25,930, related to equity investments at fair value through other comprehensive income held on December 31, 2018, was recognized; the dividend of \$0 related to the investments derecognized during the year ended December 31, 2018.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

During the year ended December 31, 2018, the Company disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and rearranging portfolio. The shares were sold at a fair value of \$430,664, and the accumulated income was \$100,956. The accumulated income has been transferred from other equity to retained earnings.

Sensitivity analysis the risk of equity price:

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on comprehensive income for 2018 will increase \$9,871. Conversely, if there is an decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(iii) Financial assets measured at amortized cost

	<b>December 31, 2018</b>
Government bonds	\$ 538,841
Financial bonds	100,000
Corporate bonds	<u>950,000</u>
Subtotal	1,588,841
Less: Securities serving as deposits paid	(348,836)
Loss allowance	<u>(661)</u>
<b>Total</b>	<b><u>\$ 1,239,344</u></b>

- 1) The Company assesses financial assets that are held to maturity in order to collect contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding. Therefore, these financial assets are classified as measured at amortized cost since January 1, 2018.
- 2) Please refer to Note 6(t) for further information of credit risk and the movement in the loss allowance of financial assets measured at amortized cost.
- 3) The Company's financial assets measured at amortized cost had been pledged partially, please refer to Note 8.
- 4) The Company assessed the impairment of financial asset on December 31, 2018, the amount of the expected credit loss recognized (reversal of credit loss) was as follows:

	<b>For the years ended December 31, 2018</b>
Beginning balance	\$ 705
Recognition (Reversal)	<u>(44)</u>
Ending balance	<b><u>\$ 661</u></b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (iv) Available-for-sale financial assets

	<b>December 31, 2017</b>
Beneficiary certificates	\$ 114,245
Real estate investment trust beneficiary certificate	295,589
Stocks listed on domestic markets	745,622
Stocks listed on foreign markets	329,708
Valuation adjustments	18,810
Subtotal	1,503,974
Less: Accumulated impairment	(119,367)
Total	<b>\$ 1,384,607</b>

There was an objective evidence of impairment of equity instrument investment held by the Company; therefore, the accumulated impairment \$119,367 was recognized for 2017.

Sensitivity analysis - the risk of equity price:

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on comprehensive income for 2017 will increase \$13,846. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

## (v) Financial assets at cost

Item	December 31, 2017	
	Amount	%
Ordinary shares:		
Minchali Metal Industry Co., Ltd	\$ 1,260	0.53 %
China Rebar Co., Ltd	296,010	1.42 %
Total	297,270	
Less: Accumulated impairment	(296,010)	
Net	<b>\$ 1,260</b>	

## (vi) Bond investments without active market

	<b>December 31, 2017</b>
Corporate bonds	<b>\$ 450,000</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (vii) Held-to-maturity financial assets

	<b>December 31, 2017</b>
Government bonds	\$ 589,827
Corporate bonds	300,000
Less: Securities serving as deposits paid	(365,236)
<b>Total</b>	<b>\$ 524,591</b>

The Company's held to maturity financial assets were pledged as securities serving as deposits paid, please refer to Note 8 for further information.

## (viii) Other financial asset:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Time deposits – initial maturity date over than three months	\$ 4,217,214	2,381,052
Less: Securities serving as deposits paid	(190,180)	(260,533)
<b>Total</b>	<b>\$ 4,027,034</b>	<b>2,120,519</b>

The Company's time deposits were pledged as securities serving as deposits paid, please refer to Note 8 for further information.

## (ix) Capital outsourcing information

As December 31, 2018 and 2017, the Company has outsourced to Securities Investment Trust to manage investment project and capital amount. Further information is as follows:

		<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Investment Trust Company</b>	<b>Investment</b>	<b>Amount</b>	<b>Amount</b>
Prudential Financial Investment Trust	Stocks listed on domestic markets 、 Bonds Purchased under Resell Agreements 、 Short term bills, etc.	\$ -	250,000
Taishin Securities Investment Trust	"	-	300,000
Nomura Asset Management	"	250,000	350,000
Fuh Hwa Securities Investment Trust	"	350,000	400,000
		<b>\$ 600,000</b>	<b>1,300,000</b>

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The investment project was mentioned above, and the carry amounts as of December 31, 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash and cash equivalents	\$ 290,174	636,536
Financial assets measured at fair value through profit or loss - stocks	<u>230,420</u>	<u>785,047</u>
	<u><u>\$ 520,594</u></u>	<u><u>1,421,583</u></u>

(g) Investment under Equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary		
China Insurance (THAI) public company limited	<u><u>\$ 38,794</u></u>	<u><u>41,140</u></u>

For the year ended December 31, 2018 and 2017, the Company's share of gains or losses of the subsidiaries were as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Audited by the certified public accountants	<u><u>\$ (3,878)</u></u>	<u><u>(716)</u></u>

(h) Investment property

The cost, depreciation, and impairment of the investment property of the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land and Improvement</u>	<u>Buildings and constructions</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
<b>Balance at January 1, 2018</b>	\$ 892,797	214,032	1,106,829
Purchase	-	471	471
Reclassification form property, plant and equipment	4,195	5,006	9,201
Reclassification to property, plant and equipment	(181,611)	(12,883)	(194,494)
<b>Balance at December 31, 2018</b>	<u><u>\$ 715,381</u></u>	<u><u>206,626</u></u>	<u><u>922,007</u></u>
<b>Balance at January 1, 2017</b>	\$ 891,086	210,756	1,101,842
Purchase	-	1,005	1,005
Disposal	(560)	(496)	(1,056)
Reclassification form property, plant and equipment	2,271	2,767	5,038
<b>Balance at December 31, 2017</b>	<u><u>\$ 892,797</u></u>	<u><u>214,032</u></u>	<u><u>1,106,829</u></u>

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

	<u>Land and Improvement</u>	<u>Buildings and constructions</u>	<u>Total</u>
<b>Accumulated depreciation and impairments</b>			
<b>Balance at January 1, 2018</b>	\$ 2,359	67,500	69,859
Depreciation	-	4,774	4,774
Reclassification form property, plant and equipment	-	1,592	1,592
Reclassification to property, plant and equipment	<u>-</u>	<u>(1,025)</u>	<u>(1,025)</u>
<b>Balance at December 31, 2018</b>	<u>\$ 2,359</u>	<u>72,841</u>	<u>75,200</u>
<b>Balance at January 1, 2017</b>	\$ 2,359	62,002	64,361
Depreciation	-	4,830	4,830
Reclassification form property, plant and equipment	-	815	815
Disposal	<u>-</u>	<u>(147)</u>	<u>(147)</u>
<b>Balance at December 31, 2017</b>	<u>\$ 2,359</u>	<u>67,500</u>	<u>69,859</u>
<b>Carrying amount:</b>			
December 31, 2018	<u>\$ 713,022</u>	<u>133,785</u>	<u>846,807</u>
December 31, 2017	<u>\$ 890,438</u>	<u>146,532</u>	<u>1,036,970</u>
<b>Fair value :</b>			
January 1, 2018			<u>\$ 1,534,117</u>
December 31, 2017			<u>\$ 1,722,081</u>

On December 31, 2018 and 2017, the assessment of fair value of investment property mainly referred to the market trade.

As of December 31, 2018 and 2017, the Company's investment property has not been pledged as collateral.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Computer Equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<b>Cost:</b>							
<b>Balance at January 1, 2018</b>	\$ 522,969	384,822	156,434	579	47,566	12,716	1,125,086
Purchase	35,412	19,409	9,223	-	4,061	214	68,319
Reclassification	-	-	21	-	(21)	-	-
Reclassification from investment property	181,611	12,883	-	-	-	-	194,494
Reclassification to investment property	(4,195)	(5,006)	-	-	-	-	(9,201)
Disposal	-	-	-	-	(12)	-	(12)
Scrap	-	-	(7,040)	-	(6,254)	-	(13,294)
<b>Balance at December 31, 2018</b>	<u>735,797</u>	<u>412,108</u>	<u>158,638</u>	<u>579</u>	<u>45,340</u>	<u>12,930</u>	<u>1,365,392</u>
<b>Balance at January 1, 2017</b>	525,240	383,990	150,353	579	46,940	13,209	1,120,311
Purchase	-	3,599	9,907	-	2,644	-	16,150
Reclassification to investment property	(2,271)	(2,767)	-	-	-	-	(5,038)
Scrap	-	-	(3,826)	-	(2,018)	(493)	(6,337)
<b>Balance at December 31, 2017</b>	<u>522,969</u>	<u>384,822</u>	<u>156,434</u>	<u>579</u>	<u>47,566</u>	<u>12,716</u>	<u>1,125,086</u>
<b>Depreciation and impairment loss:</b>							
<b>Balance at January 1, 2018</b>	15,196	128,525	111,378	274	41,871	11,001	308,245
Depreciation	-	9,352	20,186	96	3,117	872	33,623
Reclassification	-	-	16	-	(16)	-	-
Reclassification from investment property	-	1,025	-	-	-	-	1,025
Reclassification to investment property	-	(1,592)	-	-	-	-	(1,592)
Disposal	-	-	-	-	(11)	-	(11)
Scrap	-	-	(7,040)	-	(6,254)	-	(13,294)
<b>Balance at December 31, 2018</b>	<u>15,196</u>	<u>137,310</u>	<u>124,540</u>	<u>370</u>	<u>38,707</u>	<u>11,873</u>	<u>327,996</u>
<b>Balance at January 1, 2017</b>	15,196	120,581	96,679	177	40,820	9,921	283,374
Depreciation	-	8,759	18,525	97	3,069	1,573	32,023
Reclassification to investment property	-	(815)	-	-	-	-	(815)
Scrap	-	-	(3,826)	-	(2,018)	(493)	(6,337)
<b>Balance at December 31, 2017</b>	<u>15,196</u>	<u>128,525</u>	<u>111,378</u>	<u>274</u>	<u>41,871</u>	<u>11,001</u>	<u>308,245</u>
<b>Carrying amount:</b>							
December 31, 2018	<u>\$ 720,601</u>	<u>274,798</u>	<u>34,098</u>	<u>209</u>	<u>6,633</u>	<u>1,057</u>	<u>1,037,396</u>
December 31, 2017	<u>\$ 507,773</u>	<u>256,297</u>	<u>45,056</u>	<u>305</u>	<u>5,695</u>	<u>1,715</u>	<u>816,841</u>

As of December 31, 2018 and 2017, the Company's property, plant and equipment have not been pledged as collateral.

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**Notes to the Financial Statements**

## (j) Operating lease

## (i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Within a year	\$ 13,144	14,773
One to five years	<u>11,014</u>	<u>4,983</u>
	<b><u>\$ 24,158</u></b>	<b><u>19,756</u></b>

The Company leases a number of offices under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. The expenses of operating lease were \$15,197 and \$15,227 for 2018 and 2017, respectively.

## (ii) Leases as lessor

The Company leases out its investment properties (see Note 6(h)). The future minimum lease payments under non-cancellable leases are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Within a year	\$ 47,314	49,880
One to five years	144,169	156,847
More than five years	<u>304,770</u>	<u>340,468</u>
	<b><u>\$ 496,253</u></b>	<b><u>547,195</u></b>

Rental incomes from investment properties were \$51,530 and \$52,338 for 2018 and 2017, respectively.

## (k) Employee benefit

## (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value for the Company are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Present value of the defined benefit obligations	\$ (532,833)	(516,322)
Fair value of plan assets	<u>257,184</u>	<u>262,172</u>
Net defined benefit (liabilities) assets	<b><u>\$ (275,649)</u></b>	<b><u>(254,150)</u></b>

(Continued)

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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$257,184 and \$262,172 as of December 31, 2018 and 2017, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Defined benefit obligation at January 1	\$ 516,322	499,736
Current serviced costs and interest cost	13,648	14,138
Remeasurements of net defined benefit liabilities		
– Actuarial gains or losses arising from changes of demographic assumptions	5,938	(1,344)
– Actuarial gains or losses arising from changes of financial assumptions	7,548	5,382
– Actuarial gains or losses arising from experience adjustments	24,862	11,416
Benefits paid by the plan	(35,485)	(13,006)
Defined benefit obligation at December 31	<b><u>\$ 532,833</u></b>	<b><u>516,322</u></b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Fair value of plan assets at January 1	\$ 262,172	260,832
Interest income	2,806	3,130
Remeasurements of net defined benefit liabilities		
— Expected return on plan assets (excluding current interest)	7,748	(585)
Contribution made to the plan	19,943	11,801
Benefit paid by the plan	(35,485)	(13,006)
Fair value of plan assets at December 31	<b>\$ 257,184</b>	<b>262,172</b>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Current service cost	\$ 8,123	8,141
Net interest of net liabilities for defined benefit obligations	2,719	2,867
	<b>\$ 10,842</b>	<b>11,008</b>

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Accumulated amount at January 1	\$ 144,980	128,941
Recognized during the period	30,600	16,039
Accumulated amount at December 31	<b>\$ 175,580</b>	<b>144,980</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Discount rate	0.87 %	1.07 %
Expected return on planned assets	0.87 %	1.07 %
Future salary increases	0.50 %	0.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is \$19,943. The weighted average lifetime of the defined benefits plans is 7 years.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2018 and 2017, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows

	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2018		
Discount rate (change 0.5%)	\$ 20,448	18,656
Future salary increases(change 0.5%)	20,421	15,171
December 31, 2017		
Discount rate (change 0.5%)	21,866	19,891
Future salary increases (change 0.5%)	21,882	16,211

The sensitivity analysis presented above is based on the condition that other variables are unchanged. In practice, the changes of many assumptions are correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

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**Notes to the Financial Statements**

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs of the Company incurred from the contributions to the Bureau of the Labor Insurance amounted to \$34,711 and \$31,621 for the years ended December 31, 2018 and 2017, respectively.

(l) Employee compensation and directors' remuneration

In accordance with the Articles of Incorporation the Company should contribute 1%~5% of the profit as employee compensation, and no more than 5% directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to \$9,000 and \$9,795, and directors' remuneration amounting to \$6,000 and \$6,530, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

The amounts of compensation for employees and directors of the Company in 2017 and 2016 were \$9,795 and \$6,530, \$6,000 and \$0, respectively. There is no difference in the actual distribution situation. Relevant information can be obtained from the Market Observation Post System.

(m) Insurance liability

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Unearned premium reserve	\$ 5,603,272	5,374,952
Claims reserve	4,068,790	3,701,711
Special reserve	1,182,026	1,184,801
Premium deficiency reserve	<u>44,984</u>	<u>22,910</u>
Total	<b><u>\$ 10,899,072</u></b>	<b><u>10,284,374</u></b>

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (i) Unearned premium reserve

## 1) Unearned premium reserve and ceded reinsurance unearned premiums reserve

<b>December 31, 2018</b>					
<b>Item</b>	<b>Unearned premium reserve</b>		<b>Ceded unearned premiums reserve</b>		<b>Retained business</b>
	<b>Direct business</b>	<b>Reinsurance ceded in</b>	<b>Reinsurance ceded out</b>		
Fire insurance	\$ 814,260	23,104	386,852		450,512
Marine insurance	60,335	825	52,314		8,846
Land and air Insurance	42,159	-	28,982		13,177
Liability insurance	1,288,674	423,155	525,689		1,186,140
Guarantee insurance	10,941	369	4,760		6,550
Other property insurance	1,962,603	30,030	578,019		1,414,614
Accident insurance	401,307	1,970	48,601		354,676
Health insurance	6,825	-	916		5,909
Compulsory automobile liability insurance	373,024	163,691	223,821		312,894
<b>Total</b>	<b>\$ 4,960,128</b>	<b>643,144</b>	<b>1,849,954</b>		<b>3,753,318</b>

  

<b>December 31, 2017</b>					
<b>Item</b>	<b>Unearned premium reserve</b>		<b>Ceded unearned premiums reserve</b>		<b>Retained business</b>
	<b>Direct business</b>	<b>Reinsurance ceded in</b>	<b>Reinsurance ceded out</b>		
Fire insurance	\$ 806,187	19,998	395,084		431,101
Marine insurance	53,470	1,064	47,501		7,033
Land and air Insurance	40,611	-	29,642		10,969
Liability insurance	1,144,306	476,220	543,139		1,077,387
Guarantee insurance	6,377	365	2,924		3,818
Other property insurance	1,895,656	17,823	472,843		1,440,636
Accident insurance	353,378	1,690	56,820		298,248
Health insurance	7,902	-	1,495		6,407
Compulsory automobile liability insurance	377,815	172,090	226,702		323,203
<b>Total</b>	<b>\$ 4,685,702</b>	<b>689,250</b>	<b>1,776,150</b>		<b>3,598,802</b>

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) Reserve for unearned premiums and reserve for unearned premiums out

For the years ended December 31, 2018													
Items	Premium revenue	Reinsurance premium	Reinsurance expense	Retained Premiums	Direct business Unearned premium reserve		Reinsurance ceded in Unearned premium reserve		Net change in unearned premiums reserve	Reinsurance ceded out Ceded unearned premium reserve		Net change in ceded unearned premiums reserve	Retained premiums earned
					Provision	Recover	Provision	Recover		Provision	Recover		
Compulsory insurance	\$ 952,664	289,582	398,886	843,360	373,024	377,815	163,691	172,090	(13,190)	223,821	226,702	(2,881)	853,669
Non-compulsory insurance	8,873,058	122,959	2,818,074	6,177,943	4,587,104	4,292,411	479,453	517,160	256,986	1,626,133	1,549,448	76,685	5,997,642
<b>Total</b>	<b>\$ 9,825,722</b>	<b>412,541</b>	<b>3,216,960</b>	<b>7,021,303</b>	<b>4,960,128</b>	<b>4,670,226</b>	<b>643,144</b>	<b>689,250</b>	<b>243,796</b>	<b>1,849,954</b>	<b>1,776,150</b>	<b>73,804</b>	<b>6,851,311</b>
For the years ended December 31, 2017													
Items	Premium revenue	Reinsurance premium	Reinsurance expenses	Retained Premiums	Direct business Unearned premium reserve		Reinsurance ceded in Unearned premium reserve		Net change in unearned premiums reserve	Reinsurance ceded out Ceded unearned premium reserve		Net change in ceded unearned premiums reserve	Retained premiums earned
					Provision	Recover	Provision	Recover		Provision	Recover		
Compulsory insurance	\$ 955,975	303,377	398,254	861,098	377,815	388,927	172,090	174,285	(13,307)	226,702	233,436	(6,734)	867,671
Non-compulsory insurance	8,131,547	269,086	2,588,083	5,812,550	4,307,887	4,090,834	517,160	371,902	362,311	1,549,448	1,556,287	(6,839)	5,443,400
<b>Total</b>	<b>\$ 9,087,522</b>	<b>572,463</b>	<b>2,986,337</b>	<b>6,673,648</b>	<b>4,685,702</b>	<b>4,479,761</b>	<b>689,250</b>	<b>546,187</b>	<b>349,004</b>	<b>1,776,150</b>	<b>1,789,723</b>	<b>(13,573)</b>	<b>6,311,071</b>

3) The movements in unearned premium reserve and ceded unearned premiums reserve were as follows:

Item	For the years ended December 31, 2018	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,374,952	1,776,150
Provision	5,603,272	1,849,954
Recover	(5,374,952)	(1,776,150)
Ending balance	<b>\$ 5,603,272</b>	<b>1,849,954</b>
Item	For the years ended December 31, 2017	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,045,857	1,789,723
Provision	5,374,952	1,776,150
Recover	(5,045,857)	(1,789,723)
Ending balance	<b>\$ 5,374,952</b>	<b>1,776,150</b>

The provision methods of unearned premiums reserve are determined by an actuary according to the characteristics of each insurance and are stated in the instruction of insurance commodity calculation and shall not be changed without the approval of the competent authority. The Company has submitted the provision method of unearned premiums reserve on Letter (Wang) Zong Jing Suan No. 1112 on October 24, 2011 and had been approved by Financial Supervisory Commission, R.O.C. (Taiwan) Insurance Bureau Jin Guan Bao Cai Zi No. 10002518120.

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On October 9, 2014, the Company signed a specific business transferring contract with Asia Insurance Company Ltd. Taiwan Branch and accepted its long term fire insurance contracts on the delivery date, which was December 15, 2014. The Company undertook the amount of \$3,916 unearned premium reserve and charged \$3,648 to Asia Insurance Company Ltd. Taiwan Branch. According to IFRS 4 "Insurance Contract" that paragraph of insurance contracts acquired in business combination or portfolio transfer: the intangible asset recognized was the difference of \$268 from the fair value of the contractual insurance rights acquired and insurance obligations assumed to a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issued. The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability.

On December 7, 2012, the Company signed a special business transferring contract with Walsun Insurance Ltd. and accepted its direct business of four types of insurance contracts on January 10, 2013: long term residential fire insurance contracts, employer's accidental liability insurance contracts, contractor's liability insurance contracts, and architect's professional liability insurance contracts. The Company undertook the amount of \$232,939 unearned premium reserve and requested for a grants of \$67,451 from the Insurance and Security Fund of the Corporation. According to IFRS 4 "Insurance Contract" that paragraph of insurance contracts acquired in business combination or portfolio transfer: the intangible asset recognized was the difference of \$165,488 from the fair value of the contractual insurance rights acquired and insurance obligations assumed to a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issued. The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability

As of December 31, 2018 and 2017, the undertook unearned premium reserve has recovered \$22,281 and \$28,686, respectively. According to relevant measurements, the intangible asset has reduced \$15,476 and \$19,909 as recovery deduction of unearned premium reserve, respectively. The amount of \$6,805 and \$8,777 were net recovered unearned premium reserve. .As of December 31, 2018 and 2017, the relevant unearned premium reserve and intangible assets were \$53,660 、\$37,486 and \$75,941 、\$52,962, respectively.

(ii) Special reserve

1) Segmentation of specific assets

The Company is engaged in business of compulsory automobile liability insurance (hereinafter referred to as "this insurance") accounting to this insurance's relevant accounting of Compulsory Automobile Liability Insurance Law.

This insurance of special reserve provision obeys "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance" Article 5 that is to the insurer shall purchase treasury bills or deposit the reserve with a financial institution as a time deposit. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

- a) Government bonds, not including exchangeable government bonds.

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**UNION INSURANCE CO., LTD.**  
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- b) Financial bonds, negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of treasury bills purchased or time deposits placed in a financial institution under the preceding paragraph shall not be less than 30 percent of the total amount of the insurer's retained earned pure premiums for this Insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level it deems appropriate based on the insurer's operational status.

If the balance of special reserve is less than 30 percent of the total amount of the retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant, then the full amount of its special reserve shall be deposited in a financial institution as a time deposit or treasury bills.

According to Article 6 of "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance", funds (all types of reserves, payables, temporary credits and amounts to be carried forward) held by an insurer for this Insurance shall be deposited in a financial institution in the form of demand deposits and time deposits, provided that with the approval of the competent authority, an insurer may purchase any of the following domestic securities:

- a) Treasury bills.
- b) Negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds in a repo transaction.

The amount of deposits deposited in financial institutions under the first paragraph shall not be less than 45 percent of the balance remaining after subtracting the amount of special reserves from the amount of funds held by the insurer due to the operation of this Insurance, or less than 30 percent of the retained earned pure premium for the most recent period as audited or reviewed by a certified public accountant. The competent authority may raise the percentage of deposits required by the insurer to a level it deems appropriate based on the insurer's operational status.

If the total amount of unearned premium reserve and loss reserve of the insurer with respect to this Insurance is less than 30 percent of the retained earned pure premiums of this Insurance for the most recent period as audited or reviewed by a certified public accountant, the funds held by the insurer through its conduct of this Insurance shall be deposited in full with a financial institution in the form of deposits.

Accounting Article 11 of "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance", when an insurer suspends business operations or terminates its operation of this Insurance, the various reserves for this Insurance shall be transferred into the various reserves set aside for handling of this Insurance by the other insurer that assumes the business.

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**UNION INSURANCE CO., LTD.**  
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When an insurer has been duly ordered to suspend business and undergo rehabilitation, ordered to dissolve, or its permission to operate this Insurance business has been revoked, and no other insurer is to assume this Insurance business, and there is no outstanding liability under this Insurance, and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

Special reserve – Compulsory Automobile Liability Insurance

Item	For the years ended December 31,	
	2018	2017
Beginning balance	\$ 15,653	51,598
Provision	38,105	11,173
Recover	(35,814)	(47,118)
Ending balance	<u>\$ 17,944</u>	<u>15,653</u>

Special reserve – Non-Compulsory Automobile Liability Insurance

Item	For the years ended December 31, 2018					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Total
Beginning balance	\$ 126,807	1,038,185	1,164,992	474,087	1,008,784	1,482,871
Provision	-	-	-	73,893	201,505	275,398
Recover	(5,066)	-	(5,066)	-	(8,764)	(8,764)
Ending balance	<u>\$ 121,741</u>	<u>1,038,185</u>	<u>1,159,926</u>	<u>547,980</u>	<u>1,201,525</u>	<u>1,749,505</u>

  

Item	For the years ended December 31, 2017					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Total
Beginning balance	\$ 131,873	1,038,185	1,170,058	402,310	791,391	1,193,701
Provision	-	-	-	71,777	229,354	301,131
Recover	(5,066)	-	(5,066)	-	(11,961)	(11,961)
Ending balance	<u>\$ 126,807</u>	<u>1,038,185</u>	<u>1,164,992</u>	<u>474,087</u>	<u>1,008,784</u>	<u>1,482,871</u>

Note: The liability of special reserve mentioned above means non-compulsory automobile liability insurance reserve had been provisioned before January 1, 2011. In addition, Article 8 4 of Various Provisions of Insurance Industry and Financial Supervisory Commission, R.O.C. (Taiwan) Insurance Bureau Jin Guan Bao Cai Zi No.1002509161 on June, 16, 2011 also have set the standard that the business of commercial earthquake insurance and typhoon flood insurance should provision various reserve, which is the base of recovered special reserve as of December 31, 2018 and 2017.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) Special reserves -Other

In 2013, the determination of cost of real estate and equipment based on the International Financial Reporting Standards No. 1 that approved by the Financial Supervisory Committee, the Company chose the exemption that the revaluation reserve of land and buildings according to the Generally Accepted Accounting Principles of the Republic of China transferred to retained earnings. However, according to the standard of the Preparation of Financial Reports by Insurance Enterprises, the revaluation reserve that estimated by the cash flow discount approach via contractual rent of the investment real estate target as the upper limit adjustment to define the cost and the value added part. Then, to fill the unrecognized pension loss, the unrecognized transition net payment obligation, the increase on defined benefit obligation based on the change of actuarial assumptions, and the employee's paid leave liability, those adjustment increased the special increase of \$4,156.

(iii) Claim reserve

- 1) Liabilities for claims are to be paid, reported but unpaid and incurred but not reported (IBNR).

Item	December 31, 2018			
	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ -	962,030	76,428	1,038,458
Marine insurance	-	149,181	51,352	200,533
Land and air insurance	-	134,081	13,911	147,992
Liability insurance	2,346	804,200	123,395	927,595
Guarantee insurance	-	19,655	8,046	27,701
Other property insurance	3,789	540,542	52,362	592,904
Accident insurance	4,879	48,964	216,305	265,269
Health insurance	44	1,634	2,833	4,467
Compulsory automobile liability insurance	1,203	166,836	697,035	863,871
<b>Total</b>	<b>\$ 12,261</b>	<b>2,827,123</b>	<b>1,241,667</b>	<b>4,068,790</b>

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

December 31, 2017				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ 8	540,556	56,246	596,802
Marine insurance	-	171,962	53,609	225,571
Land and air Insurance	-	138,650	14,136	152,786
Liability insurance	5,918	827,535	136,519	964,054
Guarantee insurance	-	20,399	8,972	29,371
Other property insurance	10,121	590,515	69,984	660,499
Accident insurance	8,459	54,061	161,090	215,151
Health insurance	4	1,052	2,209	3,261
Compulsory automobile liability insurance	177,654	201,345	652,871	854,216
Total	<b>\$ 202,164</b>	<b>2,546,075</b>	<b>1,155,636</b>	<b>3,701,711</b>

- 2) Reinsurance assets - the insurance ceded business for the policy holders with reported but unpaid or unreported claims

December 31, 2018			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 720,462	34,848	755,310
Marine insurance	123,954	34,085	158,039
Land and air insurance	130,630	5,380	136,010
Liability insurance	170,797	61,613	232,410
Guarantee insurance	9,999	3,123	13,122
Other property insurance	191,755	25,487	217,242
Accident insurance	15,996	102,266	118,262
Health insurance	63	696	759
Compulsory automobile liability insurance	65,413	312,746	378,159
Total	<b>\$ 1,429,069</b>	<b>580,244</b>	<b>2,009,313</b>

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

December 31, 2017			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 337,617	28,904	366,521
Marine insurance	135,513	33,959	169,472
Land and air Insurance	136,968	6,005	142,973
Liability insurance	225,151	69,683	294,834
Guarantee insurance	10,449	3,449	13,898
Other property insurance	214,781	35,754	250,535
Accident insurance	27,465	80,825	108,290
Health insurance	100	461	561
Compulsory automobile liability insurance	79,846	279,219	359,065
<b>Total</b>	<b>\$ 1,167,890</b>	<b>538,259</b>	<b>1,706,149</b>

3) The net change of claim reserve and ceded reinsurance claim reserve

For the years ended December 31, 2018								
Item	Direct underwrite business		Reinsurance ceded-in		The net change in claim reserve	Reinsurance ceded-out		The net change in ceded claim reserve
	Provision	Recover	Provision	Recover		Provision	Recover	
Fire insurance	\$ 1,024,309	503,126	14,149	93,676	441,656	755,310	366,521	388,789
Marine insurance	192,252	212,524	8,281	13,047	(25,038)	158,039	169,472	(11,433)
Land and air Insurance	144,974	149,762	3,018	3,024	(4,794)	136,010	142,973	(6,963)
Liability insurance	916,395	946,144	11,200	17,910	(36,459)	232,410	294,834	(62,424)
Guarantee insurance	27,016	28,331	685	1,040	(1,670)	13,122	13,898	(776)
Other property insurance	584,252	643,407	8,652	17,092	(67,595)	217,242	250,535	(33,293)
Accident insurance	260,453	210,673	4,816	4,478	50,118	118,262	108,290	9,972
Health insurance	3,993	2,952	474	309	1,206	759	561	198
Compulsory automobile liability insurance	632,089	607,617	231,782	246,599	9,655	378,159	359,065	19,094
<b>Total</b>	<b>\$ 3,785,733</b>	<b>3,304,536</b>	<b>283,057</b>	<b>397,175</b>	<b>367,079</b>	<b>2,009,313</b>	<b>1,706,149</b>	<b>303,164</b>

For the years ended December 31, 2017								
Item	Direct underwrite business		Reinsurance ceded-in		The net change in claim reserve	Reinsurance ceded-out		The net change in ceded claim reserve
	Provision	Recover	Provision	Recover		Provision	Recover	
Fire Insurance	\$ 503,126	887,188	93,675	175,076	(465,463)	366,521	700,509	(333,988)
Marine Insurance	212,524	181,907	13,047	17,769	25,895	169,472	144,881	24,591
Land and air insurance	149,762	62,707	3,024	3,178	86,901	142,973	57,336	85,637
Liability insurance	946,144	835,063	17,910	18,705	110,286	294,833	304,607	(9,774)
Guarantee Insurance	28,331	41,877	1,040	902	(13,408)	13,899	20,589	(6,690)
Other Property Insurance	643,407	677,567	17,092	17,464	(34,532)	251,230	293,974	(42,744)
Accident insurance	210,674	198,977	4,478	2,336	13,839	108,290	90,848	17,442
Health Insurance	2,952	1,442	309	80	1,739	561	131	430
Compulsory automobile liability insurance	607,617	552,131	246,599	234,498	67,587	359,066	309,413	49,653
<b>Total</b>	<b>\$ 3,304,537</b>	<b>3,438,859</b>	<b>397,174</b>	<b>470,008</b>	<b>(207,156)</b>	<b>1,706,845</b>	<b>1,922,288</b>	<b>(215,443)</b>

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

4) The movements in claim reserve and ceded claim reserve

Item	For the years ended December 31,			
	2018		2017	
	Claims reserve	Ceded claim reserve	Claims reserve	Ceded claim reserve
Beginning balance	\$ 3,701,711	1,706,149	3,908,867	1,921,584
Provision	4,068,790	2,009,313	3,701,711	1,706,845
Recover	(3,701,711)	(1,706,149)	(3,908,867)	(1,922,288)
Reversal of impairment loss	-	-	-	8
Ending balance	<u>\$ 4,068,790</u>	<u>2,009,313</u>	<u>3,701,711</u>	<u>1,706,149</u>

The methodology for providing claims reserve is decided by actuaries and reported to the Authority. If there is any change, it should adopt the same procedures as fore mentioned. The Company submitted the method of claims reserve provision in the letter of (Wang) Zong Qi Zi No. 1920 on December 23, 2009, which has been approved by Financial Supervisory Commission, R.O.C. (Taiwan) Insurance Bureau Jin Guan Bao Cai Zi No. 09802245610. The relevant provision methods is explained as follows:

- 1) Regarding to the claims reserve for reported but not paid, it should be estimated based on actual situation by each case.
- 2) Regarding to the claims reserve for IBNR, it should be estimated based on the experience of claim loss development of each type insurance by actuary methodology.

(iv) Premium deficiency reserve

- 1) Premium deficiency reserve and ceded premium deficiency reserve

Item	December 31, 2018			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Direct business	Reinsurance ceded-in	Reinsurance ceded- out	Retained business
Fire Insurance	\$ <u>44,342</u>	<u>642</u>	<u>40,670</u>	<u>4,314</u>
Item	December 31, 2017			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Direct business	Reinsurance ceded-in	Reinsurance ceded- out	Retained business
Fire Insurance	\$ <u>22,696</u>	<u>214</u>	<u>22,910</u>	<u>-</u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) The net change of premium deficiency reserve and ceded premium deficiency reserve

For the three months ended December 31, 2018									
Item	Direct underwrite		Reinsurance ceded-in		The net change in premium deficiency	Reinsurance ceded-out		The net change in premium ceded deficiency	Net deposit of premium deficiency reserve
	Provision	Recover	Provision	Recover		Provision	Recover		
Fire insurance	\$ 44,342	22,696	642	214	22,074	40,670	22,910	17,760	4,314
For the years ended December 31, 2017									
Item	Direct underwrite		Reinsurance ceded-in		The net change in premium deficiency	Reinsurance ceded-out		The net change in premium ceded deficiency	Net deposit of premium deficiency reserve
	Provision	Recover	Provision	Recover		Provision	Recover		
Fire insurance	\$ 22,696	8,424	214	165	14,321	22,910	8,479	14,431	(110)
Marine insurance	-	-	-	12	(12)	-	12	(12)	-
Liability Insurance	-	-	-	20,087	(20,087)	-	5,660	(5,660)	(14,427)
Other property insurance	-	-	-	13	(13)	-	-	-	(13)
Total	\$ 22,696	8,424	214	20,277	(5,791)	22,910	14,151	8,759	(14,550)

3) The movements in net premium deficiency reserve and net ceded premium deficiency reserve

Item	December 31, 2018	
	Premium deficiency reserve	Ceding premium deficiency reserve
Beginning balance	\$ 22,910	22,910
Provision	44,984	40,670
Recover	(22,910)	(22,910)
Ending balance	\$ 44,984	40,670
Item	December 31, 2017	
	Premium deficiency reserve	Ceding premium deficiency reserve
Beginning balance	\$ 28,701	14,151
Provision	22,910	22,910
Recover	(28,701)	(14,151)
Ending balance	\$ 22,910	22,910

The methodology for premium deficiency reserve provision is decided by actuaries and shall report to the Authority, same as afterward change. The Company reported the methodology for premium deficiency reserve provision on February 16, 2012 in the letter of (Wang) Zong Jing Suan No.0005, which has been approved by Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No. No.10102503930.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (n) Income tax

The income tax rate has been increased from 17% to 20% which is effective January 1, 2018, according to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018.

(i) The components of the Company's income tax in the years 2018 and 2017 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Current income tax expense	<b>\$ 21,126</b>	<b>-</b>

Reconciliation of income tax and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Income before tax	\$ 626,746	663,458
Income tax using the Company's domestic tax rate	125,349	112,788
Adjustment items:		
Tax-free income	7,630	(21,605)
Change in unrecognized temporary differences	(560)	(1,816)
Other (included difference in the legal tax rate and tax effective rate)	14,510	21,668
Increase (decrease) of offset taxable income	(146,929)	(111,035)
Undistributed earnings additional tax	6,750	-
Income tax expense (over ) under estimated	386	-
Income basic tax	13,990	-
Income tax expense	<b>\$ 21,126</b>	<b>-</b>

## (ii) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax assets

	<b>December 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
The carryforward of unused tax losses	\$ 700,083	725,237
Actuarial losses of defined benefit plans	35,115	24,647
Unrecognized deferred tax assets	<b>\$ 735,198</b>	<b>749,884</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The Company's income tax returns in 2016 has been approved. According to the R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purpose As of December 31, 2018, the information of the Company's losses for which no deferred tax assets were recognized are as follows:

<u>Loss year</u>	<u>Undeducted loss</u>	<u>Final year to be deducted</u>
Approved in 2009	\$ 2,899,931	2019
Approved in 2010	587,892	2020
Approved in 2011	<u>12,590</u>	2021
	<u><u>\$ 3,500,413</u></u>	

2) Recognized Deferred income tax liabilities:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land value added tax	<u><u>\$ 63,920</u></u>	<u><u>63,920</u></u>

(o) Capital and other equity

(i) Share capital

As of December 31, 2018 and 2017, the number of authorized ordinary shares were both \$6,236,320 with par value of \$10 per share, i.e. 623,632 thousand shares. The issued shares were 212,960 thousand shares of common stock.

(ii) Retained earnings

1) Legal reserve

The Company's Articles of Incorporation requires that 20% of the annual income after tax shall be provided as legal reserve until it is equal to the paid in capital. According to the Company Act, the Company is able to issue new stock or cash dividend from legal reserve if there is no deficit as long as the legal reserve is over 25% of the paid in capital.

2) Special reserve

Based on Financial Supervisory Committee Jin Guan Bao Cai Zi No.10102508861 on June 5, 2011, when the Company distributes retained surplus that transferred from the special reserve of unrealized revaluation increment \$12,143, it should be accounted a decrease in other equity, with the same amount of the prior years' inappropriate retained earning provision being equal to current year's net income. The amount of decrease in other equity belonged to the prior accumulation, the same amount of special reserve should be not appropriated. However, the Company's has provisioned the special reserve based on former standard, the difference between the provision amount and the decrease in other equity has been provision special reserve. Then, if a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

According to the letter from the Financial Supervisory Committee Jin Guan Bao Zi No. 10502066464 on July 13, 2016. The insurance industry should allocate a special surplus reserve from 0.5% to 1% of the net profit after tax when the 2016 2018 fiscal year surplus is distributed. Moreover, since 2017, the expense of employee transferring training, transferring occupation, and settle down during the development of financial technology should be reversal.

3) Undistributed retained earnings appropriated

Under the Company's Article of Incorporation, the Company's net income after deduction of income tax and losses (if any) and offset the prior years' deficits, should be provisioned 20% of remaining amount as legal reserve, except the legal reserve is equal to the capital. In addition to any remaining profit together with any undistributed retained earnings shall be distributed based on the Company considering the operating need and legal requirement to provision special reserve, the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The remuneration of non-executive director in the Company is authorized to the board's meeting to set rational remuneration, and do not attend the earning distribution. The Company belongs to property and casualty insurance, the enterprise development should cooperate with the Government's policy and risk based capital, the ability of underwriting and solvency have to be stronger. The Company's earning distribution policy has to consider the current and future investment environment, capital requirement, market competition situation and budget, etc., with the benefit of shareholders, balancing dividend and long term financial plan, etc. and then the earning distribution that the board's meeting set will provide to the shareholder's meeting. The earning distribution should be in form of cash or stock dividend to distribute, in addition to the amount of cash dividend should not be lower than 10% of stock dividend. However, the amount of par cash dividend is lower than \$0.1, the dividend should use the form of stock dividend to distribute.

The Company's distribution of retained earnings to shareholders that approved by the resolution of the shareholders' meeting held on June 21, 2018 and June 22, 2017 for the years ended December 31, 2017 and 2016, respectively. The information were as follows:

	<b>For the years ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Dividends distributed to ordinary shareholders		
Cash	\$ <b>149,072</b>	-

The relevant information about distribution of retained earnings under the consent of the shareholders' meeting, can be obtained on the website of Market Observation Post System.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (p) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were shown as follows:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Basic earnings per share</b>		
Profit	<b>\$ 605,620</b>	<b>663,458</b>
Weighted average number of ordinary shares (thousands shares)	<b>212,960</b>	<b>212,960</b>
<b>Basic earnings per share (in dollars)</b>	<b>\$ 2.84</b>	<b>3.12</b>
<b>Diluted earnings per share</b>		
Profit	<b>\$ 605,620</b>	<b>663,458</b>
Weighted average number of ordinary shares (thousands shares)	212,960	212,960
Employee share options	476	487
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	<b>213,436</b>	<b>213,447</b>
<b>Diluted earnings per share (in dollars)</b>	<b>\$ 2.84</b>	<b>3.11</b>

## (q) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

	<b>For the years ended December 31, 2018</b>					
	<b>Commission expense</b>	<b>Agent fee</b>	<b>Charge</b>	<b>Reinsurance commission expense</b>	<b>Other cost</b>	<b>Total</b>
Fire Insurance	\$ 101,496	-	-	2,933	-	104,429
Marine insurance	21,528	-	-	843	-	22,371
Land and air insurance	7,620	-	-	12	-	7,632
Liability Insurance	450,203	-	-	4,326	-	454,529
Guarantee Insurance	3,106	-	-	141	-	3,247
Other Property Insurance	599,747	-	-	7,552	-	607,299
Accident insurance	181,430	-	-	1	-	181,431
Health Insurance	6,756	-	-	-	-	6,756
Compulsory automobile liability insurance	127,574	-	-	-	-	127,574
<b>Total</b>	<b>\$ 1,499,460</b>	<b>-</b>	<b>-</b>	<b>15,808</b>	<b>-</b>	<b>1,515,268</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

For the years ended December 31, 2017						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire Insurance	\$ 93,427	-	-	1,416	-	94,843
Marine insurance	20,460	-	-	926	-	21,386
Land and air insurance	5,796	-	-	-	-	5,796
Liability insurance	405,697	-	-	25,141	-	430,838
Guarantee insurance	588	-	-	46	-	634
Other property insurance	595,538	-	-	3,615	-	599,153
Accident insurance	152,520	-	-	176	-	152,696
Health Insurance	6,224	-	-	-	-	6,224
Compulsory automobile liability insurance	138,330	-	-	-	-	138,330
Total	<u>\$ 1,418,580</u>	<u>-</u>	<u>-</u>	<u>31,320</u>	<u>-</u>	<u>1,449,900</u>

(r) Disclosure of insurance cost benefit analysis

(i) Direct written business cost benefit analysis

For the years ended December 31, 2018						
Item	Written premium	The net change in unearned premium reserve	Insurance contract acquisition cost	Claims	The net change in claims reverse	Gain/Loss
Fire insurance	\$ 1,236,710	23,523	101,496	277,490	521,183	313,018
Marine insurance	242,961	6,865	21,528	150,602	(20,272)	84,238
Land and air insurance	79,190	1,548	7,620	30,111	(4,788)	44,699
Liability insurance	2,626,539	144,394	450,203	1,331,879	(29,749)	729,812
Surety insurance	22,410	4,564	3,106	1,161	(1,315)	14,894
Other property insurance	3,535,439	66,947	599,747	1,781,776	(59,155)	1,146,124
Personal accident insurance	1,089,077	47,929	181,430	583,783	49,780	226,155
Health insurance	40,732	(1,077)	6,756	12,064	1,041	21,948
Compulsory automobile liability insurance	952,664	(4,791)	127,574	692,156	24,472	113,253
Total	<u>\$ 9,825,722</u>	<u>289,902</u>	<u>1,499,460</u>	<u>4,861,022</u>	<u>481,197</u>	<u>2,694,141</u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

For the years ended December 31, 2017

Item	Written premium	The net change in unearned premium reserve	Insurance contract acquisition cost	Claims	The net change in claims reverse	Gain/Loss
Fire insurance	\$ 1,096,214	(2,247)	93,427	643,057	(384,063)	746,040
Marine insurance	252,242	(13,559)	20,460	85,921	30,617	128,803
Land and air insurance	68,212	11,768	5,796	44,592	87,055	(80,999)
Liability insurance	2,330,562	122,700	405,697	1,248,067	111,082	443,016
Guarantee insurance	10,908	(1,503)	588	26,623	(13,546)	(1,254)
Other property insurance	3,411,855	90,342	595,538	1,644,904	(34,160)	1,115,231
Accident insurance	925,545	3,200	152,520	498,640	11,697	259,488
Health insurance	36,009	6,352	6,224	7,272	1,509	14,652
Compulsory automobile liability insurance	955,975	(11,112)	138,330	836,683	55,486	(63,412)
<b>Total</b>	<b>\$ 9,087,522</b>	<b>205,941</b>	<b>1,418,580</b>	<b>5,035,759</b>	<b>(134,323)</b>	<b>2,561,565</b>

(ii) Reinsurance cost-benefit analysis

For the years ended December 31, 2018

Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claim reverse	Ceded in gain/Loss
Fire insurance	\$ 47,519	3,106	2,933	48,112	(79,527)	72,895
Marine insurance	7,386	(239)	843	(2,269)	(4,766)	13,817
Land and air insurance	(222)	-	12	1	(6)	(229)
Liability insurance	31,508	(53,065)	4,326	53,854	(6,710)	33,103
Guarantee insurance	1,104	4	141	1,708	(355)	(394)
Other property insurance	30,899	12,207	7,552	8,641	(8,440)	10,939
Accident insurance	4,765	280	1	1,869	338	2,277
Health insurance	-	-	-	-	165	(165)
Compulsory automobile liability insurance	289,582	(8,399)	-	295,126	(14,817)	17,672
<b>Total</b>	<b>\$ 412,541</b>	<b>(46,106)</b>	<b>15,808</b>	<b>407,042</b>	<b>(114,118)</b>	<b>149,915</b>

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

For the years ended December 31, 2017

Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claim reverse	Ceded in gain/Loss
Fire insurance	\$ 40,584	2,438	1,416	70,085	(81,400)	48,045
Marine insurance	7,671	(1,631)	926	(13,037)	(4,722)	26,135
Land and air insurance	-	-	-	(104)	(154)	258
Liability insurance	192,791	144,450	25,141	22,228	(796)	1,768
Guarantee insurance	1,300	(578)	46	64	138	1,630
Other property insurance	19,151	568	3,615	8,067	(372)	7,273
Accident insurance	7,589	11	176	1,728	2,142	3,532
Health insurance	-	-	-	-	230	(230)
Compulsory automobile liability insurance	303,377	(2,195)	-	235,583	12,101	57,888
<b>Total</b>	<b>\$ 572,463</b>	<b>143,063</b>	<b>31,320</b>	<b>324,614</b>	<b>(72,833)</b>	<b>146,299</b>

(iii) Gain/Loss on reinsurance contracts

For the years ended December 31, 2018

Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claim reserve	Ceded out gain/Loss
Fire insurance	\$ (807,728)	(8,232)	76,097	192,810	388,789	(158,264)
Marine insurance	(151,535)	4,813	9,893	106,320	(11,433)	(41,942)
Land and air insurance	(55,523)	(660)	1,401	26,560	(6,963)	(35,185)
Liability insurance	(550,058)	(17,450)	171,822	343,539	(62,424)	(114,571)
Guarantee insurance	(9,088)	1,836	2,519	777	(776)	(4,732)
Other property insurance	(897,716)	105,176	269,883	419,629	(33,293)	(136,321)
Accident insurance	(344,087)	(8,219)	81,091	221,289	9,972	(39,954)
Health insurance	(2,339)	(579)	370	3,458	198	1,108
Compulsory automobile liability insurance	(398,886)	(2,881)	-	414,171	19,094	31,498
<b>Total</b>	<b>\$ (3,216,960)</b>	<b>73,804</b>	<b>613,076</b>	<b>1,728,553</b>	<b>303,164</b>	<b>(498,363)</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

For the years ended December 31, 2017

Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claim reserve	Ceded out gain/Loss
Fire insurance	\$ (670,206)	6,395	58,463	413,541	(333,988)	(525,795)
Marine insurance	(165,718)	(14,363)	11,650	49,435	24,591	(94,405)
Land and air insurance	(48,527)	7,453	1,246	38,680	85,637	84,489
Liability insurance	(718,775)	123,655	201,349	411,926	(9,774)	8,381
Guarantee insurance	(4,556)	(945)	664	9,794	(6,690)	(1,733)
Other property insurance	(690,122)	(108,771)	219,198	488,167	(42,744)	(134,272)
Accident insurance	(285,834)	(21,758)	88,031	168,478	17,442	(33,641)
Health insurance	(4,345)	1,495	399	1,824	430	(197)
Compulsory automobile liability insurance	(398,254)	(6,734)	-	478,277	49,653	122,942
Total	<u>\$ (2,986,337)</u>	<u>(13,573)</u>	<u>581,000</u>	<u>2,060,122</u>	<u>(215,443)</u>	<u>(574,231)</u>

(s) Disclosure of insurance contract risk

(i) The purpose, policy, procedure and the managing method of risk related to the risk management of control insurance contract

1) The range of risk management in framework, organizational, accountability

a) Risk management of framework and organization

The Company's risk managing organizational framework includes the Board of Directors, Risk Management Committee, Risk Management Department, operating segments and Audit department.

b) The responsibility of various unit are as follows:

i) The Board of Directors

The Board of Directors is the highest decision making unit of risk management in the Company, which is responsible for approving risk management policy and framework, establishing the risk management culture, ensuring the effectiveness of risk management, and bear the ultimate responsibility of risk management.

ii) Risk Management Committee

1. In charge of making the risk management policy, framework, organization function, in order to establish the managing quality and quantity standard. To submit regularly the report of the executing the risk management to the Board of Directors, in case providing the necessary improve suggestion.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2. To execute the Board of Directors' decision, and entirely and periodically oversee the development, establishment and executing performance.
  3. To assist and oversee various segments' risk management activities.
  4. To consider the environment to adjust the types of risk, risk limit allocating and the bearing method.
  5. To coordinate interaction and communication of the risk managing function between departments.
- iii) Risk Management Department
1. To be responsible for risk monitoring, measuring, evaluating executive layer of routine affairs, which should be independent to the executing right of operating segments.
  2. Should depend on the type of operating business to execute:
    - To assist and execute the Board setting risk management policies and strategies.
    - Accounting the Company risk appetite set risk tolerance
    - Summarize risk information, coordinated and communicated for carrying out policy and quota of each unit.
    - Risk management report is proposed regularly.
    - Monitor the risk of each operating segments regularly.
    - Assistance of pressure test.
    - Back testing.
    - Others
  3. To deal with the violation of other units by the authorization of the Board Directors or Risk Management Committee
- iv) Operating segments
1. The responsibilities of operating segments supervisor to execute the risk management are as follows:
    - To be responsible for preparing daily risk report, taking actions.
    - To monitor related information of risk management and report to risk management department regularly.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2. The responsibilities of operating segments to execute the risk management are as follows:
- To recognize risk, and to report the information of risk exposure situation.
  - To measure the influence of degree of risk occurred (quality and quantity), and response the accurate solution with passing the risk information.
  - Reviewing the effectiveness of the setting risk tolerance.
  - Monitor risk exposure and measure the risk exceed the tolerance.
  - To assist the risk modelling development, ensuring that the uses and hypothesis of measuring, modeling are rational and consist of the basis.
  - Ensure the effectiveness of internal control.
  - Gather the information which is related to operational risk.

v) Audit department

Based on incumbent related legal regulation, to audit the implementation of risk management of each department in the Company.

2) Scope and nature of risk reporting or measure system

The Company's insurance risk monitoring included the entire or individual deal process of operating segments and various insurance goods, such as business volume, loss rate change, business structure, etc., should be in accordance with the standard, the limit, the process of over limit and the authorization. Then, through operating segments supervisors report daily or regularly to higher management level and Risk Management Department to summarize.

The Company holds Risk Management Committee periodically to report officially the insurance risk management monitor. The range of report includes the volume of business, loss experience, the credibility of insurer, and catastrophe, it also includes the assessment and analysis of various insurance of loss ratio, expense ratio, combined ratio, growth rate and the volume of various insurance losses for decision making by the operating level.

**UNION INSURANCE CO., LTD.**  
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- 3) Procedures for risk assuming, measurement, monitoring and control, as well as adequate risk classification and the underwriting policy

The Company set the underwriting policy which is following the Company's target, client demand and market competition environment. The unit of underwriting should process danger options in accordance with the underwriting policy. In addition the underwriting should cooperate with operating in term of assessment of danger and choice of business, policy due to the organization become more and more big and the market become more competitive. To achieve the goal of good quality, higher quantity, faster receivable rolling and faster claim procedure which is customer focus, the Company should enhance the method of thinking and innovation in underwriting, operating, claim and managing.

- 4) The range of entire basic evaluation assessment of the enterprise and risk management

The entire risk as a basic identify the Company's insurance risk, includes the design and price set risk, underwriting risk, insurance risk, claim risk, catastrophic risk and reserve risk, etc., in accordance with the various insurance risk of insurance risk management.

- 5) Limiting insurance risk exposure and avoiding the concentrations of insurance risk

The business of retained, ceded in reinsurance, ceded out reinsurance of the Company is under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" to establish the mechanism of risk management, and considering the risk bearing capacity, formulating a reinsurance risk management plan and implementing.

For the years ended December 31, 2018 and 2017, the amount of the retained risk limit per unit for each type of insurance is disclosed in the following table:

<u>Insurance by Type</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fire insurance	\$ 300,000	300,000
Hull insurance	100,000	100,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	200,000	200,000
Marine Cargo insurance	150,000	150,000
Injury insurance	200,000	200,000
Engineering insurance	300,000	300,000
Accident insurance	240,000	240,000
Vehicle insurance	30,000	30,000
Automobile liability insurance	120,000	100,000
Other property insurance	300,000	300,000
Health insurance	4,000	4,000

(Continued)

**UNION INSURANCE CO., LTD.**  
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6) The method of assets and liabilities management

The Company's assets and liabilities are coordinate with the factor of risk, including market risk, liquidity risk and insurance risk, which depend on the various risk management mechanism of monitor assets and liabilities cash flows, and using such as ratio of debt to assets, net debt to assets, etc., to entirely evaluate and analyze the appropriateness of managing assets and liabilities.

7) The illustration of management, monitor and control procedure of taking extra liabilities and equities promise when obtaining or providing on special events.

Under the Insurance Act, the Company's risk based capital ratio (RBC) should be at least 200%. Otherwise, the Company would be required to raise additional capital within a certain period; in addition, the Company will be prohibited from appropriating its earnings. Moreover, the authorities will restrict the Company's operations and use of capital.

(ii) Insurance risk information

1) Sensitivity analysis of insurance risk

Item	For the years ended December 31, 2018				
	Written premium	Expected rate of loss	Impact on the Income Statement of a One Percent Change in Rate of Expected Loss		
			Before reinsurance	After reinsurance	
Fire insurance	\$ 1,284,229	67.87 %	12,731	4,571	
Marine insurance	250,347	63.48 %	2,437	970	
Land and air insurance	78,968	70.07 %	774	212	
Liability insurance	2,658,047	65.56 %	25,667	19,992	
Guarantee insurance	23,514	71.40 %	189	117	
Other property insurance	3,566,338	64.63 %	34,872	26,946	
Accident insurance	1,093,842	78.10 %	10,456	6,933	
Health insurance	40,732	72.40 %	418	389	
Compulsory automobile liability insurance	1,242,246	No applicable	No applicable	No applicable	

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

<b>Item</b>	<b>For the years ended December 31, 2017</b>			
	<b>Written premium</b>	<b>Expected rate of loss</b>	<b>Impact on the Income Statement of a One Percent Change in Rate of Expected Loss</b>	
			<b>Before reinsurance</b>	<b>After reinsurance</b>
Fire insurance	\$ 1,136,798	71.24 %	11,565	4,927
Marine insurance	259,913	63.66 %	2,751	950
Land and air insurance	68,212	69.88 %	564	154
Liability insurance	2,523,353	65.55 %	22,562	16,611
Guarantee insurance	12,208	71.40 %	143	88
Other property insurance	3,431,006	64.52 %	33,401	25,412
Accident insurance	933,134	78.10 %	9,299	6,223
Health insurance	36,009	72.40 %	297	268
Compulsory automobile liability insurance	1,259,352	No applicable	No applicable	No applicable

Note: Due to various insurance contract frameworks are difference, the impact of a one percent change in rate of expected loss is not linear relationship to incomes and losses.

2) Concentration of insurance risk

The risk of insurance risk concentration is controlled by reinsurance transfer method. For example, the risk caused by natural disasters is based on the RMS and AIR natural disaster model and the selected 250-year regression period is used as the basis for arranging the natural disaster reinsurance contract. Its content is used as a reference for setting key risk indicators for catastrophe.

a) The premium proportion of underwriting and ceded in reinsurance.

The insurance contracts which the Company underwrites are separated in various types of insurances, and not concentrated in any single type of insurance. As of December 31, 2018, the top 3 insurances in terms of proportion is voluntary automobile insurance, compulsory automobile liability insurance and accident insurance. The voluntary automobile insurance has the highest proportion accounts for 52.05% and 52.11% for 2018 and 2017, respectively. Although the proportion is slightly higher than other insurances, the loss experience of voluntary automobile insurance is stable and the risk variation is low. The remaining types of insurance are no risk concentration.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The premium proportion of underwriting insurance and ceded in reinsurance:

<u>Type</u>	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Fire insurance	\$ 581,541	5.68 %	490,174	5.07 %
Marine cargo insurance	172,534	1.69 %	170,535	1.77 %
Hull, fishing vessel and aviation insurance	154,562	1.51 %	156,315	1.62 %
Voluntary automobile insurance	5,329,122	52.05 %	5,034,106	52.11 %
Compulsory automobile liability insurance	1,242,246	12.13 %	1,259,352	13.04 %
Liability insurance	386,103	3.77 %	349,625	3.62 %
Engineering and nuclear insurance	414,198	4.05 %	318,592	3.30 %
Guarantee and credit insurance	24,013	0.23 %	12,742	0.13 %
Other property insurance	30,807	0.30 %	34,724	0.36 %
Accident insurance	1,093,842	10.68 %	933,134	9.66 %
Typhoon, flood and earthquake insurance	698,974	6.83 %	642,847	6.65 %
Personal and commercial all-risk insurance	32,752	0.32 %	24,196	0.25 %
Health insurance	40,732	0.40 %	36,009	0.37 %
Overseas ceded-in reinsurance assumed	36,837	0.36 %	197,634	2.05 %
<b>Total</b>	<b><u>\$ 10,238,263</u></b>	<b><u>100.00 %</u></b>	<b><u>9,659,985</u></b>	<b><u>100.00 %</u></b>

b) Percentage of retained premium

The top 3 insurances with the highest proportion is voluntary automobile insurance, compulsory automobile liability insurance, accident insurance in term of retained business. The voluntary automobile insurance which has the highest proportion accounts for 61.35% and 61.60% for 2018 and 2017, respectively. The Company assesses the possibility of accumulated loss in order to arrange the contracts of reinsuring to diversify the risk. Therefore, there is no the situation of risk concentration.

In addition, the insurance which is likely to result in significant accumulated loss such as catastrophe insurance (earthquake, typhoon and flood) and the insurances are likely to result in accumulation are property insurance (fire insurance and engineering insurance), marine insurance and accident insurance should avoid the operating risk resulting from the underwriting risk concentration, the Company has bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

The percentage of retained premium was as follows:

<u>Type</u>	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Fire insurance	\$ 261,347	3.72 %	268,542	4.02 %
Marine Cargo insurance	105,801	1.51 %	98,027	1.47 %
Hull, fishing vessel and aviation insurance	16,323	0.23 %	15,559	0.23 %
Voluntary automobile insurance	4,307,841	61.35 %	4,110,689	61.60 %
Compulsory automobile liability insurance	843,360	12.01 %	861,098	12.90 %
Liability insurance	262,112	3.73 %	245,586	3.68 %
Engineering and nuclear insurance	153,141	2.18 %	144,959	2.17 %
Guarantee and credit insurance	14,412	0.21 %	7,661	0.12 %
Other property insurance	21,159	0.30 %	19,484	0.29 %
Accident insurance	749,755	10.68 %	647,300	9.70 %
Typhoon, flood and earthquake insurance	211,440	3.01 %	194,273	2.91 %
Personal and commercial all-risk insurance	31,898	0.46 %	23,599	0.35 %
Health insurance	38,393	0.55 %	31,664	0.48 %
Overseas ceded-in reinsurance assumed	4,321	0.06 %	5,207	0.08 %
<b>Total</b>	<b><u>\$ 7,021,303</u></b>	<b><u>100.00 %</u></b>	<b><u>6,673,648</u></b>	<b><u>100.00 %</u></b>

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

c) Claims trend

For the year ended December 31, 2018

Occurrence year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	23,174,506	4,133,709	3,369,658	3,422,196	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623
2	23,577,068	4,408,778	3,483,032	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	
3	24,077,875	4,491,769	3,322,498	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968		
4	24,071,201	4,419,231	3,293,671	3,646,063	2,934,992	2,837,248	3,151,586	3,530,087			
5	24,024,460	4,412,153	3,296,180	3,633,221	2,908,274	2,835,816	3,151,839				
6	24,017,817	4,416,019	3,286,198	3,618,015	2,881,191	2,830,761					
7	23,964,433	4,417,768	3,284,263	3,613,200	2,880,642						
8	23,960,013	4,416,495	3,282,971	3,612,072							
9	23,961,007	4,406,678	3,285,710								
10	23,948,308	4,406,555									
11	23,928,805										
Estimates	23,928,805	4,406,555	3,285,710	3,612,072	2,880,642	2,830,761	3,151,839	3,530,087	4,338,968	4,058,010	4,548,623
Actual	23,915,875	4,406,555	3,274,011	3,558,249	2,847,780	2,822,908	3,116,858	3,479,817	4,177,527	3,546,150	2,789,102
Subtotal	12,930	-	11,699	53,823	32,862	7,853	34,981	50,270	161,441	511,860	1,759,521
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	12,930	-	11,699	53,823	32,862	7,853	34,981	50,270	161,441	511,860	1,759,521

For the year ended December 31, 2017

Occurrence year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	20,110,084	2,886,243	4,133,709	3,369,658	3,422,196	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573
2	20,288,263	3,343,189	4,408,778	3,483,032	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	
3	20,233,879	3,836,300	4,491,769	3,322,498	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644		
4	20,241,575	3,826,698	4,419,231	3,293,671	3,646,063	2,934,992	2,837,248	3,151,586			
5	20,244,503	3,814,390	4,412,153	3,296,180	3,633,221	2,908,274	2,835,816				
6	20,210,070	3,809,498	4,416,019	3,286,198	3,618,015	2,881,191					
7	20,208,319	3,811,824	4,417,768	3,284,263	3,613,200						
8	20,152,609	3,798,044	4,416,495	3,282,971							
9	20,161,969	3,798,735	4,406,678								
10	20,162,272	3,788,784									
11	20,159,524										
Estimates	20,159,524	3,788,784	4,406,678	3,282,971	3,613,200	2,881,191	2,835,816	3,151,586	3,557,644	4,483,260	3,846,573
Actual	20,156,525	3,778,133	4,406,678	3,271,265	3,558,374	2,847,518	2,822,006	3,107,241	3,434,737	3,969,402	2,414,088
Subtotal	2,999	10,651	-	11,706	54,826	33,673	13,810	44,345	122,907	513,858	1,432,485
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	2,999	10,651	-	11,706	54,826	33,673	13,810	44,345	122,907	513,858	1,432,485

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

3) Credit risk of insurance contracts

a) Credit risk

i) Compliance with the “Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company” No.5, the transaction with unauthorized reinsurers shall be represented in the notes of financial statements and the content shall include:

1. The summary of unauthorized reinsurance contracts and types of reinsurance,
2. The reinsurance premium expense of unauthorized reinsurance contracts
3. General description of the amount of unauthorized reserve and its components.

ii) The abstract and related insurance of unauthorized reinsurance contracts in the Company were as follows:

As of December 31, 2018,

<b>Company</b>	<b>Annotation</b>
Tugu Insurance Company Limited, HK	Facultative reinsurance of marine insurance.
Trust International Insurance and Reinsurance CO.B.S.C (C) Trust Re, Labuan	Facultative reinsurance of each kind of insurance.
Trust International Insurance and Reinsurance CO.B.S.C (C) Trust Re	Treaty and Facultative reinsurance of each kind of insurance.
Mugatlal Bhagwandas Boda & Company	Treaty reinsurance of engineering insurance.

As of December 31, 2017

<b>Company</b>	<b>Annotation</b>
BEST RE (L) Limited	Treaty and Facultative reinsurance of each kind of insurance.
Misr Insurance Company, Cairo	Facultative reinsurance of marine insurance.
J. B. Boda & Co., (F.E.) Limited (Hong Kong)	Treaty reinsurance of accident insurance.
Mugatlal Bhagwandas Boda & Company	Treaty reinsurance of engineering insurance.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- iii) For the years ended December 31, 2018 and 2017, the reinsurance premium expenses for unauthorized reinsurance in the Company amounted to \$12,046 and \$0, respectively.
- iv) The principle summary of amounts and component items of unauthorized reinsurance reserve in the Company was as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Unearned premium reserve	\$ 3,487	-
Claims recoverable from reinsurers of paid claims overdue in nine month	2,089	-
Claims recoverable from reinsurers reported but unpaid	28,225	2
The unauthorized reinsurance reserves- Total	<b>\$ 33,801</b>	<b>2</b>

b) Liquidity risk

The Company's liquidity risk includes capital liquidity risk and market liquidity risk of insurance contracts, via monitoring and managing the liquidity risk of risk management to maintain the sufficient liquidity when the occasion events and raise the balance of assets income investment.

To ensure the operating stability, the Company needs the sufficient liquidity assets that can immediately into cash in case the needs of premium deficiency or unexpected claim duty increase sharply.

c) Market risk

The market risk of insurance contracts in the Company includes interest rate risk, foreign currency risk and price risk. The monitoring market risk includes the overall and individual transaction processes of each trading unit and each financial product, such as change in positions, change in profit and loss, trading patterns and trading targets, etc., which should be carried out within the scope of the Company including quota, stop loss and over limit treatment. The competent authority shall conduct risk reporting according to its responsibilities and the risk management department shall regularly report the market risk monitoring table to the operating management and report to the risk management committee and the board of directors regularly.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (t) Financial tool

## (i) Credit risk

## 1) Credit risk exposure

Maximum credit risk exposure are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 2,268,129	2,585,164
Receivables	888,537	711,557
Financial assets measured at fair value through profit or loss	653,974	1,442,930
Financial assets at fair value through other comprehensive	987,120	-
Available-for-sale financial assets	-	1,384,607
Financial assets measured at cost	-	1,260
Financial assets measured at amortized cost	1,239,344	-
Investment in bonds without active markets	-	450,000
Held-to-maturity investment	-	524,591
Other financial assets	4,027,034	2,120,519
Reinsurance Contract Assets	4,510,868	4,151,807
Other assets	<u>634,385</u>	<u>789,590</u>
Total	<b><u>\$ 15,209,391</u></b>	<b><u>14,162,025</u></b>

The Company does not involve into lending business. The financial assets are mainly receivables, reinsurance contract assets and investment projects in the open market. The credit risk is controlled by the limit method and the risk status of the counterparty is assessed regularly.

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) Impairment loss of receivables

The expected credit losses of receivables were as follows:

	December 31, 2018				Total
	Not overdue	Overdue under 90 days	Overdue for 91- 270 days	Overdue 271 over days	
Notes receivable:					
Expected credit loss rate	0.16%	100%	100%	100%	
Carrying amount	\$ 265,551	63	813	63	266,490
Expected credit loss amount	428	63	813	63	1,367
Premiums receivable:					
Expected credit loss rate	0%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 465,976	23,755	23,744	2,242	515,717
Expected credit loss amount	-	475	2,374	2,242	5,091
Other receivables:					
Carrying amount	\$ 108,006	2,934	4,716	15,673	131,329
Expected credit loss amount	-	1,467	1,401	15,673	18,541

3) The changes in loss allowance and information of credit quality of financial assets at amortized cost

a) The changes in loss allowance

	For the years ended December 31, 2018					Total
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9(subtotal)	The provision of impairment in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	
Beginning balance	\$ 705	-	-	705	-	705
Change	(44)	-	-	(44)	-	(44)
Ending balance	\$ 661	-	-	661	-	661

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

b) The information of credit quality

	December 31, 2018										
	stage1				stage2				stage3	Allowance impairment loss	Total
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total			
Financial assets at amortized cost (including statutory deposit)	\$ 1,588,841	-	-	1,588,841	-	-	-	-	-	661	1,588,180

(ii) Liquidity risk

The following table shows the maturity date of financial liabilities. The Company does not anticipate that the cash flow of the maturity analysis will occur significantly earlier, or the actual amount will be significantly different.

	December 31, 2018					
	Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Payables</b>						
Claims payable	\$ 12,261	12,261	8,733	95	1,036	2,397
Commissions payable	166,147	166,147	166,147	-	-	-
Due to ceding companies	697,626	697,626	689,228	4,148	4,250	-
Other payables	333,910	333,910	314,948	18,799	163	-
<b>Other liabilities</b>						
Other liabilities	7,785	7,785	121	422	196	7,046
Reinsurance liability reserve deposits	26,398	26,398	26,398	-	-	-
<b>Total</b>	<b>\$ 1,244,127</b>	<b>1,244,127</b>	<b>1,205,575</b>	<b>23,464</b>	<b>5,645</b>	<b>9,443</b>
	December 31, 2017					
	Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Payables</b>						
Claims payable	\$ 202,164	202,164	202,164	-	-	-
Commissions payable	131,236	131,236	131,236	-	-	-
Due to ceding companies	588,093	588,093	565,326	11,868	10,175	724
Other payables	332,672	332,672	301,785	18,516	12,371	-
<b>Other liability</b>						
Guarantee deposits received	8,407	8,407	303	776	32	7,296
Reinsurance liability reserve received	41,412	41,412	41,412	-	-	-
<b>Total</b>	<b>\$ 1,303,984</b>	<b>1,303,984</b>	<b>1,242,226</b>	<b>31,160</b>	<b>22,578</b>	<b>8,020</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(iii) Foreign currency risk

1) Exposure about foreign currency risk

The amount of the original currency (in thousands) exposed to the significant foreign currency exchange rate risk is as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b><u>Financial assets</u></b>		
USD	\$ 8,392	20,286
EUR	263	33
JPY	30	74
HKD	300	97,087
KRW	460	424
CNY	2,059	4,332
GBP	83	80
THB	2,103	1,614
<b><u>Investments accounted for using equity method</u></b>		
THB	40,699	44,834
<b><u>Financial liability</u></b>		
USD	1,997	1,749
KRW	69	5,206
CNY	5,769	5,335

Important rate:

	<u>Rates</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
USD	\$ 30.72	29.76
EUR	35.20	35.57
JPY	0.2782	0.2642
HKD	3.92	3.81
KRW	0.0278	0.0281
CNY	4.47	4.57
GBP	38.88	40.11
THB	0.9532	0.9176

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

2) Sensitivity analysis

As of December 31, 2018 and 2017, with all other variable factors that remain constant, when NTD increases 1% compared to other currency, the amount of the Company's comprehensive income will increase as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
USD(increases 1%)	\$ 1,965	5,516
EUR(increases 1%)	93	12
HKD(increases 1%)	12	3,699
KRW(increases 1%)	-	(1)
CNY(increases 1%)	(166)	(46)
GBP(increases 1%)	32	32
THB(increases 1%)	408	426

Conversely, if there is a decrease of 1% compared to other currency based on all other variables remain the same, there will be the same amount but opposite direction of influence as of December 31, 2018 and 2017.

(iv) Interest rate risk

1) Summary

The amounts of interest bearing financial instruments related to interest rate risk on the reporting date are as follows:

	<u>Amount</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Variable interest rate instrument:		
Term deposit	<u>\$ 1,578,039</u>	<u>861,297</u>

2) Sensitivity Analysis of variable interest rate financial instruments

Based on the carrying amount of those financial instruments on the reporting date, assuming they are held for one year, and all other variable factors remaining constant, when interest rate change 10 basis points, the Company's net income will increase or decrease as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Increase 10 basis points	\$ 1,578	861
Decrease 10 basis points	(1,578)	(861)

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(v) Fair value and hierarchy information

1) Fair value information

a) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date.

b) Definition of fair value hierarchy

i) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. Listed stock, OTC stock, beneficiary certificates, as well as equity and derivative instruments with public quote in an active market possessed by the Company belong to Level 1.

ii) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price).

iii) Level 3

The input of level 3 is the parameters of measuring fair value, which is from neither on direct market data nor from the counter party.

2) Based on fair value measurement

a) Hierarchy information of fair value

The Company's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value were as follows:

Assets and liabilities	December 31, 2018			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Repeatable fair value measurement</b>				
<u>Non-derivative financial assets and liabilities</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 36,049	36,049	-	-
Real estate investment trust beneficiary certificates	252,620	252,620	-	-
Stocks	365,305	365,305	-	-
Financial assets measured at fair value through other comprehensive income				
Stocks	987,120	973,470	-	13,650

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

Assets and liabilities	December 31, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Repeatable fair value measurement</b>				
<u>Non-derivative financial assets and liabilities</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 505,232	505,232	-	-
Stocks	937,698	937,698	-	-
Available-for-Sale financial assets				
Beneficiary certificates	116,129	116,129	-	-
Real estate investment trust beneficiary certificate	225,250	225,250	-	-
Stocks	1,043,228	1,043,228	-	-

b) Valuation techniques of fair value measurement

The valuation of non-derivative financial instruments are based on transparent offer price as fair value if there is existence of active market. The basic of fair value is the market price announced by stock exchange, OTC, etc., the listed stocks and OTC stocks as equity instruments, and debt instruments in active market.

If obtaining frequently and timely transparent offers from stock exchange, brokers, securities underwriter, industrial union and set price service organization or supervisor organization that means the price is actual and frequent fair market deal that is the transparent offer price as fair value in the active market. If the conditions above mentioned are fail, the market is considered as non active market. Generally, the difference between bid ask is big and significant or with the volume of deal is few would be indicated that non active market. The equity of non transparent offer price shall be evaluated by valuation techniques by using the Market approach public company comparable with the discount of lack equity liquidity.

c) Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

d) Movements of financial assets at fair value classified into Level 3

Name	For the years ended December 31, 2018							
	Balance at the beginning of the year	Gains and losses on valuation Recognized in other		Increase		Decrease		Balance at the end of the year
	Recognized in profit or loss	comprehensive income	Purchase or issue	Transferred from Level 3	Sale, disposal or settlement	Transferred from Level 3		
Financial assets measured at fair value through other comprehensive income	\$ 13,062	-	588	-	-	-	-	13,650

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- e) Quantified information of fair value measurement for significant unobservable inputs (Level 3)

The Company's Level 3 fair value measurements are financial assets at fair value through other comprehensive income – equity instruments investment.

The Company's equity instruments investment without active market include multiple significant unobservable inputs. Those unobservable inputs of equity instrument without active market are independent from each other, thus, they are not correlative. Since the correlation between significant unobservable inputs and fair value cannot be fully measured in practical, the quantified information is not disclosed.

<u>Items</u>	<u>Evaluation</u>	<u>significant unobservable inputs</u>	<u>relationship between significant unobservable inputs and the fair value</u>
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market method	<ul style="list-style-type: none"> <li>· Price to Book Ratio</li> <li>· Discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>· The higher price to book ratio is, the higher fair value is.</li> <li>· The higher discount for lack of marketability is, the lower the fair value is.</li> </ul>

- f) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value

The fair value measurement that the Company made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments classified in the Level 3 changes by 1%, the effects on other comprehensive income are as follows:

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2018</b>		
Financial assets fair value through other comprehensive income	\$ <u><u>137</u></u>	<u><u>(137)</u></u>

Favorable and unfavorable movements of the Company refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the unobservable inputs to different extent. If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(vi) Financial instruments not measured at fair value

1) Fair value information

The carrying amounts of financial instruments not measured at fair value, such as cash and cash equivalents, account receivables, reinsurance contract assets, account payables and other financial liabilities that are approximate to the fair value in the Company does not disclose the fair value, except for below items:

Item	Carrying amount	Fair value
<b>December 31, 2018</b>		
Financial assets		
Financial assets measured at amortized cost (included statutory deposits)	\$ 1,588,180	1,633,891
Investment Property	846,807	1,534,117
<b>December 31, 2017</b>		
Financial assets		
Investments in debt instrument without active market	450,000	450,000
Held to maturity financial assets (included statutory deposits)	889,827	946,087
Investment Property	1,036,970	1,722,081

2) Fair value information

Item	December 31, 2018			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at amortized cost (included statutory deposits)	\$ 1,633,891	-	1,633,891	-
Investment Property	1,534,117	-	-	1,534,117

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

Item	December 31, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments in debt instrument without active market	\$ 450,000	-	450,000	-
Held to maturity financial assets (included statutory deposits)	946,087	-	946,087	-
Investment Property	1,722,081	-	-	1,722,081

3) Valuation techniques

The valuation assumption and methods of financial instruments not measured at fair value is used by the Company are as follows:

- a) The fair value of short-term financial commodity is estimated by the carrying amount of balance sheet. The carrying amount is the reasonable basis to estimate the fair value, because the maturity date of the commodity is near. The method applied on cash and equivalent cash, accounts receivables and accounts payables.
- b) Financial assets at cost has no active market offering price, and the measure of fair value cannot be reliable, thus, using the cost as the carrying amount.
- c) Financial assets measured at amortized cost (Bond investments without active market)

If investments assets measured at amortized cost have transaction price or quotes of the market makers, use the recent transaction price and quotes as the basis of estimating fair value. If without market value, discounted cash flow method or the quotes of the counterparties are used to calculate fair value or the quoted prices of the counter party.

- d) Held-to-maturity financial assets

If there is a public quotation in the active market, the market price is the fair value. If there is no market price, the evaluation method is used to estimate or use the counterparty quotation

- e) The refundable deposits and guarantee deposits have no specific maturity date, as a result, using the carrying amount on the balance sheet as the fair value.
- f) The fair value of investment property is assessed by valuation report, discounted cash flow method or other ways of meeting academic and market practices,

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

4) Transfer between Level 1 and Level 2

There were no transfer in 2018. The investment of bond investments without active market transferred from level one to level two because it was determined to be non active market according to OTC's latest announcement in 2017.

(u) Financial risk management

(i) General description

1) Credit risk

Credit risk is that borrowers failing to make payments, including pre settlement risk and settlement risk. The settlement risk is the counterparties' violation, and the problem of their liquidity limit and procedure. The pre settlement risk is that during the period of deal, the counterparties cannot perform their obligation of the contract, resulting in the risk of loss.

2) Liquidity risk

The liquidity risk indicates that the deficiency of trading volume or lack of trading counterparties results in the risk of finished trade out of expecting timing.

3) Market risk

Market risk includes foreign exchange rates and interest rates. The risk of foreign exchange rates comes from the change of price of foreign currency, includes the change of value, and the change of relationship between currencies, and currency depreciation. The risk of interest rates comes from the change of bond's price, i.e. yield curve risk, when the shape of yield curve risk changes, the risk will occur.

(ii) The framework of risk management

Please refer to Note(6)(s)(i)1).

(iii) Credit risk

1) The financial assets are classification of credit risk quantity as an assessment of loss. The Company' internal credit risk is classified as low risk, moderate risk and high risk as definition as follows:

- a) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- b) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation, disadvantage operation, financial and economic conditions, resulting in weaken capability of dealing with the situations.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- c) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
  - d) The impaired items represent the amount of loss allowance provided for financial assets based on the regulations of accounting standards. Under the principle of prudence, the impaired amount is able to reflect the current value of the impaired assets.
- 2) Determining the credit risk has increased significantly since initial recognition
- a) At each reporting date, the Company assessed all the financial instruments applicable for IFRS 9 to determine whether the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Company considers reasonable and supportable information (including forward looking information) that is indicative of significant increases in credit risk since initial recognition. The criteria include external credit rating, overdue status, credit spreads, and other market information related to the issuers or debtors.
  - b) Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition. Judgment criteria: external credit rating above investment grade (Baa3).
- 3) Measuring the expected credit losses
- a) The methods and assumptions
    - If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the allowance for impairment of the financial instrument using the 12 month expected credit losses; if the credit risk on a financial instrument has increased significantly since initial recognition, the Company shall measure the allowance for impairment using the lifetime expected credit losses.
    - In order to measure expected credit losses, the Company considers the default probability (Probability of default, "PD") of financial assets or issuers or debtors, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12 month and lifetime loss.
    - Default probability is the probability that the issuers or the debtors defaults, and the loss given default rate is the rate of loss caused by default by the issuers or debtors. The relevant indicators used by the Company are based on the default rate and loss given default rate published by Moody's.
    - The Company measures the Exposure at default based on the amortized cost of financial instruments plus accrued interest.

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

4) Consideration of forward-looking information

The Company obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The default probability used for impairment assessment of the Company is based on the information which already includes forward-looking general economic information published by Moody's.

(iv) Liquidity risk

The Company's approach to managing liquidity is to ensure that there is sufficient liquidity to support the liabilities which is going to expire. The investment targets all have an active market. Financial assets are expected to be sold at a price close to fair value and the own operating capital are sufficient to support the demand for funds needed. so there is no liquidity risk due to the inability to make funds.

(v) Market risk

The goal of market risk management is to control the market risk exposure to an acceptable level and optimize investment returns. The Company uses VAR values to measure price risk. Regularly compare the holding of investment targets with market prices and strictly observe the restrictions on stop-loss. The investment targets do not involve emerging market and commodity risks. It's only foreign currency financial assets and liabilities expose to foreign currency risk and Interest rate risk. The Company conducts stress tests and sensitivity analysis for exchange rate and interest rate risk to ensure that the maximum loss does not endanger the Company's operations.

(v) Capital Management

The policy of the board of directors is to maintain robust capital base, and to uphold the confidence of investors, creditors and the market, as well as to support the development of future operations. The capital includes the Company's share capital, capital reserve and undistributed surplus. The board of directors controls the rate of return on capital and controls the level of common stock dividends.

As of December 31, 2018, the method of capital management of the Company remains the same.

(w) Structured entities not included in the consolidated financial statements

- (i) The Company possesses the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from the Company and an outside third party:

<u>Types of structured entity</u>	<u>Characteristic and purpose</u>	<u>Equity owned by the Company</u>
Assets securitization products-REITS	Invests in assets securitization products of commercial real estate.	Asset backed securities issued by the entity

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- (ii) The carrying amount of the assets related to the structured entities recognized by the Company but not yet included in the consolidated financial statements on December 31, 2018 and 2017, is as follows:

<b>December 31, 2018</b>	<b>Asset securitization products-REITS</b>
<b>Assets possessed by the Company</b>	
— Financial assets measured at fair value through profit or loss	\$ <u>252,620</u>
Total assets possessed by the Company	\$ <u><u>252,620</u></u>
<b>December 31, 2017</b>	<b>Asset securitization products-REITS</b>
<b>Assets possessed by the Company</b>	
— Available-for-sale financial assets	\$ <u>225,250</u>
Total assets possessed by the Company	\$ <u><u>225,250</u></u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- (iii) The Company did not provide any financial support for the asset securitization products not included in the consolidated financial statements for the years ended December 31, 2018 and 2017.

**(7) Related-party transactions:**

- (a) Final controller

Mr. TSAI YAN MING is the Company final controller.

- (b) Names and relationship of related parties

<b>Name of Related Party</b>	<b>Relationship with the Company</b>
WANT WANT CO., LTD	Top ten shareholder and same member of the Want Want Company
WANT CHIA ENTERPRISES CO.,LTD.	Top ten shareholder and same member of the Want Want Company
H.Y. TSAI CO., LTD.	Top ten shareholder and same member of the Want Want Company
TSAI HO WANT ENTERPRISES CO., LTD.	Top ten shareholder and same member of the Want Want Company
WANT WANT CONSTRUCTIONS CO., LTD.	Top ten shareholder and same member of the Want Want Company
DIGITAL COMMERCIAL TIMES INC.	Same member of the Want Want Company
CTI TELEVISION INCORPORATION Co., Ltd.	Same member of the Want Want Company

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**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
CHINA TIMES Culture Co., Ltd.	Same member of the Want Want Company
China Times Travel Service Co., Ltd.	Same member of the Want Want Company
CHINA TELEVISION COMPANY Co., Ltd.	Same member of the Want Want Company
CHINA TIMES WEEKLY CO., LTD.	Same member of the Want Want Company
TOUCHE INNOVATIVE MEDIA CO., LTD.	Same member of the Want Want Company
China Times Study Services Co Ltd.	Same member of the Want Want Company
MEDIA SPHERE COMMUNICATIONS LTD.	Same member of the Want Want Company
COMMERCIAL CULTURE CO., LTD.	Same member of the Want Want Company
CNPLUS PRODUCTION, INC.	Same member of the Want Want Company
WANT TAI MEDIA CO., LTD.	Same member of the Want Want Company
I LAN FOODS IND. CO., LTD.	Same member of the Want Want Company
TOP WANT ELECTRONIC CO., LTD.	Same member of the Want Want Company
FIRST FAMILY ENTERPRISE CO., LTD.	Same member of the Want Want Company
WANT PU TRADING LIMITED, TAIWAN BRANCH (B.V.I)	Same member of the Want Want Company
KENLIFE INTERNATIONAL CO., LIMITED TAIWAN BRANCH (B.V.I)	Same member of the Want Want Company
SAN WANT HOTEL CO., LTD.	Same member of the Want Want Company
Powerful Media Inc.	Same member of the Want Want Company
SHAO YUAN CO., LTD.	Same member of the Want Want Company
JIA PENG DEVELOPMENT CO., LTD.	Same member of the Want Want Company
WANT WANT CHINA HOLDINGS LIMITED	Same member of the Want Want Company
HO YUAN WANT CO., LTD.	Same member of the Want Want Company
EELIN ENTERTAINMENT CO., LTD.	Same member of the Want Want Company
TAIWAN MARKETING LOGISTICS CO., LTD.	Same member of the Want Want Company
HAO WANT CO., LTD.	Same member of the Want Want Company
WULAI TOURISM CO., LTD.	Same member of the Want Want Company
REN WANT CO.,LTD.	Same member of the Want Want Company
Apollo Survey & Research Co., Ltd.	Same member of the Want Want Company
Waterland Securities Co., Ltd.	Same chairman and directors as the parent company as the Company member of the Want Want Company
International Bills Finance Corp.	Same chairman and directors as the parent company as the Company member of the Want Want Company

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Paradigm Asset Management Co., Ltd.	Same chairman and directors as the parent company as the Company member of the Want Want Company
China Insurance (THAI) public company limited	Subsidiary

All directors, supervisors, managers, chairman of the board, general managers are the Company's related parties.

(c) Compensation of key management personnel

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 36,430	37,640
Short-term employee benefits-paid leave	917	994
Post-employment benefits	664	626
Total	<u>\$ 38,011</u>	<u>39,260</u>

(d) Significant transactions with related parties are as follows:

(i) The details of written premium, reinsurance commissions, reinsurance claim payments, due from (to) reinsurers and ceding companies, and account receivables were as follows:

1) Written premium

	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>percentage</u>	<u>Amount</u>	<u>percentage</u>
Written premium				
Other related parties	\$ 19,919	0.20	23,523	0.26
Key management personnel	727	0.01	529	0.01
Total	<u>\$ 20,646</u>	<u>0.21</u>	<u>24,052</u>	<u>0.27</u>

	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>percentage</u>	<u>Amount</u>	<u>percentage</u>
Reinsurance premium				
Subsidiary	<u>\$ 158</u>	<u>0.04</u>	<u>302</u>	<u>0.05</u>

2) Reinsurance commissions

	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>percentage</u>	<u>Amount</u>	<u>percentage</u>
Subsidiary	<u>\$ 145</u>	<u>0.92</u>	<u>80</u>	<u>0.26</u>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## 3) Reinsurance claim payments

	For the years ended December 31,			
	2018		2017	
	Amount	percentage	Amount	percentage
Subsidiary	\$ 18	-	2	-

## 4) Account receivables

	December 31, 2018		December 31, 2017	
	Amount	percentage	Amount	percentage
Notes receivables :				
Other related parties	\$ 35	0.01	9	-
Premiums receivable:				
Other related parties	\$ 717	0.14	1,001	0.26
Key management personnel	4	-	5	-
Total	\$ 721	0.14	1,006	0.26

The terms of transactions were similar to those of non related parties.

## 5) Due from (to) reinsurers and ceding companies

	December 31, 2018		December 31, 2017	
	Amount	percentage	Amount	percentage
Subsidiary	\$ (12)	0.01	18	0.02

## (ii) Financial assets:

Type of related parties	Account	December 31, 2018	
		Item	Amount
Other related parties	FVTPL	Paradigm Global High Yield Bond Fund-A	\$ 26,249

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

<u>Type of related parties</u>	<u>Account</u>	<u>December 31, 2017</u>	
		<u>Item</u>	<u>Amount</u>
Want Want China Holdings Limited	Available-for-sale financial assets	Want Want China Holdings shares	\$ 358,361
Other related parties	"	Paradigm Global High Yield Bond Fund-A	35,096
Other related parties	"	Paradigm Global High Yield Bond Fund-B	34,824
Other related parties	"	Paradigm Emerging Asia Pacific Bond Fund-A	10,084
Other related parties	"	Paradigm Emerging Asia Pacific Bond Fund-B	6,779
			\$ 445,144

(iii) General expense:

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties	\$ 9,070	11,880
Subsidiary	-	5
Total	\$ 9,070	11,885

**(8) Pledged assets:**

As of December 31, 2018 and 2017, the assets pledged or guarantee were as follows:

<u>Pledged Assets</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Purpose of pledge</u>
Other financial assets Time deposit	\$ 190,180	260,533	Guarantee for the insurance business
Held-to-maturity financial assets	-	365,236	Guarantee for operating business and suit
Financial assets at amortized cost	348,836	-	"
Total	\$ 539,016	625,769	

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

**(9) Commitments and contingencies:**

- (a) The Company is appointed as the legal director of Asia Pacific Broadband Telecom Co., Ltd in accordance with Article 27 of the Company Law. If the Company and the aforementioned company are damaged due to disobeying operating business practices, they may be liable for damages. On March 14, 2011, the Company received Asia Pacific Telecom Co., Ltd. (formerly known as: Asia Pacific Broadband Telecom Co., Ltd.) to file a criminal incidental civil action with the Criminal Court of the Taiwan High Court. As the other defendants in the original case acted as the legal representative of the director of Asia Pacific Telecom Co., Ltd. (formerly known as Asia Pacific Broadband Telecom Co., Ltd.), the Company was added as the defendant and was requested that the Company should be liable with other defendants. The Taiwan High Court rejected the lawsuit filed by Asia Pacific Telecom Co., Ltd. (formerly known as Asia Pacific Broadband Telecom Co., Ltd.) on April 6, 2017. Later, Asia Pacific Telecom Co., Ltd. filed a third instance appeal on one of the lost (i.e., \$20.2 billion) and the Company obtained the civil judgment confirmation certificate of the Supreme Court of Taiwan on June 28, 2018. In the judgment certificate, it was determined that Asia Pacific Telecom Co., Ltd. withdrew its appeal against the Company on May 15, 2018.
- (b) The Company had several significant insurance lawsuits and was required to pay indemnities of \$34,702, of which approximately \$6,365 were reinsured. The claim of \$28,337 had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2018.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

- (a) A summary of personal expenses, depreciation, depletion and amortization:

Function	For the years ended December 31,					
	2018			2017		
	Operating Costs	Operating Expense	Total	Operating Costs	Operating Expense	Total
Personal expenses:						
Salaries	46,363	695,688	742,051	45,352	674,264	719,616
Insurance	-	75,104	75,104	-	71,454	71,454
Pension	-	45,553	45,553	-	42,629	42,629
Remuneration of directors	-	18,040	18,040	-	18,253	18,253
Other	-	44,007	44,007	-	41,247	41,247
Depreciation	4,774	33,623	38,397	4,830	32,023	36,853
Amortization	-	12,816	12,816	-	9,636	9,636

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

## (b) Disclosure of earned retention premium by compulsory and non-compulsory insurance

For the years ended December 31, 2018						
Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Net change in unearned premium reserve (4)=(1)+(2)-(3)	Net change in unearned premium reserve(5)	Retention of earned premium (6)=(4)-(5)
Compulsory Insurance	\$ 952,664	289,582	398,886	843,360	(10,309)	853,669
Non-Compulsory Insurance	8,873,058	122,959	2,818,074	6,177,943	180,301	5,997,642
Total	<u>\$ 9,825,722</u>	<u>412,541</u>	<u>3,216,960</u>	<u>7,021,303</u>	<u>169,992</u>	<u>6,851,311</u>

  

For the years ended December 31, 2017						
Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Net change in unearned premium reserve (4)=(1)+(2)-(3)	Net change in unearned premium reserve(5)	Retention of earned premium (6)=(4)-(5)
Compulsory Insurance	\$ 955,975	303,377	398,254	861,098	(6,573)	867,671
Non-Compulsory Insurance	8,131,547	269,086	2,588,083	5,812,550	369,150	5,443,400
Total	<u>\$ 9,087,522</u>	<u>572,463</u>	<u>2,986,337</u>	<u>6,673,648</u>	<u>362,577</u>	<u>6,311,071</u>

## (c) Disclosure of self-claim by compulsory and non-compulsory insurance

For the years ended December 31, 2018				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)+(3)
Compulsory Insurance	\$ 692,156	295,126	414,171	573,111
Non-Compulsory insurance	4,168,866	111,916	1,314,382	2,966,400
Total	<u>\$ 4,861,022</u>	<u>407,042</u>	<u>1,728,553</u>	<u>3,539,511</u>

  

For the years ended December 31, 2017				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory Insurance	\$ 836,683	235,583	478,277	593,989
Non-Compulsory insurance	4,199,076	89,031	1,581,845	2,706,262
Total	<u>\$ 5,035,759</u>	<u>324,614</u>	<u>2,060,122</u>	<u>3,300,251</u>

(Continued)



**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

(d) Reserves accrued and recovered for compulsory automobile and motorcycle insurance:

For the years ended December 31, 2018

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 366,452	368,856	366,452	368,856	
Compulsory motorcycle liability insurance	183,453	167,859	183,453	167,859	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(396,760)	38,105	-	(358,655)	
Compulsory motorcycle liability insurance	412,413	-	35,814	376,599	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	699,856	671,600	699,856	671,600	
Compulsory motorcycle liability insurance	154,360	192,271	154,360	192,271	
<b>Total</b>	<b>\$ 1,419,774</b>	<b>1,438,691</b>	<b>1,439,935</b>	<b>1,418,530</b>	

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

For the years ended December 31, 2017

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 366,939	366,452	366,939	366,452	
Compulsory motorcycle liability insurance	196,273	183,453	196,273	183,453	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(349,642)	-	47,118	(396,760)	
Compulsory motorcycle liability insurance	401,240	11,173	-	412,413	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	618,014	699,856	618,014	699,856	
Compulsory motorcycle liability insurance	168,615	154,360	168,615	154,360	
<b>Total</b>	<b>\$ 1,401,439</b>	<b>1,415,294</b>	<b>1,396,959</b>	<b>1,419,774</b>	

- (e) Balance sheet and operating revenue and cost of compulsory automobile liability insurance:
- (i) Balance sheet of compulsory automobile liability insurance:

Items	Amount		Items	Amount	
	December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
<u>Asset</u>			<u>Liabilities</u>		
Cash and bank deposit	\$ 747,861	861,395	Claims payable	\$ 1,203	177,654
Notes receivable	7,835	-	Reinsurance indemnity payable	67,216	65,121
Premiums receivable	11,600	13,431	Unearned premium reserves	536,715	549,905
Claim recoverable from reinsures	68,633	151,223	Claims reserves	863,871	854,216
Due from reinsurers and ceding companies	48,581	50,487	Special reserves	17,944	15,653
Reserve - ceded unearned premiums	223,821	226,702			
Reserve - ceded claim	378,159	359,065			
Temporary payments	459	246			
<b>Total assets</b>	<b>\$ 1,486,949</b>	<b>1,662,549</b>	<b>Total liabilities</b>	<b>\$ 1,486,949</b>	<b>1,662,549</b>

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

- (ii) operating revenue and cost of compulsory automobile liability insurance:

Item	For the years ended December 31,	
	2018	2017
Operating revenues	565,963	575,978
Direct insurance premium revenues	664,796	663,748
Reinsurance premium inward	289,582	303,377
Premiums revenues	954,378	967,125
Less: Reinsurance premium outward	(398,886)	(398,254)
Net change in unearned premium reserve	10,309	6,573
Retained earned premium	565,801	575,444
Interest income	162	534
Operating costs	565,963	575,978
Retained claims	692,156	836,683
Reinsurance claims incurred	295,126	235,583
Less: Claim recoverable from reinsurers	(414,171)	(478,277)
Retained claims	573,111	593,989
Net change in claim reserve	(9,439)	17,934
Net change in special reserve	2,291	(35,945)

- (f) Other disclosures in accordance with regulations governing the preparation of financial reports by insurance enterprises:
- (i) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund : Refer to Note 6(f).
  - (ii) Information regarding to discontinued operations: None.
  - (iii) Material revolutions of adjustments of organization and management policy: None.
  - (iv) Material influence because of the regulations changed: None.
  - (v) The Loan because of paying large amount of claims: None.
- (g) Disclosure in accordance to "catastrophe special reserve and equalization special reserve", "the special reserve for resident earthquake insurance" and "the special reserve for nuclear insurance":

For the years ended December 31, 2018 and 2017, the influence for not applying the notification on net income before tax, liabilities, and equity of the Company resulted in an increase of \$82,221, an increase of \$46,213, a decrease of \$82,221, a decrease of \$46,213, an increase of \$82,221, an increase of \$46,213, respectively. The influence on the Company for not applying the notification resulted in an increase in the EPS by \$0.39 and \$0.22, respectively.

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” for the Company:

- (i) Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ii) Disposal of individual real estate with amount exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (iii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (iv) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (v) Trading in derivative instruments: None

## (b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
Union Insurance CO.,LTD.	China Insurance (THAI) public company limited	Thailand	Property insurance business	53,081	53,081	3,743	62.39 %	38,794	(6,217)	(3,878)	

## (c) Information on investment in mainland China:None

(Continued)

**UNION INSURANCE CO., LTD.**  
**Notes to the Financial Statements**

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2018.

**Union Insurance Co., LTD.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
<b>Cash:</b>		
Cash on hand		\$ 480
Petty cash		17,960
Demand deposits		1,244,989
Checking deposits		1,568
Foreign currency deposits	included USD 5,020, HKD 300, GBP 83, JPY 30, AUD 26, EUR 263, CNY 67, SGD 4, and THB 750. (Exchange rates: USD/TWD=30.72, HKD/TWD= 3.92, GBP/TWD=38.88, JPY/TWD=0.2782, AUD/TWD=21.67, EUR/TWD=35.20, CNY/TWD=4.47, SGD/TWD=22.48, and THB/TWD=0.9532)	154,203
Time deposits (included foreign currency time deposits)	Due date from Jan. 05, 2019 to Mar. 12, 2019, interest rate from 0.60% to 3.10%	638,790
<b>Cash equivalents:</b>		
Bonds investment under resell agreements	Due date from Jan. 04, 2019 to Jan. 16, 2019, interest rate from 0.43% to 0.54%	210,139
Total		<u>\$ 2,268,129</u>

**Union Insurance Co., LTD.**  
**Statement of Notes Receivable**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<b><u>Related Parties</u></b>			
Other related parties		\$ 35	
<b><u>Non-Related Parties</u></b>			
JING SHAN Transportation Co., Ltd.		21,232	
Far Eastern International Leasing Corp.		14,214	
Others		231,009	Each customer account balance is less than 5% of account balance.
		<u>266,490</u>	
Less: Loss allowance		<u>(1,367)</u>	
Total (net)		<u><u>\$ 265,123</u></u>	

**Union Insurance Co., LTD.**  
**Statement of Premiums Receivable**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<b><u>Related Parties</u></b>			
Other related parties		\$ 721	
<b><u>Non-Related Parties</u></b>			
HON HAI Precision Industry CO., LTD.		38,700	
SUN BA Power Corporation		34,431	
Others		441,865	Each customer account balance is less than 5% of account balance.
		<u>515,717</u>	
Less: Loss allowance		<u>(5,091)</u>	
Total (net)		<u><u>\$ 510,626</u></u>	



**Union Insurance Co., LTD.**  
**Statement of Other Receivables**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interests receivable	Bond interest	\$ 31,660	
	Time deposit interest	<u>6,402</u>	
	Subtotal	<u>38,062</u>	
Overdue commissions of premium refund receivables		23,323	
Less: Loss allowance for overdue commissions of premium refund receivables		(18,541)	
	Subtotal	<u>4,782</u>	
Others	From credit card	54,190	
	From convenience store	15,279	
	Others	475	Each item amount is less than 5% of account balance.
Total		<u><u>\$ 112,788</u></u>	

**Union Insurance Co., LTD.**

**Statement of Financial Assets at Fair Value through Profit or Loss**

**December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

Financial assets Name	Description	Shares/ Lot	Par Value	Principal Amount	Rate	Acquisition Cost	Fair Value		Change in fair value attributable to change in credit risk	Note
							Unit Price	Total		
<u>Beneficiary Certificate</u>										
	Taishin Global Multi-asset Fund of Funds TWD A	1,000,000.00	\$ -	-	-	10,000	9.80	9,800	-	
	Paradigm Global High Yield Bond Fund A Class	2,029,250.38	-	-	-	25,998	12.94	26,249	-	
<u>Domestic Listed Stock and OTC</u>										
	Formosa Chemicals & Fibre CORP.	497,000	10	4,970	-	51,666	105.00	52,185	-	
	Taiwan Semiconductor Manufacturing Company, Limited	220,000	10	2,200	-	47,912	225.50	49,610	-	
	Formosa Plastics Corporation	400,000	10	4,000	-	40,472	101.00	40,400	-	
	Largan Precision CO., LTD.	6,000	10	60	-	21,033	3,215.00	19,290	-	
	Others(less than 5%)	-	-	-	-	193,342	-	203,820	-	
<u>Domestic Unlisted Stock</u>										
	CHINA REBAR CO., LTD.	5,644,203	10	56,442	-	296,010	-	-	-	
<u>REITs</u>										
	Cathay R1	17,000,000	-	-	-	295,589	14.86	252,620	-	
	Subtotal					982,022		<u>653,974</u>		
	Less: Valuation adjustment					(328,048)				
	Total (net)					<u>653,974</u>				

**Union Insurance Co., LTD.**

**Statement of Financial Assets at Fair Value through Other Comprehensive  
Income**

**December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

Financial assets Name	Description	Shares/ Lot	Par Value	Principal Amount	Loss Allowance	Allowance Adjustments for Valuation	Acquisition Cost	Fair Value		Note
								Unit Price	Total	
<u>Domestic Listed Stock and OTC</u>										
Cathay Financial Holding Co., Ltd. Preferred Stock A		5,000,000	\$ 10	50,000	-	18,500	300,000	63.70	318,500	
Cathay Financial Holding Co., Ltd. Preferred Stock B		2,709,011	10	27,090	-	5,147	162,540	61.90	167,688	
Taishin Financial Holding CO., LTD. Class E Preferred Shares		6,328,000	10	63,280	-	19,187	317,463	53.20	336,649	
Taishin Financial Holding CO., LTD. Class E Preferred Shares II		2,000,000	10	20,000	-	-	100,000	50.00	100,000	
Taiwan Cement Corp. 2nd Preferred Shares		1,012,654	10	<u>10,130</u>	<u>-</u>	<u>-</u>	<u>50,633</u>	50.00	<u>50,633</u>	
Subtotal				170,500	-	42,834	930,636		973,470	
<u>Domestic Unlisted Stock</u>										
Minchali Metal Industry CO., LTD.		1,400,000	10	<u>14,000</u>	<u>-</u>	<u>12,390</u>	<u>1,260</u>	9.75	<u>13,650</u>	
Total				<u><u>355,000</u></u>	<u><u>-</u></u>	<u><u>55,224</u></u>	<u><u>931,896</u></u>		<u><u>987,120</u></u>	

## Union Insurance Co., LTD.

## Statement of Financial Assets Measured at Amortized Cost - Current

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Bonds Name	Description	Quantity	Par Value	Principal Amount	Rate	Loss Allowance	(Discount) Premium Unamortised	Book Value	Note
Central Government Construction Bonds:									
Bond A13 issued in 2000	Due on 2020.11.14. Interests paid once a year	-	-	\$ 50,000	5.375 %	(12)	2,284	52,272	
Bond A2 issued in 2001	Due on 2021.02.13. Interests paid once a year	-	-	20,000	5.000 %	(5)	67	20,062	
Bond A4 issued in 2001	Due on 2021.05.08. Interests paid once a year	-	-	20,000	4.625 %	(5)	290	20,285	
Bond A7 issued in 2002	Due on 2022.08.16. Interests paid once a year	-	-	50,000	3.750 %	(12)	649	50,637	100% of Securities serving
Bond A3 issued in 2003	Due on 2023.02.18. Interests paid once a year	-	-	300,000	2.500 %	(70)	(3,811)	296,119	71.17% of Securities serving
Bond A2 issued in 2006	Due on 2026.02.24. Interests paid once a year	-	-	50,000	1.875 %	(12)	(483)	49,505	100% of Securities serving
Bond A7 issued in 2006	Due on 2026.11.10. Interests paid once a year	-	-	50,000	2.125 %	(12)	(155)	49,833	76.00% of Securities serving
Subtotal				<u>540,000</u>		<u>(128)</u>	<u>(1,159)</u>	<u>538,713</u>	
Corporate Bonds:									
NAN SHAN Life Insurance Subordinated Corporate Bonds 2016 1	Cumulative without due date	-	-	300,000	3.500 %	(128)	-	299,872	
SHIN KONG Life Insurance Subordinated Corporate Bonds 2016 1	"	-	-	80,000	3.800 %	(34)	-	79,966	
Mercuries Life Insurance Subordinated Corporate Bonds 2016 1	"	-	-	170,000	3.700 %	(159)	-	169,841	
Taiwan Life Insurance Subordinated Corporate Bonds 2017 1	"	-	-	200,000	3.450 %	(85)	-	199,915	
NAN SHAN Life Insurance Subordinated Corporate Bonds 2018 1	"	-	-	100,000	3.300 %	(42)	-	99,958	
SHIN KONG Life Insurance Subordinated Corporate Bonds 2018 1	"	-	-	100,000	3.500 %	(43)	-	99,957	
Subtotal				<u>950,000</u>		<u>(491)</u>	<u>-</u>	<u>949,509</u>	
Financial Bonds:									
First Commercial Bank Subordinated Financial Bonds issued in 2018 2	Debenture Bonds, non-cumulative without due date	-	-	100,000	2.360 %	(42)	-	99,958	
Less: Guarantee for operating business and suit				(351,500)			2,664	(348,836)	
Total				<u>\$ 1,238,500</u>		<u>(661)</u>	<u>1,505</u>	<u>1,239,344</u>	

**Union Insurance Co., LTD.**

**Statement of Changes in Investments Accounted for Using the Equity Method**

**December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

Company Name	Beginning Balance		Increased		Decreased		Ending Balance		Net Equity		Restricted or pledged	Note	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding ratio	Amount	Unit price			Total price
China Insurance (Thai) Public Company Limited	3,743,191 Shares	\$ <u>41,140</u>	- Shares	<u>1,532</u>	- Shares	<u>3,878</u>	3,743,191 Shares	62.39 %	<u>38,794</u>	10.36	38,794	No	Note1, 2

Note 1: Using equity method.

Note 2: The increase of \$1,532 is exchange differences on translation of foreign financial statements. The decrease of \$(3,878) is share of loss of associates and joint ventures accounted for using equity method.

**Union Insurance Co., LTD.**  
**Statement of Other Financial Assets**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Time deposit – initial maturity date over than three months		\$ 4,217,214	
Less: Securities serving as deposits paid (Note)		(190,180)	
Total		<u>\$ 4,027,034</u>	

Note: Securities serving as deposits paid are kinds of guarantee deposits paid which transfer from the time deposits pledged as collateral.

**Union Insurance Co., LTD.**  
**Statement of Change in Investment Property**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Items	Beginning Balance			Increased			Decreased			Ending Balance			Restricted or pledged	Note
	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total		
Land and Improvement	\$ 892,797	-	892,797	4,195	-	4,195	(181,611)	-	(181,611)	715,381	-	715,381	No	
Buildings and Constructions	214,032	-	214,032	5,477	-	5,477	(12,883)	-	(12,883)	206,626	-	206,626	"	
<b>Total</b>	<b>\$ 1,106,829</b>	<b>-</b>	<b>1,106,829</b>	<b>9,672</b>	<b>-</b>	<b>9,672</b>	<b>(194,494)</b>	<b>-</b>	<b>(194,494)</b>	<b>922,007</b>	<b>-</b>	<b>922,007</b>		

**Union Insurance Co., LTD.**

**Statement of Changes in Accumulated Depreciation of Investment Property**

**For the year ended December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Beginning Balance</u>	<u>Increased</u>		<u>Decreased</u>		<u>Ending Balance</u>	<u>Note</u>
		<u>Provisioned</u>	<u>Reclassified</u>	<u>Sold and Scraped</u>	<u>Reclassified</u>		
Buildings and Constructions	\$ <u>65,467</u>	<u>4,774</u>	<u>1,592</u>	<u>-</u>	<u>(1,025)</u>	<u>70,808</u>	

Note: Provision depreciated by the Straight-line method over useful life of 21 to 60 years.



**Union Insurance Co., LTD.**  
**Statement of Changes in Accumulated Impairment**  
**of Investment Property**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Beginning Balance</b>	<b>Increased</b>	<b>Decreased</b>	<b>Ending Balance</b>	<b>Note</b>
Land and Improvement	\$ 2,359	-	-	2,359	
Buildings and Constructions	2,033	-	-	2,033	
Total	<u>\$ 4,392</u>	<u>-</u>	<u>-</u>	<u>4,392</u>	

**Union Insurance Co., LTD.**  
**Statement of Claims Recoverable from Reinsurers**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Long-term Dwelling Fire Insurance		\$ 3	
Yearly Renewable Term Commercial Fire Insurance		2,507	
Marine Cargo Insurance		15,712	
Personal Automobile Physical Damage Insurance		93,871	
Commercial Automobile Physical Damage Insurance		1,914	
Personal Automobile Liability Insurance		49,457	
Commercial Automobile Liability Insurance		16,958	
Compulsory Personal Automobile Liability Insurance		50,373	
Compulsory Commercial Automobile Liability Insurance		10,750	
Compulsory Motorcycle Liability Insurance		7,510	
General Liability Insurance		9,246	
Professional Indemnity Insurance		115	
Engineering Insurance		14,982	
Guarantee Insurance		44	
Other Property Insurance		427	
Accident Insurance		55,477	
Personal All Risks Insurance		80	
Typhoon and Flood Insurance		736	
Health Insurance		845	
Commercial Earthquake Insurance		483	
Overdue claims recoverable from reinsurers		204	
<b>Total</b>		<b>\$ <u>331,694</u></b>	

**Union Insurance Co., LTD.**  
**Statement of Due from/to Ceding Companies**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Description</u>	<u>Debit</u>	<u>Description</u>	<u>Credit</u>	<u>Note</u>
Aon Taiwan Ltd.	\$ 19,160	Elicon Risk Services Ltd.	15,064	
FP Reinsurance Brokers Ltd Taiwan Branch	27,574	Jardine Lloyd Thompson Limited	10,024	
TW Insurance Brokers Ltd.	20,764	QBE Insurance (Australia) Limited	18,136	
Willis (Taiwan) Limited	30,734	Taiwan Residential Earthquake Insurance Fund	18,455	
Marsh Ltd., Taiwan Branch	10,247	Taian Insurance Co. Ltd.	37,724	
Foreign exchange gains (losses) and Others	(12,276)	Foreign exchange gains (losses) and Others	18,835	Each customer account balance is less than 5% of account balance.
Subtotal	<u>96,203</u>	Subtotal	<u>118,238</u>	
Reinsurance Receivable	55,277	Reinsurance Payable	578,829	
Reinsurance Commission Receivable	110,500	Reinsurance Commission Payable	559	
Overdue from ceding companies	<u>17,257</u>		<u>-</u>	
Total (net)	<u><u>\$ 279,237</u></u>		<u><u>697,626</u></u>	

**Union Insurance Co., LTD.**

**Statement of Changes in Property, Plant and Equipment**

**For the year ended December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Beginning Balance</b>	<b>Increased</b>		<b>Decreased</b>		<b>Ending Balance</b>	<b>Restricted or pledged</b>	<b>Note</b>
		<b>Purchased</b>	<b>Reclassified</b>	<b>Sold and Scraped</b>	<b>Reclassified</b>			
Land	\$ 522,969	35,412	181,611	-	(4,195)	735,797	No	
Buildings and Constructions	384,822	19,409	12,883	-	(5,006)	412,108	"	
Computer Equipment	156,434	9,223	21	(7,040)	-	158,638	"	
Transportation Equipment	579	-	-	-	-	579	"	
Other Equipment	47,566	4,061	-	(6,266)	(21)	45,340	"	
Leasehold Improvements	12,716	214	-	-	-	12,930	"	
<b>Total</b>	<b>\$ 1,125,086</b>	<b>68,319</b>	<b>194,515</b>	<b>(13,306)</b>	<b>(9,222)</b>	<b>1,365,392</b>		

**Union Insurance Co., LTD.**

**Statement of Changes in Accumulated Depreciation of Property, Plant and  
Equipment**

**December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Beginning Balance</b>	<b>Increased</b>		<b>Decreased</b>		<b>Ending Balance</b>	<b>Note</b>
		<b>Provisioned</b>	<b>Reclassified</b>	<b>Sold and Scraped</b>	<b>Reclassified</b>		
Buildings and Constructions	\$ 126,655	9,352	1,025	-	(1,592)	135,440	No
Computer equipment	111,378	20,186	16	(7,040)	-	124,540	"
Transportation Equipment	274	96	-	-	-	370	"
Other Equipment	41,871	3,117	-	(6,265)	(16)	38,707	"
Leasehold Improvements	11,001	872	-	-	-	11,873	"
<b>Total</b>	<b>\$ 291,179</b>	<b>33,623</b>	<b>1,041</b>	<b>(13,305)</b>	<b>(1,608)</b>	<b>310,930</b>	

Note: Buildings and structures are depreciated by straight line method over useful life of 21 to 60 years. Miscellaneous equipment is depreciated by straight line method over useful life of 3 to 8 years.

**Union Insurance Co., LTD.**

**Statement of Changes in Accumulated Impairment  
of Property, Plant and Equipment**

**For the year ended December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Beginning Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Reclassified</u>	<u>Ending Balance</u>	<u>Note</u>
Land	\$ 15,196	-	-	-	15,196	
Buildings and Constructions	1,870	-	-	-	1,870	
Total	<u>\$ 17,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,066</u>	

**Statement of Changes in Intangible Assets**

<u>Items</u>	<u>Beginning Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Reclassified</u>	<u>Note</u>
Computer Software	\$ 21,931	33,685	(9,652)	45,964	Note 1, 2
Golf Club Card	-	55,638	(4,604)	51,034	Note 3, 4
Other Intangible Assets - Others	52,962	-	(15,476)	37,486	Note 5
Total	<u>\$ 74,893</u>	<u>89,323</u>	<u>(29,732)</u>	<u>134,484</u>	

Note 1: Cost of computer software is amortized by straight line method over useful life of 3 to 10 years.

Note 2: The increase of \$25,327 is purchase in this period, and \$8,358 reclassification from other assets. The decrease of \$9,652 is amortization expense.

Note 3: The increase of \$55,638 is reclassification from other assets. The decrease of \$1,440 is reclassification from accumulated impairment of other assets, and \$3,164 is amortization expense.

Note 4: Cost of golf club card is amortized by straight line method over useful life of 10 to 20 years.

Note 5: In accordance with IFRS 4, the intangible asset recognized was the difference from the fair value of the contractual insurance rights acquired and insurance obligations assumed to a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues. The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability.

**Union Insurance Co., LTD.**  
**Statement of Other Assets**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Prepayments	Information system, etc.	\$ <u>1,841</u>	
Guarantee deposits paid	Operation	317,243	
	Performance Bond	217,085	
	Membership	64,149	
	Lawsuit	31,593	
	Others	3,264	Each item amount is less than 5% of account balance.
	Subtotal	<u>633,334</u>	
Reinsurance liability reserve contributed	WORLDWIDE	48	
	Cosmos Services Co. Ltd. (HK)	<u>1,003</u>	
	Subtotal	<u>1,051</u>	
Suspense payment		<u>66,851</u>	
Total		<u>\$ <u>703,077</u></u>	

**Statement of Changes in Accumulated Impairment  
of Other Assets**

**For the year ended December 31, 2018**

<u>Items</u>	<u>Beginning Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Ending Balance</u>	<u>Note</u>
Admission fee for golf club card	\$ <u>1,440</u>	<u>-</u>	<u>(1,440)</u>	<u>-</u>	<u>Note 1</u>

Note 1: The decrease is the reclassification of intangible assets.

**Union Insurance Co., LTD.**  
**Statement of Claims and Reinsurance Indemnity**  
**Payable**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Personal Automobile Physical Damage Insurance		\$ 1,951
Commercial Automobile Physical Damage Insurance		19
Personal Automobile Liability Insurance		1,495
Commercial Automobile Liability Insurance		202
Compulsory Personal Automobile Liability Insurance		1,115
Compulsory Commercial Automobile Liability Insurance		6
Compulsory Motorcycle Liability Insurance		82
General Liability Insurance		649
Engineering Insurance		217
Accident insurance		4,879
Personal All Risks Insurance		1,552
Commercial All Risks Insurance		50
Health Insurance		44
Total		<u>\$ 12,261</u>

Note: All of the above are direct businesses.



**Union Insurance Co., LTD.**  
**Statement of Other Payables**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Accrued expenses	Year-end bonus	\$ 107,296	
	Salesman bonus	40,699	
	Paid leave liabilities	33,096	
	Labor/Health insurance	15,626	
	Employee compensation and directors' remuneration	15,000	
	Others	<u>38,589</u>	Each item amount is less than 5% of account balance.
	Subtotal	<u>250,306</u>	
Accrued taxes		32,925	
Accrued suspense collection		7,837	
Accrued premium refund		15,269	
Others	Estimating accrued premium refund and claim return of the past years	15,943	
	Stock settlement	9,086	
	Others	<u>2,544</u>	Each item amount is less than 5% of account balance.
	Subtotal	<u>27,573</u>	
Total		<u><u>\$ 333,910</u></u>	

## Union Insurance Co., LTD.

## Statement of Changes in Unearned Premium Reserve

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Total:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Yearly Renewable Term Dwelling Fire Insurance	\$ 65,311	3,258	-	68,569	
Long-term Dwelling Fire Insurance	259,968	(72,933)	-	187,035	
Yearly Renewable Term Commercial Fire Insurance	172,799	49,515	-	222,314	
Long-term Commercial Fire Insurance	2,616	(1,056)	-	1,560	
Domestic Transportation Insurance	6,816	607	-	7,423	
Marine Cargo Insurance	28,633	7,749	-	36,382	
Hull Insurance	13,686	(1,406)	-	12,280	
Fishing Vessel Insurance	12,054	125	-	12,179	
Aviation Insurance	33,795	941	-	34,736	
Personal Automobile Physical Damage Insurance	1,480,249	(17,344)	-	1,462,905	
Commercial Automobile Physical Damage Insurance	37,122	12,702	-	49,824	
Personal Automobile Liability Insurance	801,050	105,689	-	906,739	
Commercial Automobile Liability Insurance	223,260	26,056	-	249,316	
Compulsory Personal Automobile Liability Insurance	304,436	(2,288)	-	302,148	
Compulsory Commercial Automobile Liability Insurance	62,016	4,692	-	66,708	
Compulsory Motorcycle Liability Insurance	183,453	(15,594)	-	167,859	
General Liability Insurance	103,644	14,625	-	118,269	
Professional Indemnity Insurance	16,525	(1,767)	-	14,758	
Engineering Insurance	378,204	80,784	-	458,988	
Nuclear Risks Insurance	5,485	16	-	5,501	
Guarantee Insurance	6,742	4,568	-	11,310	
Credit insurance	140	8	-	148	
Other Property Insurance	9,767	1,853	-	11,620	
Accident Insurance	355,068	48,209	-	403,277	
Commercial Earthquake Insurance	107,624	16,878	-	124,502	
Personal All Risks Insurance	2,509	1,136	-	3,645	
Commercial All Risks Insurance	3	(1)	-	2	
Typhoon and Flood Insurance	84,952	10,204	-	95,156	
Policy-Oriented Earthquake Insurance	131,434	5,287	-	136,721	
Health Insurance	7,902	(1,077)	-	6,825	
Overseas Ceded-in Reinsurance Assumed	477,689	(53,116)	-	424,573	
<b>Total</b>	<b>\$ 5,374,952</b>	<b>228,320</b>	<b>-</b>	<b>5,603,272</b>	

**Overseas Ceded-in Reinsurance Assumed**

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Fire Insurance	\$ 1,481	26	-	1,507	
Hull Insurance	161	158	-	319	
Other Liability Insurance	476,047	(53,300)	-	422,747	
<b>Total</b>	<b>\$ 477,689</b>	<b>(53,116)</b>	<b>-</b>	<b>424,573</b>	

## Union Insurance Co., LTD.

## Statement of Changes in Unearned Premium Reserve

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Ceded-out:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Long-term Dwelling Fire Insurance	\$ 122,096	(33,639)	-	88,457	
Yearly Renewable Term Commercial Fire Insurance	64,623	20,926	-	85,549	
Long-term Commercial Fire Insurance	701	(285)	-	416	
Domestic Transportation Insurance	62	8	-	70	
Marine Cargo Insurance	24,450	5,626	-	30,076	
Hull Insurance	13,483	(1,370)	-	12,113	
Fishing Vessel Insurance	9,407	418	-	9,825	
Aviation Insurance	29,580	(668)	-	28,912	
Personal Automobile Physical Damage Insurance	246,946	49,068	-	296,014	
Commercial Automobile Physical Damage Insurance	8,427	480	-	8,907	
Personal Automobile Liability Insurance	166,040	(10,484)	-	155,556	
Commercial Automobile Liability Insurance	54,593	(7,694)	-	46,899	
Compulsory Personal Automobile Liability Insurance	126,872	845	-	127,717	
Compulsory Commercial Automobile Liability Insurance	26,960	3,418	-	30,378	
Compulsory Motorcycle Liability Insurance	72,870	(7,144)	-	65,726	
General Liability Insurance	36,836	7,839	-	44,675	
Professional Indemnity Insurance	7,480	(789)	-	6,691	
Engineering Insurance	214,379	55,563	-	269,942	
Guarantee Insurance	2,924	1,836	-	4,760	
Credit insurance	140	8	-	148	
Other Property Insurance	2,949	58	-	3,007	
Accident Insurance	56,820	(8,219)	-	48,601	
Commercial Earthquake Insurance	48,417	(274)	-	48,143	
Commercial All Risks Insurance	2	(1)	-	1	
Typhoon and Flood Insurance	43,056	321	-	43,377	
Policy-Oriented Earthquake Insurance	116,191	4,719	-	120,910	
Health Insurance	1,495	(579)	-	916	
Overseas Ceded-in Reinsurance Assumed	278,351	(6,183)	-	272,168	
<b>Total</b>	<b>\$ 1,776,150</b>	<b>73,804</b>	<b>-</b>	<b>1,849,954</b>	

**Overseas Ceded-in Reinsurance Assumed**

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Hull Insurance	\$ 161	139	-	300	
Other Liability Insurance	278,190	(6,322)	-	271,868	
<b>Total</b>	<b>\$ 278,351</b>	<b>(6,183)</b>	<b>-</b>	<b>272,168</b>	

**Union Insurance Co., LTD.**  
**Statement of Changes in Claim Reserve**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Total:

<u>Insurance</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Other Change</u>	<u>Ending Balance</u>	<u>Note</u>
Yearly Renewable Term Dwelling Fire Insurance	\$ 20,427	(6,046)	-	14,381	
Long-term Dwelling Fire Insurance	2,103	(166)	-	1,937	
Yearly Renewable Term Commercial Fire Insurance	454,984	464,576	-	919,560	
Long-term Commercial Fire Insurance	652	(170)	-	482	
Domestic Transportation Insurance	3,262	55	-	3,317	
Marine Cargo Insurance	78,022	(15,090)	-	62,932	
Hull Insurance	107,821	4,280	-	112,101	
Fishing Vessel Insurance	38,522	(14,383)	-	24,139	
Aviation Insurance	149,010	(5,300)	-	143,710	
Personal Automobile Physical Damage Insurance	364,387	(29,825)	-	334,562	
Commercial Automobile Physical Damage Insurance	17,333	5,864	-	23,197	
Personal Automobile Liability Insurance	652,986	(16,078)	-	636,908	
Commercial Automobile Liability Insurance	210,137	(27,245)	-	182,892	
Compulsory Personal Automobile Liability Insurance	608,788	(55,762)	-	553,026	
Compulsory Commercial Automobile Liability Insurance	91,068	27,506	-	118,574	
Compulsory Motorcycle Liability Insurance	154,360	37,911	-	192,271	
General Liability Insurance	94,596	7,437	-	102,033	
Professional Indemnity Insurance	4,800	(77)	-	4,723	
Engineering Insurance	215,634	(44,208)	-	171,426	
Nuclear Risks Insurance	2,584	1,005	-	3,589	
Guarantee Insurance	29,371	(1,670)	-	27,701	
Credit insurance	2,860	(1,065)	-	1,795	
Other Property Insurance	53,628	507	-	54,135	
Accident Insurance	215,151	50,118	-	265,269	
Commercial Earthquake Insurance	34,527	17,565	-	52,092	
Personal All Risks Insurance	2,642	342	-	2,984	
Commercial All Risks Insurance	1,046	(77)	-	969	
Typhoon and Flood Insurance	82,969	(33,714)	-	49,255	
Policy-Oriented Earthquake Insurance	478	(306)	-	172	
Health Insurance	3,261	1,206	-	4,467	
Overseas Ceded-in Reinsurance Assumed	4,302	(111)	-	4,191	
<b>Total</b>	<b>\$ 3,701,711</b>	<b>367,079</b>	<b>-</b>	<b>4,068,790</b>	

**Overseas Ceded-in Reinsurance Assumed**

<u>Insurance</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Other Change</u>	<u>Ending Balance</u>	<u>Note</u>
Fire Insurance	\$ 662	(83)	-	579	
Marine Cargo Insurance	146	(31)	-	115	
Hull Insurance	1,060	186	-	1,246	
Automobile Insurance	89	(44)	-	45	
Engineering Insurance	296	(94)	-	202	
Aviation Insurance	514	451	-	965	
Other Liability Insurance	1,535	(496)	-	1,039	
<b>Total</b>	<b>\$ 4,302</b>	<b>(111)</b>	<b>-</b>	<b>4,191</b>	

**Union Insurance Co., LTD.**  
**Statement of Changes in Claim Reserve**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Ceded-out:

<b>Insurance</b>	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Other Change</b>	<b>Ending Balance</b>	<b>Note</b>
Long-term Dwelling Fire Insurance	\$ 488	(30)	-	458	
Yearly Renewable Term Commercial Fire Insurance	316,475	405,063	-	721,538	
Long-term Commercial Fire Insurance	164	(44)	-	120	
Domestic Transportation Insurance	236	(122)	-	114	
Marine Cargo Insurance	37,356	(2,842)	-	34,514	
Hull Insurance	101,379	5,492	-	106,871	
Fishing Vessel Insurance	30,730	(14,083)	-	16,647	
Aviation Insurance	142,737	(6,841)	-	135,896	
Personal Automobile Physical Damage Insurance	96,938	(11,080)	-	85,858	
Commercial Automobile Physical Damage Insurance	5,219	759	-	5,978	
Personal Automobile Liability Insurance	186,348	(39,422)	-	146,926	
Commercial Automobile Liability Insurance	71,088	(21,093)	-	49,995	
Compulsory Personal Automobile Liability Insurance	272,104	(23,219)	-	248,885	
Compulsory Commercial Automobile Liability Insurance	37,554	19,459	-	57,013	
Compulsory Motorcycle Liability Insurance	49,407	22,854	-	72,261	
General Liability Insurance	36,383	(2,200)	-	34,183	
Professional Indemnity Insurance	1,015	291	-	1,306	
Engineering Insurance	121,300	(22,196)	-	99,104	
Guarantee Insurance	13,898	(776)	-	13,122	
Credit insurance	2,115	(972)	-	1,143	
Other Property Insurance	23,839	51	-	23,890	
Accident Insurance	108,290	9,972	-	118,262	
Commercial Earthquake Insurance	23,443	(6,299)	-	17,144	
Personal All Risks Insurance	1,048	151	-	1,199	
Commercial All Risks Insurance	76	(6)	-	70	
Typhoon and Flood Insurance	25,951	(9,901)	-	16,050	
Health Insurance	561	198	-	759	
Overseas Ceded-in Reinsurance Assumed	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>	
<b>Total</b>	<b>\$ <u>1,706,149</u></b>	<b><u>303,164</u></b>	<b><u>-</u></b>	<b><u>2,009,313</u></b>	
<b><u>Overseas Ceded-in Reinsurance Assumed</u></b>					
<b>Insurance</b>	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Other Change</b>	<b>Ending Balance</b>	<b>Note</b>
Marine Cargo Insurance	<u>\$ 7</u>	<u>-</u>	<u>-</u>	<u>7</u>	

**Union Insurance Co., LTD.**  
**Statement of Changes in Special Claim Reserve**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Insurance</b>	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Other Change</b>	<b>Ending Balance</b>	<b>Note</b>
Compulsory Personal Automobile Liability Insurance	\$ 117,526	43,447	-	160,973	
Compulsory Commercial Automobile Liability Insurance	(514,286)	(5,342)	-	(519,628)	
Compulsory Motorcycle Liability Insurance	412,413	(35,814)	-	376,599	
Nuclear Risks Insurance	82,796	-	-	82,796	
Commercial Earthquake Insurance	730,777	(2,788)	-	727,989	
Typhoon and Flood Insurance	224,308	(2,278)	-	222,030	
Policy-Oriented Earthquake Insurance	127,111	-	-	127,111	
Others(Note)	<u>4,156</u>	<u>-</u>	<u>-</u>	<u>4,156</u>	
<b>Total</b>	<b>\$ <u>1,184,801</u></b>	<b><u>(2,775)</u></b>	<b><u>-</u></b>	<b><u>1,182,026</u></b>	

Note: In 2013, the determination of cost of real estate and equipment based on the International Financial Reporting Standards No. 1 that approved by the Financial Supervisory Committee, the Company chose the exemption that the revaluation reserve of land and buildings according to the Generally Accepted Accounting Principles of the Republic of China, and transferred it to retained earnings. However, according to the standard of the Preparation of Financial Reports by Insurance Enterprises, the revaluation reserve that estimated by the cash flow discount approach via contractual rent of the investment real estate target as the upper limit adjustment to define the cost and the value added part. Then, to fill the unrecognized pension loss, the unrecognized transition net payment obligation, the increase on defined benefit obligation based on the change of actuarial assumptions, and the employee's paid leave liability, those adjustments increased the special by \$4,156.

## Union Insurance Co., LTD.

Statement of Changes in Special Reserve (Special Reserve for  
Catastrophic and Contingent Risk)

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Insurance	Beginning Balance	Provisioned	Recovered	Ending Balance	Note
Yearly Renewable Term Dwelling Fire Insurance	\$ 49,674	7,862	-	57,536	
Long-term Dwelling Fire Insurance	27,244	3,559	(7,400)	23,403	
Yearly Renewable Term Commercial Fire Insurance	48,003	4,268	-	52,271	
Long-term Commercial Fire Insurance	1,578	113	(255)	1,436	
Domestic Transportation Insurance	5,867	896	-	6,763	
Marine Cargo Insurance	61,814	6,970	-	68,784	
Hull Insurance	8,909	191	(845)	8,255	
Fishing Vessel Insurance	8,060	370	(84)	8,346	
Aviation Insurance	2,384	926	-	3,310	
Personal Automobile Physical Damage Insurance	264,577	60,939	-	325,516	
Commercial Automobile Physical Damage Insurance	3,435	854	-	4,289	
Personal Automobile Liability Insurance	46,371	26,592	-	72,963	
Commercial Automobile Liability Insurance	18,362	7,989	-	26,351	
General Liability Insurance	97,075	31,086	-	128,161	
Professional Indemnity Insurance	3,832	760	-	4,592	
Engineering Insurance	97,001	10,979	-	107,980	
Nuclear Risks Insurance	29,664	3,367	-	33,031	
Guarantee Insurance	3,447	1,152	-	4,599	
Credit insurance	718	-	-	718	
Other Property Insurance	12,119	1,729	-	13,848	
Accident Insurance	214,280	28,615	-	242,895	
Commercial Earthquake Insurance	191,154	19,417	-	210,571	
Personal All Risks Insurance	6,051	637	-	6,688	
Commercial All Risks Insurance	8,906	8	(8)	8,906	
Typhoon and Flood Insurance	131,276	31,161	-	162,437	
Policy-Oriented Earthquake Insurance	122,692	20,045	-	142,737	
Health Insurance	6,087	3,575	-	9,662	
Overseas Ceded-in Reinsurance Assumed	12,291	1,338	(172)	13,457	
<b>Total</b>	<b>\$ 1,482,871</b>	<b>275,398</b>	<b>(8,764)</b>	<b>1,749,505</b>	

**Overseas Ceded-in Reinsurance Assumed**

Insurance	Beginning Balance	Provisioned	Recovered	Ending Balance	Note
Fire Insurance	\$ 5,077	398	-	5,475	
Marine Cargo Insurance	595	41	-	636	
Hull Insurance	1,986	-	(170)	1,816	
Fishing Vessel Insurance	1	-	-	1	
Automobile Insurance	164	-	(2)	162	
Engineering Insurance	586	12	-	598	
Aviation Insurance	864	-	-	864	
Other Property Insurance	59	-	-	59	
Other Liability Insurance	2,959	887	-	3,846	
<b>Total</b>	<b>\$ 12,291</b>	<b>1,338</b>	<b>(172)</b>	<b>13,457</b>	

## Union Insurance Co., LTD.

Statement of Calculation in Provisioning Special Reserve (Special Reserve for  
Catastrophic and Contingent Risk)

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Insurance	Retained Earned premium	Expected Claim		Retained Claim payment	Special Reserve Provision				
		Expected Probability of Loss	Expected Claim Amount		Provision Rate	Standard Provision	Less than Expected Claim Provision	Effects of Income Tax	Total Provision
Yearly Renewable Term Dwelling Fire Insurance	\$ 123,445	55.64 %	68,683	11,393	1.00 %	1,234	8,594	(1,966)	7,862
Long-term Dwelling Fire Insurance	38,650	70.40 %	27,209	124	1.00 %	386	4,063	(890)	3,559
Yearly Renewable Term Commercial Fire Insurance	106,700	64.22 %	68,524	128,137	5.00 %	5,335	-	(1,067)	4,268
Long-term Commercial Fire Insurance	769	74.00 %	569	(120)	5.00 %	38	103	(28)	113
Domestic Transportation Insurance	13,278	60.50 %	8,033	3,219	3.00 %	398	722	(224)	896
Marine Cargo Insurance	89,801	60.50 %	54,328	26,180	5.00 %	4,490	4,222	(1,742)	6,970
Hull Insurance	188	68.30 %	128	(1,401)	5.00 %	9	229	(47)	191
Fishing Vessel Insurance	6,673	69.30 %	4,624	3,766	5.00 %	334	129	(93)	370
Aviation Insurance	8,181	72.30 %	5,915	2,017	7.00 %	573	585	(232)	926
Personal Automobile Physical Damage Insurance	2,453,509	65.28 %	1,601,603	1,257,346	1.00 %	24,535	51,638	(15,234)	60,939
Commercial Automobile Physical Damage Insurance	63,014	65.00 %	40,960	38,042	1.00 %	630	438	(214)	854
Personal Automobile Liability Insurance	1,320,684	65.28 %	862,091	728,538	1.00 %	13,207	20,033	(6,648)	26,592
Commercial Automobile Liability Insurance	374,899	65.12 %	244,146	202,563	1.00 %	3,749	6,237	(1,997)	7,989
General Liability Insurance	454,526	73.90 %	335,909	107,167	1.00 %	4,546	34,311	(7,771)	31,086
Professional Indemnity Insurance	11,635	67.30 %	7,830	2,270	1.00 %	116	834	(190)	760
Engineering Insurance	119,487	59.30 %	70,856	19,194	5.00 %	5,974	7,749	(2,744)	10,979
Nuclear Risks Insurance	8,418	- %	-	-	- %	-	4,209	(842)	3,367
Guarantee Insurance	11,680	72.58 %	8,477	1,218	3.00 %	350	1,089	(287)	1,152
Credit insurance	(14)	66.66 %	-	30	3.00 %	-	-	-	-
Other Property Insurance	19,364	66.30 %	12,838	2,302	3.00 %	581	1,580	(432)	1,729
Accident Insurance	736,651	75.48 %	553,564	401,720	1.76 %	12,994	22,776	(7,155)	28,615
Commercial Earthquake Insurance	87,415	65.01 %	56,828	32,624	7.00 %	6,119	18,153	(4,855)	19,417
Personal All Risks Insurance	30,762	68.32 %	21,017	17,763	1.00 %	308	488	(159)	637
Commercial All Risks Insurance	-	65.30 %	-	(65)	3.00 %	-	10	(2)	8
Typhoon and Flood Insurance	65,835	64.21 %	42,274	(3,516)	7.00 %	4,608	34,343	(7,790)	31,161
Policy-Oriented Earthquake Insurance	30,588	- %	-	-	- %	-	25,057	(5,012)	20,045
Health Insurance	38,856	81.29 %	31,585	9,565	3.00 %	1,166	3,303	(894)	3,575
Overseas Ceded-in Reinsurance Assumed	51,254		34,554	28,711		686	987	(335)	1,338
	<u>\$ 6,266,248</u>		<u>4,162,545</u>	<u>3,018,787</u>		<u>92,366</u>	<u>251,882</u>	<u>(68,850)</u>	<u>275,398</u>

Overseas Ceded-in Reinsurance Assumed

Insurance	Retained Earned premium	Expected Claim		Retained Claim Payment	Special Reserve Provision				
		Expected Probability of Loss	Expected Claim Amount		Provision Rate	Standard Provision	Less than Expected Claim Provision	Effects of Income Tax	Total Provision
Fire Insurance	\$ 3,688	64.22 %	2,368	280	5.00 %	185	313	(100)	398
Marine Cargo Insurance	355	60.50 %	215	(11)	5.00 %	18	34	(11)	41
Hull Insurance	(18)	68.30 %	-	213	5.00 %	-	-	-	-
Fishing Vessel Insurance	-	69.30 %	-	-	5.00 %	-	-	-	-
Automobile Insurance	(74)	65.28 %	-	96	1.00 %	-	5	-	5
Engineering Insurance	178	59.30 %	106	72	5.00 %	9	-	(2)	7
Aviation Insurance	(222)	72.30 %	-	431	7.00 %	-	-	-	-
Other Property Insurance	-	66.30 %	-	-	3.00 %	-	-	-	-
Other Liability Insurance	<u>47,347</u>	<u>67.30 %</u>	<u>31,865</u>	<u>27,630</u>	<u>1.00 %</u>	<u>474</u>	<u>635</u>	<u>(222)</u>	<u>887</u>
	<u>\$ 51,254</u>		<u>34,554</u>	<u>28,711</u>		<u>686</u>	<u>987</u>	<u>(335)</u>	<u>1,338</u>



## Union Insurance Co., LTD.

Statement of Calculation in Recovering Special Reserve (Special Reserve for  
Catastrophic and Contingent Risk)

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Insurance	Previous Accumulated Special Reserve	Previous Accumulated Special Reserve added Provision	Special Reserve Recovered				Effects of Income Tax	Total Recoverable amount	Accumulated Special Reserve
			More than Expected Claim Recovered	More than Retained Earned Premium Recovered	Special Reserve Recovered for Serious Accident				
Yearly Renewable Term Dwelling Fire Insurance	\$ 49,674	57,536	-	-	-	-	-	57,536	
Long-term Dwelling Fire Insurance	27,244	30,803	-	(9,250)	-	1,850	(7,400)	23,403	
Yearly Renewable Term Commercial Fire Insurance	48,003	52,271	-	-	-	-	-	52,271	
Long-term Commercial Fire Insurance	1,578	1,691	-	(319)	-	64	(255)	1,436	
Domestic Transportation Insurance	5,867	6,763	-	-	-	-	-	6,763	
Marine Cargo Insurance	61,814	68,784	-	-	-	-	-	68,784	
Hull Insurance	8,909	9,100	-	(1,056)	-	211	(845)	8,255	
Fishing Vessel Insurance	8,060	8,430	-	(105)	-	21	(84)	8,346	
Aviation Insurance	2,384	3,310	-	-	-	-	-	3,310	
Personal Automobile Physical Damage Insurance	264,577	325,516	-	-	-	-	-	325,516	
Commercial Automobile Physical Damage Insurance	3,435	4,289	-	-	-	-	-	4,289	
Personal Automobile Liability Insurance	46,371	72,963	-	-	-	-	-	72,963	
Commercial Automobile Liability Insurance	18,362	26,351	-	-	-	-	-	26,351	
General Liability Insurance	97,075	128,161	-	-	-	-	-	128,161	
Professional Indemnity Insurance	3,832	4,592	-	-	-	-	-	4,592	
Engineering Insurance	97,001	107,980	-	-	-	-	-	107,980	
Nuclear Risks Insurance	29,664	33,031	-	-	-	-	-	33,031	
Guarantee Insurance	3,447	4,599	-	-	-	-	-	4,599	
Credit insurance	718	718	-	-	-	-	-	718	
Other Property Insurance	12,119	13,848	-	-	-	-	-	13,848	
Accident insurance	214,280	242,895	-	-	-	-	-	242,895	
Commercial Earthquake Insurance	191,154	210,571	-	-	-	-	-	210,571	
Personal All Risks Insurance	6,051	6,688	-	-	-	-	-	6,688	
Commercial All Risks Insurance	8,906	8,914	-	(10)	-	2	(8)	8,906	
Typhoon and Flood Insurance	131,276	162,437	-	-	-	-	-	162,437	
Policy-Oriented Earthquake Insurance	122,692	142,737	-	-	-	-	-	142,737	
Health Insurance	6,087	9,662	-	-	-	-	-	9,662	
Overseas Ceded-in Reinsurance Assumed	12,291	13,629	(216)	-	-	44	(172)	13,457	
	<u>\$ 1,482,871</u>	<u>1,758,269</u>	<u>(216)</u>	<u>(10,740)</u>	<u>-</u>	<u>2,192</u>	<u>(8,764)</u>	<u>1,749,505</u>	

Overseas Ceded-in Reinsurance Assumed

Insurance	Previous Accumulated Special Reserve	Previous Accumulated Special Reserve added Provision	Special Reserve Recovered				Effects of Income Tax	Total Recovered	Accumulated Special Reserve
			More than Expected Claim Recovered	More than Retained Earned Premium Recovered	Special Reserve Recovered for Serious Accident				
Fire Insurance	\$ 5,077	5,475	-	-	-	-	-	5,475	
Marine Cargo Insurance	595	636	-	-	-	-	-	636	
Hull Insurance	1,986	1,986	(213)	-	-	43	(170)	1,816	
Fishing Vessel Insurance	1	1	-	-	-	-	-	1	
Automobile Insurance	164	164	(3)	-	-	1	(2)	162	
Engineering Insurance	586	598	-	-	-	-	-	598	
Aviation Insurance	864	864	-	-	-	-	-	864	
Other Property Insurance	59	59	-	-	-	-	-	59	
Other Liability Insurance	2,959	3,846	-	-	-	-	-	3,846	
	<u>\$ 12,291</u>	<u>13,629</u>	<u>(216)</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>(172)</u>	<u>13,457</u>	

**Union Insurance Co., LTD.**  
**Statement of Changes in Premium Deficiency**  
**Reserve**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Total:

<u>Insurance</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Other Change</u>	<u>Ending Balance</u>	<u>Note</u>
Yearly Renewable Term	\$ <u>22,910</u>	<u>22,074</u>	<u>-</u>	<u>44,984</u>	
Commercial Fire Insurance					

Ceded-out:

<u>Insurance</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Other Change</u>	<u>Ending Balance</u>	<u>Note</u>
Yearly Renewable Term	\$ <u>22,910</u>	<u>17,760</u>	<u>-</u>	<u>40,670</u>	
Commercial Fire Insurance					

**Statement of Provisions**

**December 31, 2018**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Provisions for employee benefits		\$ <u>275,649</u>	

**Union Insurance Co., LTD.**  
**Statement of Deferred Tax Liabilities**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Provisions for Land Value Added Tax		\$ <u><u>63,920</u></u>	

**Statement of Other Liabilities**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Incomes collected in advance		\$ 906	
Premiums received in advance		1,450	
Guarantee deposits	Leasehold	7,498	
	Others	287	
Reinsurance liability reserve deposits		26,398	
Suspense receipts		<u>4,113</u>	
Total		\$ <u><u>40,652</u></u>	

## Union Insurance Co., LTD.

## Statement of Retained Earned Premium

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Written Premium	Reinsurance Premium	Reinsurance Expense	Retained Premium	Provision Method	Net Change in Unearned Premiums Reserve	Retained Earned Premium	Note
Yearly Renewable Term Dwelling Fire Insurance	\$ 126,705	-	-	126,705	Note	3,260	123,445	
Long-term Dwelling Fire Insurance	(712)	(44)	(110)	(646)	"	(23,846)	23,200	
Yearly Renewable Term Commercial Fire Insurance	448,900	6,693	320,304	135,289	"	28,589	106,700	
Long-term Commercial Fire Insurance	-	(1)	-	(1)	"	(770)	769	
Domestic Transportation Insurance	14,916	-	1,040	13,876	"	598	13,278	
Marine Cargo Insurance	155,999	1,619	65,693	91,925	"	2,124	89,801	
Hull Insurance	64,427	-	64,275	152	"	(36)	188	
Fishing Vessel Insurance	22,535	3,326	19,481	6,380	"	(293)	6,673	
Aviation Insurance	64,274	-	54,483	9,791	"	1,610	8,181	
Personal Automobile Physical Damage Insurance	2,996,589	29	609,520	2,387,098	"	(66,411)	2,453,509	
Commercial Automobile Physical Damage Insurance	91,361	(1)	16,124	75,236	"	12,222	63,014	
Personal Automobile Liability Insurance	1,738,286	136	301,564	1,436,858	"	116,174	1,320,684	
Commercial Automobile Liability Insurance	502,681	41	94,073	408,649	"	33,750	374,899	
General Liability Insurance	361,190	428	110,163	251,455	"	6,785	244,670	
Professional Indemnity Insurance	24,382	103	13,828	10,657	"	(953)	11,610	
Engineering Insurance	383,433	22,332	261,057	144,708	"	25,221	119,487	
Guarantee Insurance	22,410	1,104	9,088	14,426	"	2,732	11,694	
Credit insurance	499	-	513	(14)	"	-	(14)	
Other Property Insurance, Accident	28,088	-	9,648	18,440	"	(199)	18,639	
Other Property Insurance, Automobile	2,719	-	-	2,719	"	1,994	725	
Accident insurance	1,089,077	4,765	344,087	749,755	"	56,428	693,327	
Commercial Earthquake Insurance	238,460	3,046	136,939	104,567	"	17,152	87,415	
Personal All Risks Insurance	32,750	2	854	31,898	"	1,136	30,762	
Typhoon and Flood Insurance	185,904	2,960	113,146	75,718	"	9,883	65,835	
Health Insurance	40,732	-	2,339	38,393	"	(498)	38,891	
Overseas Ceded-in Reinsurance Assumed – Fire Insurance	-	3,714	-	3,714	"	26	3,688	
Overseas Ceded-in Reinsurance Assumed – Marine Cargo Insurance	-	355	-	355	"	-	355	
Overseas Ceded-in Reinsurance Assumed – Hull Insurance	-	2,086	2,086	-	"	18	(18)	
Overseas Ceded-in Reinsurance Assumed – Automobile Insurance	-	(74)	-	(74)	"	-	(74)	
Overseas Ceded-in Reinsurance Assumed – Engineering Insurance	-	178	-	178	"	-	178	
Overseas Ceded-in Reinsurance Assumed – Aviation Insurance	-	(222)	-	(222)	"	-	(222)	
Overseas Ceded-in Reinsurance Assumed – Other Liability Insurance	-	30,800	30,430	370	"	(46,977)	47,347	
Nuclear Risks Insurance	-	8,433	-	8,433	"	15	8,418	
Compulsory Personal Automobile Liability Insurance	652,933	178,582	255,433	576,082	"	(3,131)	579,213	
Compulsory Commercial Automobile Liability Insurance	111,853	32,155	60,756	83,252	"	1,273	81,979	
Compulsory Motorcycle Liability Insurance	187,878	78,845	82,697	184,026	"	(8,451)	192,477	
Policy-Oriented Earthquake Insurance	237,453	31,151	237,449	31,155	"	567	30,588	
<b>Total</b>	<b>\$ 9,825,722</b>	<b>412,541</b>	<b>3,216,960</b>	<b>7,021,303</b>		<b>169,992</b>	<b>6,851,311</b>	

Note : The provision methods of unearned premiums reserve are determined by an actuary according to the characteristics of each insurance, and are stated in the instruction of insurance commodity calculation, and shall not be changed without the approval of the competent authority. The Company has submitted the provision method of unearned premiums reserve on Letter (Wang) Zong Jing Suan No. 1112 on October 24, 2011, and has been approved by Financial Supervisory Commission, R.O.C. (Taiwan) Insurance Bureau Jin Guan Bao Cai Zi No. 10002518120.

**Union Insurance Co., LTD.**  
**Statement of Interest Income**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Government Bonds, Corporate Bonds, and Financial bonds		\$ 50,589	
Cash in banks		26,059	
Others	Imputed-interest for deposit	330	Each item amount is less than 5% of account balance.
Total		<u>\$ 76,978</u>	

**Statement of Gains (Losses) on Financial Assets at  
Fair Value through Profit or Loss**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Equity Instrument	Realized gains (losses)	\$ 167,784	
	Valuation gains (losses)	(61,394)	
Liability Instrument	Realized gains (losses)	(31,771)	
	Valuation gains (losses)	<u>(14,412)</u>	
		<u>\$ 60,207</u>	

**Union Insurance Co., LTD.**

**Statement of Realized Gains (Losses) on Financial  
Assets at Fair Value through Other Comprehensive  
Income**

**For the year ended December 31, 2018**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>	<b>Note</b>
Equity Instrument:		
Cash dividends	\$ <u>25,930</u>	

**Statement of Share of Loss of Associates and Joint  
Ventures Accounted For Using Equity Method**

<b>Investee</b>	<b>Amount</b>	<b>Note</b>
China Insurance (Thai) Public Company Limited	\$ <u>3,878</u>	

**Union Insurance Co., LTD.**  
**Statement of Foreign Exchange Gains (Losses)**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Valuation for Foreign Currency Deposits		\$ <u><u>(779)</u></u>

**Statement of Gains (Losses) on Investment Property**

<b>Items</b>	<b>Description</b>	<b>Amount</b>	<b>Note</b>
Leasing income		\$ 51,530	
Depreciation expense		(4,774)	
Total		\$ <u><u>46,756</u></u>	

**Union Insurance Co., LTD.**  
**Statement of Expected Credit Losses or Reversal of**  
**Expected Credit Losses of Investments**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Impairment Losses</u>	<u>Reversal of Impairment Losses</u>	<u>Note</u>
Government bonds	\$ -	57	
Financial bonds	42	-	
Corporate bonds	-	29	
	<u>\$ 42</u>	<u>86</u>	

**Statement of Other Operating Income and Costs**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Income:			
Exchange gains – Non- investment		\$ 26,043	
Others		<u>2</u>	
Total		<u>\$ 26,045</u>	
Costs:			
Exchange Losses – Non- investment		\$ 18,193	
Reserve for Industry Stability fund		19,646	
Others		<u>127</u>	
Total		<u>\$ 37,966</u>	



**Union Insurance Co., LTD.**  
**Statement of Retained Claim Payment**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Insurance</b>	<b>Claim(included related expense)</b>	<b>Reinsurance claim</b>	<b>Claims recovered from reinsurers</b>	<b>Retained claim payment</b>	<b>Note</b>
Yearly Renewable Term Dwelling Fire Insurance	\$ 17,322	-	-	17,322	
Long-term Dwelling Fire Insurance	173	107	26	254	
Yearly Renewable Term Commercial Fire Insurance	214,506	40,776	175,078	80,204	
Domestic Transportation Insurance	3,050	-	-	3,050	
Marine Cargo Insurance	105,315	(6,411)	60,851	38,053	
Hull Insurance	19,424	2,706	22,071	59	
Fishing Vessel Insurance	25,863	1,381	23,398	3,846	
Aviation Insurance	27,061	-	26,560	501	
Personal Automobile Physical Damage Insurance	1,630,424	-	354,784	1,275,640	
Commercial Automobile Physical Damage Insurance	43,479	-	10,371	33,108	
Personal Automobile Liability Insurance	923,045	3	217,719	705,329	
Commercial Automobile Liability Insurance	280,481	-	72,211	208,270	
General Liability Insurance	125,802	104	28,073	97,833	
Professional Indemnity Insurance	2,551	855	765	2,641	
Engineering Insurance	103,139	6,452	69,368	40,223	
Guarantee Insurance	1,161	1,708	777	2,092	
Credit insurance	(18,119)	(43)	(18,242)	80	
Other Property Insurance,	2,185	6	745	1,446	
Other Property Insurance,	468	-	-	468	
Accident Insurance	583,783	1,869	221,289	364,363	
Commercial Earthquake Insurance	20,924	-	11,678	9,246	
Personal All Risks Insurance	20,193	-	2,601	17,592	
Commercial All Risks Insurance	7	-	2	5	
Typhoon and Flood Insurance	24,565	1,033	6,028	19,570	
Health Insurance	12,064	-	3,458	8,606	
Overseas Ceded-in Reinsurance Assumed— Fire Insurance	-	361	-	361	
Overseas Ceded-in Reinsurance Assumed— Marine Cargo Insurance	-	20	-	20	
Overseas Ceded-in Reinsurance Assumed— Hull Insurance	-	35	-	35	
Overseas Ceded-in Reinsurance Assumed— Automobile Insurance	-	138	-	138	
Overseas Ceded-in Reinsurance Assumed— Engineering Insurance	-	164	-	164	
Overseas Ceded-in Reinsurance Assumed— Aviation Insurance	-	1	-	1	
Overseas Ceded-in Reinsurance Assumed— Other Liability Insurance	-	52,892	24,771	28,121	
Nuclear Risks Insurance	-	1,924	-	1,924	
Compulsory Personal Automobile Liability Insurance	494,080	145,029	296,802	342,307	
Compulsory Commercial Automobile Liability Insurance	109,396	19,247	65,283	63,360	
Compulsory Motorcycle Liability Insurance	88,680	130,850	52,086	167,444	
Policy-Oriented Earthquake Insurance	-	5,835	-	5,835	
<b>Total</b>	<b>\$ 4,861,022</b>	<b>407,042</b>	<b>1,728,553</b>	<b>3,539,511</b>	

**Union Insurance Co., LTD.**  
**Statement of Commission Expense**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commission Expense from Underwriting:			
Yearly Renewable Term Dwelling Fire Insurance		\$ 20,914	
Long-term Dwelling Fire Insurance		1	
Yearly Renewable Term Commercial Fire Insurance		40,311	
Domestic Transportation Insurance		2,050	
Marine Cargo Insurance		19,214	
Hull Insurance		1,309	
Fishing Vessel Insurance		1,005	
Aviation Insurance		5,570	
Personal Automobile Physical Damage Insurance		532,266	
Commercial Automobile Physical Damage Insurance		15,018	
Personal Automobile Liability Insurance		294,622	
Commercial Automobile Liability Insurance		85,742	
Compulsory Personal Automobile Liability Insurance		99,040	
Compulsory Commercial Automobile Liability Insurance		3,757	
Compulsory Motorcycle Liability Insurance		24,777	
General Liability Insurance		66,335	
Professional Indemnity Insurance		3,504	
Engineering Insurance		43,117	
Guarantee Insurance		3,106	
Credit insurance		49	
Other Property Insurance		4,057	
Accident Insurance		181,430	
Commercial Earthquake Insurance		14,295	
Personal All Risks Insurance		5,240	
Typhoon and Flood Insurance		12,150	
Policy-Oriented Earthquake Insurance		13,825	
Health Insurance		6,756	
Total		<u>\$ 1,499,460</u>	

**Union Insurance Co., LTD.**  
**Statement of Commission Expense**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Reinsurance Commission Expense:			
Long-term Dwelling Fire Insurance		(20)	
Yearly Renewable Term Commercial Fire Insurance		895	
Domestic Transportation Insurance		12	
Marine Cargo Insurance		80	
Fishing Vessel Insurance		488	
Personal Automobile Physical Damage Insurance		5	
Personal Automobile Liability Insurance		12	
Commercial Automobile Liability Insurance		2	
General Liability Insurance		203	
Professional Indemnity Insurance		37	
Engineering Insurance		6,657	
Nuclear Risks Insurance		537	
Guarantee Insurance		141	
Credit insurance		1	
Other Property Insurance		187	
Personal Injury Insurance		1	
Commercial Earthquake Insurance		471	
Commercial All Risks Insurance		4	
Typhoon and Flood Insurance		465	
Reinsurance Assumed Business		<u>5,630</u>	
Total		<u><u>\$ 15,808</u></u>	

**Union Insurance Co., LTD.**  
**Statement of Finance Costs**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Amount</u>
Interest expense	Deferred interest payment due to claim disputation	\$ <u><u>2,095</u></u>	

**Statement of General Expenses**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Remarks</u>
Salary Expense	Employee Salary and year-end bonuses	\$ 526,583	
Taxes	Value-added and stamp tax	227,594	
Entertainment Expense		205,045	
Advertisement Expense		116,227	
Professional Service Expense		89,851	
Handling fee		119,859	
Others		300,527	Each item amount is less than 5% of account balance.
Total		\$ <u><u>1,585,686</u></u>	

**Union Insurance Co., LTD.**  
**Statement of Administrative Expenses**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary Expense	Employee Salary and year-end bonuses	\$ 187,145	
Professional Service Expense		29,422	
Depreciation expense		28,434	
Others		100,246	Each item amount is less than 5% of account balance.
Total		<u>\$ 345,247</u>	

**Union Insurance Co., LTD.**

**Function Category Summary of Period Employee  
Benefits, Depreciation, Depletion, and Amortization**

**For the year ended December 31, 2018 and 2017**

**(Expressed in thousands of New Taiwan Dollars)**

Function category Property category	2018			2017		
	Operating Costs	Operating Expense	Total	Operating Costs	Operating Expense	Total
Expense for Employee Benefits						
Salary	46,363	695,688	742,051	45,352	674,264	719,616
Labor/Health Insurance	-	75,104	75,104	-	71,454	71,454
Retirement Pension	-	45,553	45,553	-	42,629	42,629
Directors Remuneration	-	18,040	18,040	-	18,253	18,253
Other Employee Benefits	-	44,007	44,007	-	41,247	41,247
Depreciation Expense	4,774	33,623	38,397	4,830	32,023	36,853
Amortization Expense	-	12,816	12,816	-	9,636	9,636

The number of employees were 1,081 and 1,055 in the current year and the previous year, respectively, which included 7 directors who were not the staff.

**Union Insurance Co., LTD.**  
**Statement of Non-Operating Income and Expenses**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Remarks</u>
Recovery claim		\$ 18,770	
Litigation settlement		36,000	
Miscellaneous income		242	Each item amount is less than 5% of account balance.
Estimating accrued premium refund and claim return of the past years		(15,943)	
Recovery service expense		(4,988)	
Other expense		(12)	Each item amount is less than 5% of account balance.
Total		<u>\$ 34,069</u>	

(English Translation of Other Disclosures in Financial Reports and Report Originally Issued in Chinese)

**UNION INSURANCE CO., LTD.**

**Other Disclosures in Financial Reports**

**For the Year Ended December 31, 2018**



**Union Insurance Co., LTD.**  
**Review Report of Other Disclosures in Financial Reports**

To the Board of Directors  
Union Insurance Co., LTD.:

We have audited the financial statements of Union Insurance Co., LTD. for the year ended December 31, 2018. Our audit was made in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Republic of China generally accepted auditing standards, and we issued the audit report thereon on March 25, 2019. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached “Other Disclosures in Financial Reports” (Other Disclosures) is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. We have reviewed the information included in the Other Disclosures in accordance with article 25 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Based on our review, the Other Disclosures in Financial Reports of Union Insurance Co., LTD. for the year ended December 31, 2018, are in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The financial information disclosed is consistent with the basic financial statements, and does not need any modification.

The engagement partners on the reviews resulting in this independent auditors’ review report are Feng-Hui Lee and Tan-Tan Chung.

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2019

(English Translation of Other Disclosures in Financial Reports and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**UNION INSURANCE CO., LTD.**

**Other Disclosures in Financial Reports**

**For the year ended December 31, 2018**

**(1) Information on business conditions**

(a) Significant business matters

- (i) Acquisition or merger: None
- (ii) Demerger: None
- (iii) Change in management rights (equity) reaching 10% or more: None
- (iv) Transfer of business: None
- (v) Investments in affiliated enterprises arising over the most recent 5 fiscal years

(In Thousands of New Taiwan Dollars/shares)

Name of investee	2018		2017		2016		2015		2014	
	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
China Insurance (Thai) Public Company Limited	38,794	3,743	41,140	3,743	41,936	3,743	48,500	3,743	-	-

- (vi) Reorganization: None
- (vii) Acquisition or disposal of major assets arising over the most recent 5 fiscal years
  - 1) Acquisition of major assets

(In Thousands of New Taiwan Dollars)

Type of property	Acquisition date		Acquisition amount	Name of counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition	Current condition
	Date of contract	Transfer date				Counter-party	Relationship with the Company	Date	Amount			
Property	2016.12	2016.12	193,990	Ji LI Development Co. Ltd	Non-related parties	-	-	-	-	Appraisal report	Investment property	Investment property

- 2) Disposal of major assets: None

(viii) Significant changes in operation method (including sales system) or business activity

The Company's main business is property insurance, engaging in the sales of various insurances and related business operations. There was no major change in the last five years.

(Continued)

(b) Remuneration to directors, supervisors, president, vice presidents, and Chairmen of the board and presidents rehired as consultants after retiring from the insurance enterprise or its affiliate enterprises and related information

(i) Remuneration paid to directors, supervisors, president, vice presidents, and consultants

1) Remuneration to directors (include independent directors)

(In Thousands of New Taiwan Dollars)

Title	Name	Remuneration of directors								Relevant remuneration received by directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income	Compensation paid to directors from an invested company other than the Company's subsidiary			
		Compensation (A)		Retirement pension (B)		Bonus to directors (C)		Business execution fee (D)		Salary, bonuses, and allowances (E)		Retirement pension (F)		Employees' compensation (G)								
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company				All companies in the consolidated financial statements		
																Cash	Stock			Cash	Stock	
President of the Board	WANT-WANT Co., Ltd. (legal representative, HUNG, CHI-HSIUNG)																					
Vice President of the Board	WANT-WANT Co., Ltd. (legal representative, TSAI, SHAO-CHUNG)																					
Independent director	HSIEH, TIEN-JEN																					
Independent director	KUO, PING-SHEN																					
Independent director	MA, YU-FENG																					
Director of the Board	WANT-WANT Co., Ltd. (legal representative, HSU, HAI-LUN)	10,318	10,318	-	-	6,000	6,000	1,722	1,722	2.98	2.99	5,568	5,568	12,482	12,482	42	-	42	-	5.97%	5.99%	No
Director of the Board	WANT-WANT Co., Ltd. (legal representative, MA, CHIA-YING)																					
Director of the Board	WANT-WANT Co., Ltd. (legal representative, KUNG, LING-FAN(Note2) and LIU, CHIH-MING(Note3))																					
Director of the Board	WANT-WANT Co., Ltd. (legal representative, no people)																					

Except listed above, there are 0 thousand dollars remuneration for services directors provided to all companies in financial statements, such as being consultants who are non-employees.

Note1: Employment data of the year 2018

Note2: Retiring director and president on February 23, 2018

Note3: Taking over director and president on February 27, 2018

Note4: The amount of reward for driver of \$1,367 was excluded.

Note5: Retirement pension contains provision and payment.

(Continued)

## Range of remuneration

Range of remuneration paid to directors	Name of directors			
	Total of remuneration (A+B+C+D)		Total of remuneration (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements (H)	The Company	All companies in the consolidated financial statements (I)
Under TWD 2,000,000	HSIEH, TIEN-JEN ; KUO, PING-SHEN ; MA, YU-FENG ; Legal representative of WANT-WANT Co., Ltd., : TSAI, SHAO-CHUNG ; HSU ; HAI-LUN MA ; CHIA-YING KUNG ; LING-FAN ; LIU, CHIH-MING	HSIEH, TIEN-JEN ; KUO, PING-SHEN ; MA, YU-FENG ; Legal representative of WANT-WANT Co., Ltd., : TSAI, SHAO-CHUNG ; HSU ; HAI-LUN MA ; CHIA-YING KUNG ; LING-FAN ; LIU, CHIH-MING	HSIEH, TIEN-JEN ; KUO, PING-SHEN ; MA, YU-FENG ; Legal representative of WANT-WANT Co., Ltd., : TSAI, SHAO-CHUNG HSU ; HAI-LUN MA, CHIA-YING	HSIEH, TIEN-JEN ; KUO, PING-SHEN ; MA, YU-FENG ; Legal representative of WANT-WANT Co., Ltd., : TSAI, SHAO-CHUNG HSU ; HAI-LUN MA, CHIA-YING
TWD 2,000,000 (included)~ TWD 5,000,000 (excluded)				
TWD 5,000,000 (included)~ TWD10,000,000 (excluded)	WANT-WANT Co., Ltd. and Legal representative of WANT- WANT Co., Ltd., : HUNG, CHI-HSIUNG	WANT-WANT Co., Ltd. and Legal representative of WANT- WANT Co., Ltd., : HUNG, CHI-HSIUNG	WANT-WANT Co., Ltd. and Legal representative of WANT-WANT Co., Ltd., : HUNG, CHI-HSIUNG ; LIU, CHIH-MING	WANT-WANT Co., Ltd. and Legal representative of WANT-WANT Co., Ltd., : HUNG, CHI-HSIUNG ; LIU, CHIH-MING
TWD10,000,000 (included)~ TWD15,000,000 (excluded)			Legal representative of WANT- WANT Co., Ltd., : KUNG, LING-FAN	Legal representative of WANT- WANT Co., : Ltd., KUNG, LING-FAN
TWD15,000,000 (included)~ TWD30,000,000 (excluded)				
TWD30,000,000 (included)~ TWD50,000,000 (excluded)				
TWD50,000,000 (included)~ TWD00,000,000 (excluded)				
Over TWD100,000,000				
Total	10 persons	10 persons	10 persons	10 persons

Note: Listing legal director and representative respectively.

2) Remuneration paid to supervisors: None.

(Continued)

## 3) Remuneration paid to president and vice presidents

(In Thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Retirement pension (B)		Bonuses, and Allowances (C)		Employees' compensation (D)				Ratio of total remuneration (A+B+C+D) to net income		Compensation paid to president and vice presidents from an invested company other than the Company's subsidiary
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	LIU, CHIH-MING (Note1)	12,986	13,660	13,055	13,055	6,073	6,152	248	-	248	-	5.34 %	5.49 %	No
president	KUNG, LING-FAN (NOTE2)													
Vice-president	HSU, CHI-CHIH													
Vice-president	TSAI, TSENG-LIN													
Vice-president	PAN, SHAO-YUN													
Vice-president	TSAO, SHENG-KUANG (NOTE3)													
Chief Information Officer	CHIOU, JIA-XIONG (NOTE4)													
Chief Audit Officer	WANG, LI-HUNG													
Chief compliance officer	KO, CHING-HUA													

Note1: Taking over president on February 27, 2018

Note2: Retiring president on February 23, 2018

Note3: Taking over on September 26, 2018

Note4: Taking over on September 1, 2018

Note5: The amount of reward for driver of \$1,332 was excluded.

Note6: Retirement pension contains provision and payment.

(Continued)

## Range of remuneration

Range of remuneration paid to president and vice presidents	Name of president and vice presidents	
	The Company	All companies in the consolidated financial statements (E)
Under TWD 2,000,000	TSAO, SHENG-KUANG ; WANG, LI-HUNG ; KO, CHING-HUA ; CHIOU, JIA-XIONG	TSAO, SHENG-KUANG ; WANG, LI-HUNG ; KO, CHING-HUA ; CHIOU, JIA-XIONG
TWD 2,000,000 (included)~ TWD 5,000,000 (excluded)	HSU, CHI-CHIH ; TSAI, TSENG-LIN ; PAN, SHAO-YUN	HSU, CHI-CHIH ; TSAI, TSENG-LIN ; PAN, SHAO-YUN
TWD 5,000,000 (included)~ TWD 10,000,000 (excluded)	LIU, CHIH-MING	LIU, CHIH-MING
TWD 10,000,000 (included)~ TWD 15,000,000 (excluded)	KUNG, LING-FAN	KUNG, LING-FAN
TWD 15,000,000 (included)~ TWD 30,000,000 (excluded)		
TWD 30,000,000 (included)~ TWD 50,000,000 (excluded)		
TWD 50,000,000 (included)~ TWD 100,000,000 (excluded)		
Over TWD 100,000,000		
Total	9 persons	9 persons

(Continued)

## 4) Employees' compensation distributed to managers

(In Thousands of New Taiwan Dollars)

Item	Title	Name	Bonus - in Stock	Bonus - in Cash	Total	Ratio of total amount to net income (%)
Management	President	LIU, CHIH-MING	-	1,147	1,147	0.19
	Vice President	HSU, CHI-CHIH				
	Vice President	TSAI, TSENG-LIN				
	Vice President	PAN, SHAO-YUN				
	Vice President	TSAO, SHENG-KUANG				
	Chief Information Officer	CHIOU, JIA-XIONG				
	Chief Audit Officer	WANG, LI-HUNG				
	Chief Compliance Officer	KO, CHING-HUA				
	Senior Manager	LIN, CHIN-YUAN				
	Senior Manager	CHAO, MAO-LIANG				
	Senior Manager	CHEN, TAI-LUNG				
	Senior Manager	WU, FU-CHENG				
	Senior Manager	LO, YU-CHENG				
	Senior Manager	HSU, JUI-LIN				
	Senior Manager	LAI, TUNG-YI				
	Manager	HUANG, CHIN-PIN				
	Manager	CHANG, HUI-KUO				
	Manager	YU, CHIEN-SHENG				
	Manager	YAN, KUO-CHUNG				
	Manager	LAI, HUNG-TE				
	Manager	WANG, MIN-CHIN				
	Manager	LIN, CHING-HSIN				
	Manager	WU, PI-TU				
	Manager	CHENG, KUO-JUNG				
	Manager	LAI, SUNG-YEN				
	Manager	HSIEH, JUI-CHENG				
	Manager	LAI, CHIN-FANG				
	Manager	LIAO, WEN-SUNG				
	Manager	LIN, HOUNG-HUA				
	Manager	TSUI, CHUAN-SHENG				
	Manager	LIU, SEN-JUNG				
	Manager	WU, SHU-CHUAN				
	Manager	TSAI, WAN-HUA				
	Manager	CHANG, SUNG-TSE				
	Manager	CHENG, YU-CHU				
	Manager	LIN, TSUNG-HUI				
	Manager	LIN, TSANG-CHING				
	Manager	HSU, CHE-CHANG				
	Manager	LIU, HUI-WEN				
	Manager	WU, TA-CHUN				
Manager	LI, WEN-RUEI					
Chief Financial Officer	HSUEH, CHANG-HSIAO					
Chief Accounting Officer	KUO, FEI-WEN					

Note 1: Employment data on December 31, 2018.

Note 2: Estimated with percentage which is calculated by actual payment last year.

## 5) Chairmen of the board and presidents rehired as consultants after retirement: None.

(Continued)

- (ii) The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.
- (c) Labor-management relations
- (i) Agreements between labor and management and the implementation
- 1) Employee benefit policies
- The Company established Employees' Welfare Committee, which is comprised of employees recommend. They hold various of welfare activities in accordance with Rules for Employees' Welfare.
- 2) Professional development and training
- The Company provides employees systematic and professional education training in concert with interdisciplinary learning program, multiple training program, and self-learning program.
- 3) Retirement programs
- Approved by the administration, the Company made Rules of Labor Pension and established Supervisory Committee of Workers' Pension Preparation Fund, which is responsible for pension management. The Company responses to provision the employees' labor pension based on 3% of total salaries, into trust department in Bank of Taiwan every month. In addition, the contribution percentage is confirmed by actuarial company every year. The pension payment, which only paid once, is based on the average salary of the six months prior to the retirement. Two base amounts were paid every service year completed. When the total service year over 15 years, one base amount was paid every service year completed. However, the maximum amount is limited to 45 bases.
- Labor Pension Act, which is in the way of defined contribution, has been in force since July 1, 2015. After the implementation, the employee may choose to apply the pension provisions related to Labor Standards Act, or Labor Pension Act, to retain the service years in the past. For the employees who apply Labor Pension Act, the Company contributed 6% of total salary every month.
- 4) Other major agreements: None.
- (ii) Loss sustained as a result of labor disputes in the most recent 3 fiscal years: None.
- (iii) Violation of the Labor Standards Act found during the labor inspection: None.
- (d) Changes in president, chief audit officer and actuaries in the most recent 2 years
- (i) Changes in president, chief audit officer
- On July 21, 2017, the Board passed a resolution that Ms. LI-HUNG, WANG serves the chief audit officer of the Company since August 10, 2017, and the predecessor, Mr. LUNG-NIEN, CHIU, was dismissed. The resolution was approved by the administration on September 15, 2017.
- President KUNG, LING-FAN retired on February 23, 2018. On February 27, 2018, the Board passed a resolution that vice president LIU, CHIH-MING serves the president. The resolution was approved by the administration on April 25, 2018.

(Continued)



- (ii) Changes in qualified actuaries: None.
- (e) Changes in the method for provision of all kinds of reserves: None.
- (f) The situation in the most recent year where its shareholders' meeting has adopted the resolution to carry out capital increase or decrease or its Board of Directors (council) has adopted the resolution to issue new shares but the application (or filing) has not been approved (or has not been approved for record) by the FSC, or where its application for capital change registration has not been approved by the Ministry of Economic Affairs: None.
- (g) Cases of claim payment and claim recovery from reinsurer involving amount exceeding NT\$20 million in the most recent 3 years and financial impact analysis

<b>2018</b>			
<b>Insurance</b>	<b>Insurance Claim Payment (A)</b>	<b>Claims Recoverable from Reinsurers (B)</b>	<b>Retained Claim Payment (C)=(A)-(B)</b>
Commercial Fire Insurance	675,000	615,000	60,000
Commercial Earthquake Insurance	39,960	9,960	30,000
	<u>\$ 714,960</u>	<u>624,960</u>	<u>90,000</u>
<b>2017</b>			
<b>Insurance</b>	<b>Insurance Claim Payment (A)</b>	<b>Claims Recoverable from Reinsurers (B)</b>	<b>Retained Claim Payment (C)=(A)-(B)</b>
Accident Liability Insurance	\$ 92,000	83,710	8,290
Marine Cargo Insurance	33,722	27,180	6,542
Commercial Fire Insurance	205,258	108,270	96,988
Aviation Insurance	121,256	121,256	-
	<u>\$ 452,236</u>	<u>340,416</u>	<u>111,820</u>
<b>2016</b>			
<b>Insurance</b>	<b>Insurance Claim Payment (A)</b>	<b>Claims Recoverable from Reinsurers (B)</b>	<b>Retained Claim Payment (C)=(A)-(B)</b>
Fire Insurance	\$ 443,125	358,819	84,306
Commercial Earthquake Insurance	176,750	120,969	55,781
Automobile Insurance	52,000	16,640	35,360
	<u>\$ 671,875</u>	<u>496,428</u>	<u>175,447</u>

(Continued)

- (h) Names of reinsurers to whom the reinsurance premium expenses paid in the most recent year account for more than 1% of total premium income and the credit rating of those reinsurers

Reinsurer	Credit Rating	Credit Rating Agency
Central Reinsurance Corporation	A	S & P
Transatlantic Reinsurance Company, Hong Kong Branch	A+	S & P
Swiss Reinsurance Co., Ltd, HK Branch	AA-	S & P

- (i) Entrust credit rating agency to rating reinsurers

The Company entrusted Taiwan Ratings to make the credit rating in connection with financial condition and issuer. On September 27, 2018, the result of Taiwan Ratings is twAA, and the credit rating vision is stable. On September 27, 2018, the result of Standard & Poor's is A-, and the credit rating vision is stable. On June 8, 2018, the result of A.M. Best Company is A-, and the credit rating vision is stable.

## (2) Market price of securities, dividend and dispersion of ownership

- (a) Per share market price, net worth, earnings per share, dividends in the past 2 years

(New Taiwan Dollars/in Thousands of shares)

Item	Year	2018	2017	
Market price per share	Highest	22.45	22.20	
	Lowest	16.05	13.30	
	Average	18.81	15.88	
Net worth per share	Before distribution	22.72	20.26	
	After distribution	Note 1	19.56	
Earnings per share	Weighted average number of ordinary shares	212,960	212,960	
	Earnings per share	2.84	3.12	
Dividends per share	Cash dividends	Note 1	0.70	
	Issuance of bonus shares	Stock dividend from retained earnings	"	-
		Stock dividend from capital reserve	"	-
	Accumulated undistributed dividends	-	-	
Analysis of return on investment	Price-earnings ratio	6.62	5.09	
	Price-dividend ratio	Note 1	22.69	
	Cash dividend yield	"	4.41%	

Note 1: The earning distribution of 2018 is pending to pass a resolution of the shareholders' meeting.

(Continued)

## (b) Dispersion of ownership

## (i) Common shares

Ordinary Par Value Per Share NT10		As of December 31, 2018		
Class of Shareholding		Number of Shareholders	Shareholding	Percentage
1~	999	9,389	1,916,846	0.9001 %
1,000~	5,000	3,511	7,828,385	3.6760 %
5,001~	10,000	729	5,787,449	2.7176 %
10,001~	15,000	207	2,587,379	1.2150 %
15,001~	20,000	154	2,849,412	1.3380 %
20,001~	30,000	139	3,560,024	1.6717 %
30,001~	40,000	77	2,819,726	1.3241 %
40,001~	50,000	54	2,487,183	1.1679 %
50,001~	100,000	99	7,019,352	3.2961 %
100,001~	200,000	59	8,555,279	4.0173 %
200,001~	400,000	28	7,756,311	3.6421 %
400,001~	600,000	11	5,653,571	2.6548 %
600,001~	800,000	6	3,931,365	1.8461 %
800,001~	1,000,000	3	2,812,184	1.3205 %
1,000,001 or over		14	147,395,534	69.2127 %
<b>Total</b>		<b>14,480</b>	<b>212,960,000</b>	<b>100.00 %</b>

(ii) Preferred shares: The Company have no preferred share.

(c) Net change in shareholding by directors, supervisors, managerial officers, and shareholders with 10% shareholdings or more: None.

(d) Information for shelf registration: Not applicable.

(Continued)

**(3) Financial Information**

## (a) Concise balance sheet and statement of comprehensive income

## (i) Concise Balance Sheet from 2014 to 2018

(In Thousands of New Taiwan Dollars)

Year	Financial summary for the most recent five years (Note 1)				
	2018	2017	2016	2015	2014 (After restatement)
Cash and cash equivalents	2,268,129	2,585,164	2,095,849	2,126,963	2,855,073
Account receivables	888,537	711,557	660,317	760,509	909,928
Assets classified as held for sale	-	-	-	-	-
Financial assets and loans	7,793,073	7,002,017	6,420,997	5,850,779	4,721,099
Reinsurance assets	4,510,868	4,151,807	4,391,031	3,958,955	3,655,979
Property and equipment	1,037,396	816,841	836,937	827,331	811,159
Intangible assets	134,484	74,893	101,609	101,128	130,814
Other assets	708,472	880,406	844,344	767,761	737,676
Total assets	17,340,959	16,222,685	15,351,084	14,393,426	13,821,728
Accounts payable	1,209,944	1,254,165	1,179,206	1,156,895	1,024,563
Liabilities related to assets classified as held for sale	-	-	-	-	-
Financial liabilities	-	-	-	-	-
Insurance liabilities and reserve for insurance with nature of financial instrument	10,899,072	10,284,374	10,253,324	9,431,009	8,982,153
Provisions	275,649	254,150	238,904	201,966	181,793
Other liabilities	118,486	115,590	74,007	109,617	133,907
Total liabilities	12,503,151	11,908,279	11,745,441	10,899,487	10,322,416
Before distribution					
After distribution	Note 2	12,057,351	11,745,441	10,920,783	10,570,515
Ordinary share	2,129,600	2,129,600	2,129,600	2,129,600	2,129,600
Capital surplus	-	-	-	-	-
Retained earnings	2,652,316	2,171,062	1,523,643	1,364,016	1,371,542
Before distribution					
After distribution	Note 2	2,021,990	1,523,643	1,342,720	1,123,443
Other equity interest	55,892	13,744	(47,600)	323	(1,830)
Total equity	4,837,808	4,314,406	3,605,643	3,493,939	3,499,312
Before distribution					
After distribution	Note 2	4,165,334	3,605,643	3,472,643	3,251,213

Note 1: Financial summary for the most recent five years has been audited by CPA.

Note 2: The earning distribution of 2018 is pending to pass a resolution of the shareholders' meeting.

(Continued)

## (ii) Concise comprehensive income Statement from 2014 to 2018

(In Thousands of New Taiwan Dollars)

Item	Financial summary for the most recent five years (Note 1)				
	2018	2017	2016	2015	2014 (After restatement)
Operating revenue	7,695,690	7,220,409	6,280,565	5,848,531	5,770,802
Operating cost	5,160,294	4,727,178	4,394,905	3,998,863	3,751,733
Operating expense	1,942,719	1,834,876	1,698,330	1,616,344	1,484,504
Non-operating income and expense	34,069	5,103	30,836	28,467	28,169
Income before tax	626,746	663,458	218,166	261,791	562,734
Net income (after tax)	605,620	663,458	218,479	261,785	585,113
Other comprehensive income	55,757	45,305	(85,479)	(19,059)	(171,796)
Earnings per share (Note 2) (in New Taiwan dollars)	2.84	3.12	1.03	1.23	2.75

Note 1: Financial summary for the most recent five years has been audited by CPA.

Note 2: Earnings(Loss) per share is calculated by retrospective-adjusted weighted average number of ordinary shares. If capital increase by retained earning or share premium, or capital decrease due to reverse share split happened, the shares will be retrospective-adjusted according to ratio of increased and decreased capital, regardless of the outstanding period.

## (b) Financial ratios analysis

Item	Year	Financial ratios analysis for the most recent five years(Note 1)				
		2018	2017	2016	2015	2014 (After restatement)
Business analysis (%)	Rate of change in direct written premiums	8.12	7.21	3.74	6.23	8.34
	Rate of change in claims paid	(3.47)	10.92	8.12	(12.42)	34.47
	Rate of change in net premiums	5.21	15.58	8.65	7.94	13.15
Profitability analysis (%)	Return on assets	3.62	4.21	1.47	1.86	4.18
	Return on equity	13.23	16.75	6.15	7.49	17.77
	Net return on fund	1.36	2.18	0.80	(0.14)	2.74
	Return on investment	1.23	1.96	0.72	(0.13)	2.48
	Net combined ratio	93.39	93.21	98.41	94.67	102.82
	Net expense ratio	40.80	40.79	40.99	41.53	39.95
	Net loss ratio	52.59	52.42	57.42	53.14	62.87
Overall operation analysis (%)	Net premiums to shareholders' equity	145.13	154.68	160.14	152.10	140.70
	Gross premiums to shareholders' equity	211.63	223.90	251.19	249.62	228.05
	Net reinsurance commission to equity	10.11	10.85	17.35	19.97	18.65
	Reserves to equity	225.29	238.37	284.37	269.92	256.68
	Rate of change in equity	12.13	19.66	3.20	(0.15)	13.39
	Expense rate	33.97	34.19	34.04	34.05	33.67

Note 1: Financial summary for the most recent five years has been audited by CPA.

(Continued)

The reason why change in financial business indicator for the most recent two years

(i) Return on equity and net return on fund:

The reason why return on equity and net return on fund declined is that dropping profit before income tax due to the investment performance.

- (c) Other significant information sufficient to enhance understanding of its financial position, financial performance and cash flows or trends of change (e.g. the effects of exchange rate fluctuation): None.

**(4) Financial position and financial performance analysis**

(a) Financial position analysis

(In Thousands of New Taiwan Dollars)

Item	Year	2018	2017	Difference	
				Amount	%
Cash and cash equivalents		2,268,129	2,585,164	(317,035)	(12.26)
Account Receivables		888,537	711,557	176,980	24.87
Assets classified as held for sale		-	-	-	-
Financial assets and loans		7,793,073	7,002,017	791,056	11.30
Reinsurance assets		4,510,868	4,151,807	359,061	8.65
Property and equipment		1,037,396	816,841	220,555	27.00
Intangible assets		134,484	74,893	59,591	79.57
Other assets		708,472	880,406	(171,934)	(19.53)
Total assets		17,340,959	16,222,685	1,118,274	6.89
Accounts payable		1,209,944	1,254,165	(44,221)	(3.53)
Liabilities related to assets classified as held for sale		-	-	-	-
Financial liabilities		-	-	-	-
Insurance liabilities and reserve for insurance with nature of financial instrument		10,899,072	10,284,374	614,698	5.98
Provisions		275,649	254,150	21,499	8.46
Other liabilities		118,486	115,590	2,896	2.51
Total liabilities		12,503,151	11,908,279	594,872	5.00
Capital stock		2,129,600	2,129,600	-	-
Capital surplus		-	-	-	-
Retained earnings		2,652,316	2,171,062	481,254	22.17
Other equity interest		55,892	13,744	42,148	306.66
Total equity		4,837,808	4,314,406	523,402	12.13

Analysis of change over 20%:

(i) Account Receivables:

Due to business growth of fire insurance and other accident insurance.

(ii) Property and equipment:

Due to investment property transfer-in.

(Continued)

- (iii) Intangible assets:  
Due to purchased computer software and golf club card.
- (iv) Retained earnings:  
Due to profit stably and continuously.
- (v) Other equity interest:  
Due to unrealized gains increased on financial assets measured at fair value through other comprehensive income.
- (b) Financial performance analysis

(In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Year</b>	<b>2018</b>	<b>2017</b>	<b>Change in amount</b>	<b>Change of rate (%)</b>
Operating revenue		7,695,690	7,220,409	475,281	6.58
Operating cost		5,160,294	4,727,178	433,116	9.16
Operating expense		1,942,719	1,834,876	107,843	5.88
Income from operation		592,677	658,355	(65,678)	(9.98)
Non-operating income and expense		34,069	5,103	28,966	567.63
Profit (loss) from continuing operations before tax		626,746	663,458	(36,712)	(5.53)
Tax (income) expense		21,126	-	21,126	100.00
Profit (loss) from continuing operations		605,620	663,458	(57,838)	(8.72)

Analysis of change over 20%:

- (i) Non-operating income and expense:  
Due to receiving the litigation settlement.
- (ii) Tax (income) expense:  
Due to basic tax payable and additional income tax on undistributed earnings.

(Continued)

**(5) CPA information****(a) Information on Accountants' Fees**

- (i) Non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees: None.
- (ii) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
- (iii) The audit fee is reduced by over 15% compared with the previous year: None.

**(b) Alternation of CPA: None.**

Union Insurance Co., LTD.

Chairman: HUNG, CHI-HSIUNG

President: LIU, CHIH-MING

Chief Accounting Officer: KUO, FEI-WEN