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旺旺友聯產物保險股份有限公司  
Union Insurance Co., Ltd.

# Annual Report 2020

(Translation)

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**Company website: [www.wwunion.com](http://www.wwunion.com)**

*Notice to Readers:*

*For the convenience of readers, the Annual Report has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-version shall prevail.*

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Chiayun Branch	9F.-1, No. 336-1, Xingye W. Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.)	(05) 2356999
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Tel.: (02) 8101-6666

## V. Name of Overseas Listing Securities Exchange Office and the Way to Inquire: None.

## VI. Company's website: www.wwunion.com

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## Chapter 1 Letter to Shareholders

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Dear Shareholders,

The Company's operating revenue for 2020 was NT\$8,081,941 thousand (the same below), and the total equity reached NT\$5,847,193 thousand, setting a new record again. In recent years, the Company emphasizes a good liquidity structure in terms of investment management policy, and adopts a reasonable asset allocation to make investment revenue continue to grow steadily. The Company's underwriting performance is driven by the good domestic automobile sales and the increase in the rate of some insurance types. Also, the Company has obtained more business expansion performance, made progress in the underwriting capabilities and reinsurance arrangements of the commercial insurance business, and the improved overall operating performance year by year. Therefore, Taiwan Ratings recognized the Company as having strong capital and profitability. The Company continued to receive ratings of "twAA/stable" from Taiwan Ratings, and the rating outlook was "stable". Standard & Poor's and A.M. Best continued to affirm the Company, granting "A-" and "A- (Excellent)" ratings, respectively, and the rating outlook is "stable". The Company's good business performance and significant progress in many aspects come from shareholders' long-term supports and all employees' hard work over the years. We hereby express our tremendous gratitude to shareholders and employees.

COVID-19 epidemic has affected the global economy in 2020. Except the decline in the premium revenue of travel-related insurance and cargo transportation insurance in the domestic insurance market, the insurance premiums from other insurance policies have increased significantly due to the effective control of COVID-19 epidemic in Taiwan, and the premiums of all insurance types were NT\$187,390,287 thousand, an increase of NT\$11,000,340 thousand and a growth rate of 6.2% compared with NT\$176,389,947 thousand in 2019. With the concerted efforts of all employees, the Company made a big leap forward in premium revenue, breaking through 10 billion for the first time, setting a record high of NT\$10,222,889 thousand, an increase of NT\$389,584 thousand from NT\$ 9,833,305 thousand (domestic) in 2019, a growth rate of 4.0%, ranking sixth in the market with a market share of 5.5%.

The Company's operation results in 2020 and the business plan for 2021 are summarized below, respectively:

### I. 2020 Business Report

#### (I) Business Plan Implementation Results

The total premium revenue of the consolidated parent-subsidary corporation for the year was NT\$10,642,161 thousand: The written premium revenue was NT\$10,222,889 thousand, which accounted for 96.1% of the total premium revenue, and the reinsurance premium revenue was NT\$419,272 thousand, which accounted for 3.9% of the total premium revenue.

The amount and proportion of each insurance category are shown in the table below:

Premium Revenue Statistics Table 2020

Unit: NTD Thousand; %

Coverage/Item	Premium revenue	Reinsurance premium revenue	Total premium revenue
Fire insurance	1,272,828	69,748	1,342,576
Marine insurance	241,233	5,792	247,025
Aviation insurance	100,710	2,230	102,940
Liability insurance	2,934,833	2,001	2,936,834
Guarantee insurance	19,445	1,107	20,552
Other property insurance	3,650,001	38,466	3,688,467
Accident insurance	1,001,610	6,306	1,007,916
Health insurance	27,107	-	27,107
Compulsory automobile liability insurance	975,122	293,622	1,268,744
Total	10,222,889	419,272	10,642,161
Proportion to total premium revenue%	96.1%	3.9%	100.0%

(II) Budget execution

The Company did not issue financial forecasts for 2020, so there is no budget execution.

(III) Financial Revenue and Expenditure, Profitability Analysis

The investment revenue reached a new record of NT\$500,795 thousand in 2020, an increase of NT\$65,364,000 from NT\$435,431 thousand in 2019. The underwriting surplus also maintained stable profitability. The retention combined ratio was 96.03%, a decrease of 0.8%. The amount of pre-tax net profit was NT\$706,052 thousand, a growth of 0.8%, the earnings per share was NT\$3.14, the operating revenue (including maturity premium revenue and investment revenue) climbed to NT\$8,237,782 thousand, a growth rate of 1.9%, the operating costs were NT\$5,509,703 thousand, the operating expenses were NT\$2,054,189 thousand, the operating net profit was NT\$673,890 thousand, and the net profit for the current period was NT\$702,097 thousand.

Profitability Indicator

Unit: %

Item	2019	2020
Return of Assets	4.02%	3.99%
Return on Equity	13.64%	12.47%
Net Earnings Rate of Fund Utilization	2.48%	2.93%
Return on Investment	2.24%	2.65%
Retention Combined Ratio	96.87%	96.03%
Retention Expenses Ratio	42.97%	42.17%
Retention Loss Ratio	53.90%	53.86%

(IV) Research and Development

The rapid development of modern technology has caused obvious changes in people's consumption habits. The Company's core systems, B2B and B2C operating systems continue to be optimized to improve operating efficiency, in order to provide customers with more rapid and diversified services. Also, the Company has launched a mobile

application ( APP) and set up online insurance, premium trial calculations, electronic insurance policies, property insurance Q&A and fast claims... and other service platforms on the official website, and provides multiple communication channels between customers and the Company through Facebook and Line@.

In order to provide policyholders with more protection and product choices and in response to consumer demand, the Company launched an anti-epidemic policy during COVID-19 epidemic in 2020 to provide compensation to consumers suffering from statutory infectious diseases. In addition, the Company has also invested in research and development of mobile device insurance, mobile phone insurance, information security protection insurance, agency driving liability insurance, green energy and environmental protection car insurance, residential green energy upgrade additional clauses, comprehensive pet insurance... and other products.

Faced with the challenges and impacts that the application of the IFRS17 “Insurance Contracts” will bring to the Company in 2026, members of the IFRS17 task force and related employees have gone all out to carry out the introduction work, including personnel education, trainings, and inspection of existing internal data, adjustments to systems and various operating procedures, as well as the financial impact of the application of the new standard to the trial calculation... etc. All employees will work together to complete this arduous task.

## II. Summary of Business Plan for 2021

### (I) Business Policy

The Company continues to uphold the spirit of the Group. We regard our employees as important resources; working confidently, we all are one, heart to heart, with the spirit to unite those who are like-minded to create high-performance and share the fruitful results, while creating new business territory to achieve the Company's culture and business concept so that both the Company and the employees are better than ever. We strive to strengthen corporate governance mechanism, fulfilling corporate social responsibility, implement fair treatment on customers, improve the core capital and risk bearing capacity of the Company, so as to generate shareholder's value as the foundation of our sustainable operation. That is all for the Company's colleagues to work hard to follow the business policy.

### (II) Sales estimate

Looking forward to 2021, the Company will continue to promote and encourage the innovation of peer products. In terms of channels, in addition to consolidating the source business of auto dealers, the Company will also strengthen the development of other channels, and improve the performance of online insurance through various channels. It is estimated that the insurance premiums for 2021 will reach NT\$10.55 billion, a continuous growth from 2020.

### (III) Key Production and Distribution Policy

1. Develop new channels and new customers to expand market share and improve market ranking.
2. Research and develop simple, easy-to-understand, inexpensive, and easy-to-sell personal insurance products to expand and strengthen direct business and online



insurance business sales, and reduce marketing costs.

3. Research and develop “unique” and customized products, safeguard various risks, expand product differentiation to gain a competitive advantage, and regularly implement the adequacy of each insurance rate test, and strengthen rate competitiveness and profitability.
4. Continue to strengthen the professionalism of underwriters and claim adjusters, arrange education and training courses, inherit experience, encourage the acquisition of relevant licenses, so as to enhance the professional skills of employees and strengthen the professional strength of teams.
5. Promote the simplification of work processes and information transformation, build a complete customer-oriented information system, and provide a convenient and customer-oriented service network.
6. Adjust the business structure and properly control the accumulation of risks through appropriate reinsurance arrangements.
7. Continue to screen businesses, implement underwriting policies and strengthen claims control to increase underwriting profits and create shareholder value.

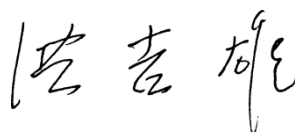

### III. The influence of the external environment, legal environment and overall business environment and future development strategies of the Company

In the property insurance market that is approaching saturation, the emergence of the “stay-at-home economy” and “food economy” in the post-epidemic era is expected to create new insurance business opportunities. Therefore, the Company will continue to develop new products, optimize operations and make innovations, make insurance services more efficient by utilizing financial technology, focus on the management of emerging risks, build a complete information security protection framework, improve information services and the maturity of information security governance. The Company is expected to provide high-quality customer service and improve customer trust through the introduction of new technologies.

In line with the policy of the Financial Supervisory Commission, the introduction of insurance core capital ICS and IFRS17, the Company will follow the schedule set by the competent authority, and actively carry out related introduction work from the product side, the operation side and the information system to facilitate smooth implementation in the future. The Company also actively implements the protection of personal data and principles for fair treatment of customers, provides customers with the highest quality and friendly service experience, and strives to practice corporate social responsibility, and continues to build Union Insurance as the most trusted insurance company for customers.

Thank you again for the trust and support of the shareholders and the hard work and contribution of all employees. Finally, we hope that

both the Company and the employees are better than ever!

Chairman  

## Chapter 2 Company Profile

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### I. Date of Incorporation: February 20, 1963

### II. Company History

The Company was established in February 1963. At that time, it was founded by overseas Chinese and domestic entrepreneurs. Therefore, it was named “Union”. After that, it successfully applied for stock listing on May 5, 1992, becoming the first listed company in Taiwan’s property insurance industry. In order to expand its business bases and strengthen its core competitiveness, the Company acquired Taiwan China Mariners' Insurance Company in October 2002. This was the first successful merger in the domestic property and casualty insurance industry, making future development more competitive.

In June 2007, Want Want Group took over, and then completed the capital reduction and increase in August 2007. In order to strengthen corporate governance, the Company held an interim shareholder meeting on November 19, 2007, re-electing nine directors (including two independent directors) and two supervisors with fresh images and professional capabilities and renaming the Company “Union Insurance Co., Ltd.”. In order to further improve the Company’s financial structure, the Board of Directors actively handled three private placements and one public offering of cash capital increase, and handled capital reduction in 2012. As of the first quarter of 2021, the paid-in capital amounted to NT\$2.236 billion. At present, the Company’s capital adequacy ratio has reached the requirements of first-tier insurance companies.

The Company’s Head Office is located in Taipei City, and has 17 branches, 10 service centers and 16 liaison offices across Taiwan, forming an island-wide network to develop business and provide quality customer services. The Company is mainly engaged in fire insurance, motor insurance, marine insurance, casualty insurance, engineering insurance, A&H insurance and reinsurance, and was approved by the competent authority to operate health insurance business on November 28, 2008. The annual performance for 2020 reached NT\$ 10.23 billion, a growth of 4%, a market share of 5.5%, ranking sixth in the market with stable profitability. Therefore, Taiwan Ratings recognized the Company as having strong capital and profitability. The Company continued to receive ratings of “twAA/stable” from Taiwan Ratings, and the rating outlook was “stable”. Standard & Poor’s and A.M. Best continued to affirm the Company, granting “A-” and “A- (Excellent)” ratings, respectively, and the rating outlook is “stable”.

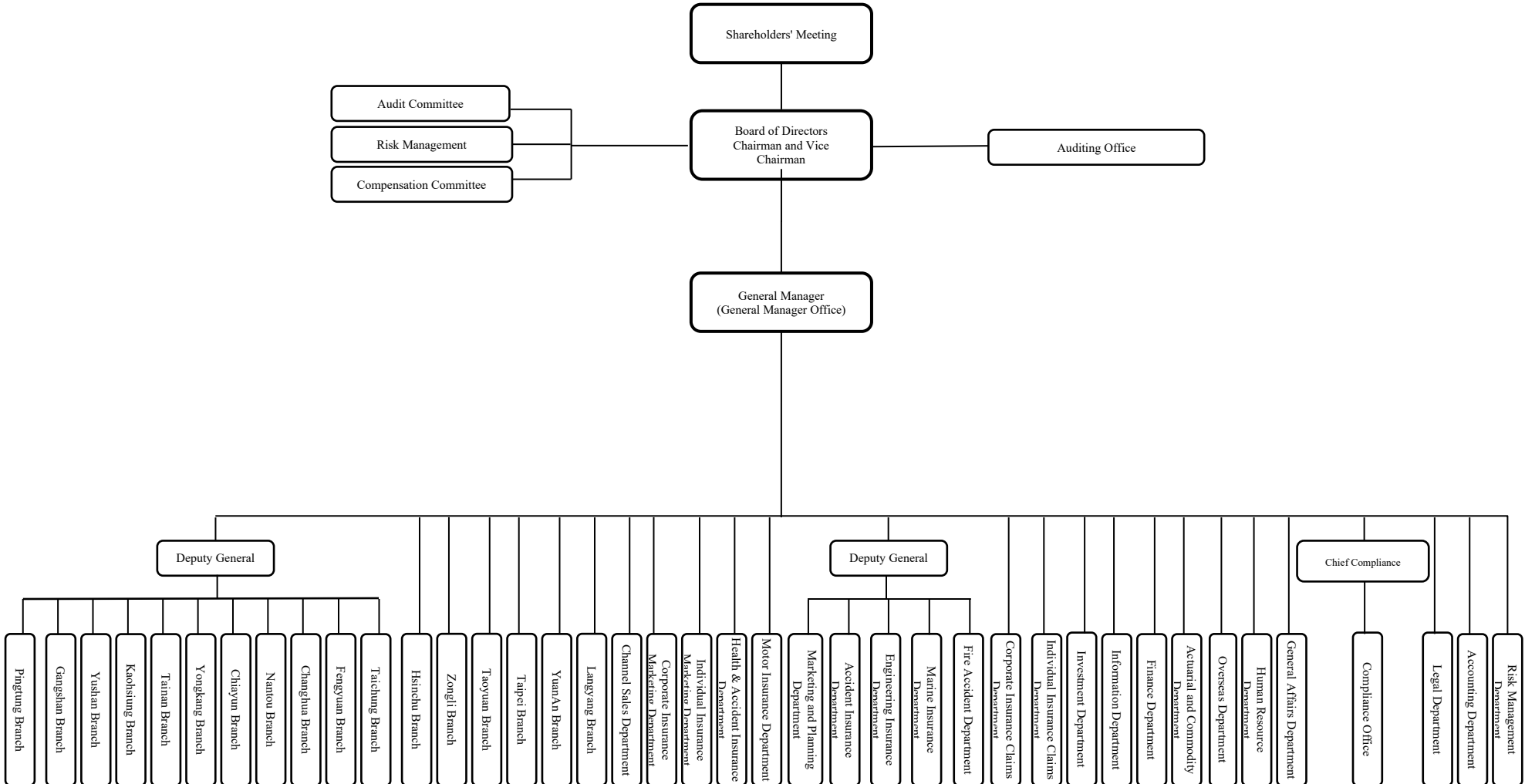
In terms of business competition, the Company still adheres to the prudential control of business quality, strengthens product development and service innovation, and improves operational efficiency and continues to rebuild the information core system. With the efforts of all employees, we continue to provide customers with the best service and become the most trusted property insurance company for customers.

# Chapter 3 Corporate Governance Report

## I. Organizational System

### (I) Organizational Chart

April 1, 2021



## (II) Businesses operated by major departments

Department	Duties	Position	Department duties
General Manager Office	Zi-Ming Liu	General Manager	Execute the resolutions of the Board of Directors and follow the orders of the Chairman to supervise all the Company's business and supervise the business of each branch.
General Manager Office	Shao-Yun Pan	Deputy General Manager	Responsible for assisting the General Manager in supervising the Fire Insurance Department, Marine Insurance Department, Engineering Insurance Department, Accident Insurance Department And Marketing and Planning Department.
General Manager Office	Sheng-Kuang Tsao	Deputy General Manager	Responsible for supervising the business of Taichung Branch, Fengyuan Branch, Changhua Branch, Nantou Branch, Chiayun Branch, Yongkang Branch, Tainan Branch, Kaohsiung Branch, Yushan Branch, Gangshan Branch and Pingtung Branch.
Auditing Office	Li-Hung Wang	Chief Auditor	Comprehensively manage the audit business of the finance, business, information and other management units of the Head Office and branches.
Chief Compliance Officer	Ching-Hua Ke	Chief Compliance Officer of Head Office	Comprehensive manage legal compliance business.
Head of Risk Management Unit	Shu-Chuan Wu	Manager	Responsible for the implementation of the Company's daily risk monitoring, measurement and evaluation.
Marketing and Planning Department	Wan-Hua Tsai	Assistant Vice President	Business management statistical report design and analysis, marketing management method formulation, formulation and implementation of marketing personnel assessment methods, management of maintenance agency contracts and channel codes, exhibition industry personnel management and assessment method formulation and implementation, media public relations, resource integration, marketing support, promotion of corporate social responsibility and e-commerce business, set up and maintain customer service lines, and handling insurers' appeals.
Corporate Insurance Marketing Department	Sung-Tse Chang	Manager	Focus on the development of direct corporate business and international insurance agency business.
Individual Insurance Marketing Department	Hung-Hua Lin	Manager	Focus on the development of individual, exhibition business and small and medium-sized insurance agency channel business.
Motor Insurance Department	Sen-Jung Liu	Manager	Responsible for the operation and management of motor insurance, underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Health & Accident Insurance Department	Hui-Ying Li	Manager	Responsible for the operation and management of health & accident insurance, underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Accident Insurance Department	Yung-Shu Chuang	Manager	Responsible for the operation and management of liability insurance and special new kinds of insurance,

<b>Department</b>	<b>Duties</b>	<b>Position</b>	<b>Department duties</b>
	(Acting)		underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Marine Insurance Department	Chuan-Sheng Tsui	Manager	Responsible for the operation and management of cargo transportation insurance and ship insurance, underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Fire Insurance Department	Che-Chang Hsu	Manager	Responsible for the operation and management of fire insurance and residential fire insurance, underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Engineering Insurance Department	Tsang-Ching Lin	Manager	Responsible for the operation and management of engineering insurance business, underwriting, acceptance, issuance of policies, corrections, reinsurance and facultative reinsurance, product development, education and training of various units, and assistance in business development.
Corporate Insurance Claims Department	Kuo-Chun Hung	Manager	Responsible for fire insurance, engineering insurance, cargo transportation insurance, ship insurance, financial insurance, liability insurance, etc. related claims; the formulation and management of claim rules, corporate insurance recovery management; statistical analysis of claims, signing and evaluation of notary companies.
Individual Insurance Claims Department	Hsing-Kun Wu (Acting)	Office Manager	Responsible for motor insurance and health & accident insurance claims processing, recovery and residuals processing, formulation of motor insurance and health & accident insurance claims related regulations, claims counseling management, claim adjuster management and contracting and evaluation of cooperative vendors, handling of claims litigation, various identification and notarization work, statistical analysis of claims.
Actuarial and Commodity Department	I-Cheng Wu	Manager	Responsible for product development and submission for review, product rate review, various reserve funds, visa actuarial related work and professional research.
Overseas Department	Mao-Liang Chao	Assistant Vice President	Responsible for reinsurance contract (including temporary) reinsurance distribution operations, reinsurance distribution operations, reinsurance account management, reinsurance risk management, policy contract operations, international business and international foreign-related affairs management.
Human Resource Department	Tai-Lung Chen (Concurrent)	Assistant Vice President	Responsible for personnel administrative assessment, management and trainings.
General Affairs Department	Ta-Chun Wu	Assistant Vice President	Responsible for document receiving and dispatching management, procurement and management of self-owned (including lease) movable property, and real property management.
Information Department	Chun-Yu Hsu (Acting)	Office Manager	Responsible for application system development and maintenance, information movable property management, information lease movable property management, statistical report production and database management, e-commerce-related system planning and

Department	Duties	Position	Department duties
			construction, information security work implementation and project information provision.
Compliance Office	Ching-Hua Ke (Concurrent)	Chief Compliance Officer of Head Office	Legal compliance business planning, management and implementation.
Legal Department	Tai-Lung Chen	Assistant Vice President	Responsible for litigation, non-litigation case handling, legal dispute case handling, recovery business management, contract formulation and review, and provision of legal opinions.
Accounting Department	Fei-Wen Kuo	Assistant Vice President	Responsible for budget compilation, review and control, accounting system formulation, accounting statistics and final accounts, financial and management report preparation, various tax withholdings, stock affairs, reporting and other matters required by laws and regulations.
Finance Department	Chang-Hsiao Hsueh	Assistant Vice President	Responsible for premiums, commissions, cashiers, and fund management.
Investment Department	Fu-Cheng Wu	Chief Investment Officer	Investment management.
Channel Sales Department	Hung-Te Lai	Assistant Vice President	Business development strategy formulation, channel development, business promotion management and education training for domestic financial channels and various business channels.
Langyang Branch	Chia-Ming Chang	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Lanyang Branch and the agency under its jurisdiction.
YuanAn Branch	Sung-Yen Lai	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of YuanAn Branch and the agency under its jurisdiction.
Taipei Branch	Chin-Pin Huang	Assistant Vice President	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Taipei Branch and the agency under its jurisdiction.
Taoyuan Branch	Hui-Kuo Chang	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Taoyuan Branch and the agency under its jurisdiction.
Zongli Branch	Yu-Cheng Lo	Assistant Vice President	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Zongli Branch and the agency under its jurisdiction.
Hsinchu Branch	Hsu-Nan Yen	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Hsinchu Branch and the agency under its jurisdiction.
Taichung Branch	Ching-Hsin Lin	Manager	Supervise the business development, personnel assessment, business coordination, premium collection,

<b>Department</b>	<b>Duties</b>	<b>Position</b>	<b>Department duties</b>
			legal cases, audit business, information management, and legal compliance of Taichung Branch and the agency under its jurisdiction.
Fengyuan Branch	Tung-I Lai	Assistant Vice President	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Fengyuan Branch and the agency under its jurisdiction.
Changhua Branch	Kuo-Chung Yen	Assistant Vice President	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Changhua Branch and the agency under its jurisdiction.
Nantou Branch	Pi-Tu Wu	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Nantou Branch and the agency under its jurisdiction.
Chiayun Branch	Kuo-Jung Cheng	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Chiayun Branch and the agency under its jurisdiction.
Tainan Branch	Jui-Lin Hsu	Assistant Vice President	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Tainan Branch and the agency under its jurisdiction.
Yongkang Branch	Tsung-Hsun Lu	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Yongkang Branch and the agency under its jurisdiction.
Kaohsiung Branch	Sheng-Kuang Tsao	Deputy General Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Kaohsiung Branch and the agency under its jurisdiction.
Yushan Branch	Chin-Fang Lai	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Yushan Branch and the agency under its jurisdiction.
Pingtung Branch	Mei-Hui Tseng	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Pingtung Branch and the agency under its jurisdiction.
Gangshan Branch	Chien-Jung Su	Manager	Supervise the business development, personnel assessment, business coordination, premium collection, legal cases, audit business, information management, and legal compliance of Gangshan Branch and the agency under its jurisdiction.

## II. Information on the Directors, Supervisors, General Manager, Deputy General Managers, Assistant Vice President, and the Heads of Divisions and Branch Units

### (I) Information on Directors and Supervisors (I)

April 30, 2021

Position	Nationality /Place of Registration	Name	Gender	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairman	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C. & Australia	Representative: Chi-Hsiung Hung	Male	2019.0618	Three years	2010.10.29	0	0%	0	0%	193	0.0%	0	0.0%	Department of Law, National Chung Hsing University	None	Manager of Corporate Insurance Claims Department	Kuo-Chun Hung	Father and son	None
Vice Chairman	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C.	Representative: Unavailable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C.	Representative: Shih-Wei Hsu	Male	2021.11.05	Three years	2021.11.05	0	0%	0	0%	0	0.0%	0	0.0%	MBA, University of Chicago	None	None	None	None	None
Director	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C.	Representative: Hai-Lun Xu	Female	2019.0618	Three years	2011.08.01	0	0%	0	0%	0	0.0%	0	0.0%	Master, Department of Business Management, Royal Roads University	(Note 2)	None	None	None	None
Director	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C.	Representative: Chia-Ying Ma	Male	2019.0618	Three years	2013.07.01	0	0%	0	0%	0	0.0%	0	0.0%	PhD in Business and Economics, Lehigh University	(Note 3)	None	None	None	None
Director	R.O.C.	Want Want Co., Ltd.	-	2019.0618	Three years	2007.11.19	44,466,613	20.88%	46,689,943	20.88%	0	0.0%	0	0.0%	None	None	None	None	None	None
	R.O.C.	Representative: Zi-Ming Liu	Male	2019.0618	Three years	2018.02.27	5,967	0%	6,265	0%	0	0.0%	0	0.0%	Department of Mechanical Engineering, National Chin Yi University of Technology	General Manager of the Company	None	None	None	None
Independent Director	R.O.C.	Wang Dong Liang	Male	2019.0618	Three years	2019.06.18	0	0.0%	0	0.0%	0	0.0%	0	0.0%	Master of Law, Institute of Law, Chinese Culture University	Director of Dong-Liang Wang Law Firm	None	None	None	None
Independent Director	R.O.C.	Ping-Kai Kuo	Male	2019.0618	Three years	2016.06.24	0	0.0%	0	0.0%	0	0.0%	0	0.0%	Doctor of Economics, University of Rochester, USA	Professor of National Chengchi University	None	None	None	None
Independent Director	R.O.C.	Yu-Fung Ma	Male	2019.0618	Three years	2016.06.24	0	0.0%	0	0.0%	0	0.0%	0	0.0%	PhD, Department of Business Management, National Taipei University	(Note 4)	None	None	None	None



Note 1: It is based on the data of employment as of April 30, 2021.

Note 2: Companies in which Ms. Hai-Lun Xu holds the position of director [Powerful Media Inc., Yen-Ming Tsai Charity Foundation, Want Want Cultural and Educational Foundation, and Want-Tai Cross-Strait Mutual Trust Foundation]. Companies in which Ms. Hai-Lun Xu holds the position of supervisor [Bao-Want Technology Packaging Materials Co., Ltd.].

Note 3: Companies in which Mr. Chia-Ying Ma holds the position of independent director [TSC AUTO ID TECHNOLOGY CO., LTD., MEDEON BIODESIGN, INC., RICHWAVE TECHNOLOGY CORP. and Lida Holdings Co., Ltd.]. Companies in which Mr. Chia-Ying Ma holds the position of director [TATUNG FINE CHEMICALS CO., Shih-Jen Wen Culture and Education Foundation, China Central Investment Co., Ltd., Xinyutai Co., Ltd., and Hantong Venture Capital Co., Ltd.]. Companies in which Mr. Chia-Ying Ma holds the position of supervisor [Innovative Industrial Technology Transfer Co., Ltd. and Zhongwei Development Center]. Professor of Soochow University

Note 4: Companies in which Mr. Yu-Fung Ma serves as an independent director (PRINCETON TECHNOLOGY CORP.). Companies in which Mr. Yu-Fung Ma serves as a supervisor [Black Dragon Management Consulting Corp. and Black Dragon Technology Corporation]. Member of the Remuneration Committee of China Television Company and assistant professor of St. John's University.

Note 5: In case that the Chairman and the General Manager or their equivalents (top manager) are assumed concurrently by the same person, or two persons who are spouses or relatives within 1 degree of kinship, the reason, rationality, necessity and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors not concurrently serving as employees or managers) should be described: None.

**Table 1: Major Shareholders of Institutional Shareholders**

April 30, 2021

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Want Want Co., Ltd.	Yen-Ming Tsai 70.364%, Yu-Man Peng 15.789%, Chung-Chung Tsai 6.818%, Wang-Chia Tsai 6.594%, Wang-Ju Tsai 0.435%

Note 1: For director or supervisor who acts as a corporate shareholder's representative, please specify the corporate shareholder's name.

Note 2: Please specify names of the major shareholders of the given corporate shareholder (top ten shareholders) and the ratio of shareholding. Where the major shareholder is a corporation, please complete the following Table 2.

**Table 2: Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders**

April 30, 2021

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
N/A	-

Note 1: The names of the major corporate shareholders referred to in Table 1, if any, shall be specified.

Note 2: Please specify names of the major shareholders of the given shareholder (top ten shareholders) and the ratio of shareholding.

## Information on Directors and Supervisors

April 30, 2021

Name (Note 1)	At Least Five Years of Work Experience and meets at least one of the following professional qualification requirements			Independence Criteria (Note 2)												Number of Other Public Companies where the Individual Concurrentl y Serves as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce , Law, Finance, or Accountin g, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10	11	12	
Chi-Hsiung Hung (Note 3)			V	V	V	V	V	V	V	V	V	V	V	V	V	None
Shih-Wei Hsu (Note 3)			V	V	V	V	V	V	V	V	V	V	V	V	V	None
Hai-Lun Xu (Note 3)			V			V	V	V	V	V	V	V	V	V	V	None
Chia-Ying Ma (Note 3)	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	4
Zi-Ming Liu (Note 3)			V		V	V	V	V	V	V	V	V	V	V	V	None
Wang Dong Liang		V	V	V	V	V	V	V	V	V	V	V	V	V	V	None
Ping-Kai Kuo	V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Yu-Fung Ma	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1

Note 1: It is based on the data of employment as of April 30, 2021, and the number of fields is adjusted according to the actual number.

Note 2: Please check “✓” the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and during the term of office. ✓

Note 3: Chi-Hsiung Hung, Shih-Wei Hsu, Hai-Lun Xu, Chia-Ying Ma, Zi-Ming Liu are representatives of Want Want Co., Ltd.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held or is assigned according to the Item 1 or 2, Article 27 of the Company Act. (This does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, General Manager, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).

- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

**(II) Information on the General Manager, Deputy General Managers, Assistant Vice President and the Heads of Divisions and Branch Units**

Position	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
General Manager	R.O.C.	Zi-Ming Liu	Male	2018.04.12	6,265	-					Graduated from the Mechanical Engineering Department of National Chin Yi Junior College	None	None	None	None	
Deputy General Manager	R.O.C.	Shao-Yun Pan	Male	2015.07.01							Graduated from the Institute of Mechanical Engineering, National Central University	None	None	None	None	
Deputy General Manager	R.O.C.	Sheng-Kuang Tsao	Male	2018.09.26							Graduated from Electrical Engineering Department, Chien Hsin Junior College	None	None	None	None	
Chief Auditor	R.O.C.	Li-Hung Wang	Female	2017.08.10	10,797	-	641	-			Graduated from the Department of Insurance, Tamkang University	None	None	None	None	
Chief Compliance Officer of Head Office	R.O.C.	Ching-Hua Ke	Female	2015.07.01							Graduated from the Law Department of National Taiwan University	Concurrently serve as the head of the Company's Compliance Office	None	None	None	
Actuarial and Commodity Department	R.O.C.	I-Cheng Wu	Male	2020.12.01							Graduated from the Master of Applied Statistics, Department of Statistics, Tamkang University	None	None	None	None	
Assistant Vice President of Marketing and Planning Department	R.O.C.	Wan-Hua Tsai	Female	2011.02.01							Graduated from Banking and Insurance Department, Feng Chia University	None	None	None	None	
Manager of Corporate Insurance Marketing Department	R.O.C.	Sung-Tse Chang	Male	2018.04.01							Graduated from the Department of Business Administration (Science), Tamsui Oxford University College	None	None	None	None	
Individual Insurance Marketing Department Manager	R.O.C.	Hung-Hua Lin	Male	2019.07.01							Graduated from Department of Applied Economics, University of Weston, USA	None	None	None	None	
Manager of Motor Insurance Department	R.O.C.	Sen-Jung Liu	Male	2020.04.01							Graduated from the Institute of Ocean Law, National Taiwan Ocean University	None	None	None	None	
Manager of Health & Accident Insurance Department	R.O.C.	Hui-Ying Li	Female	2018.09.06							Graduated from Insurance Finance Management Institute, Chaoyang University of Technology	None	None	None	None	
Manager of Marine Insurance Department	R.O.C.	Chuan-Sheng Tsui	Female	2019.07.01							Graduated from Insurance Graduate Institute, Tamkang University	None	None	None	None	
Manager of Fire Accident Department	R.O.C.	Che-Chang Hsu	Male	2016.02.01							Graduated from the Department of Insurance Ming Chuan University	None	None	None	None	
Engineering Insurance Department Manager	R.O.C.	Tsang-Ching Lin	Male	2013.11.01							Graduated from the Department of Insurance, Tamkang University	None	None	None	None	
Manager of Accident Insurance Department (Acting)	R.O.C.	Yung-Shu Chuang	Male	2019.08.01							Graduated from the Department of Insurance, Tamkang University	None	None	None	None	
Manager of Individual Insurance Claims Department (Acting)	R.O.C.	Hsing-Kun Wu	Male	2020.07.15							Graduated from the Department of Materials and Resources Engineering, National Taipei University of Technology	None	None	None	None	
Manager of Corporate Insurance Claims Department	R.O.C.	Kuo-Chun Hung	Male	2019.07.01							Graduated from Civil Engineering Department, National United University	None	None	None	None	
Assistant Vice President of Overseas Department	R.O.C.	Mao-Liang Chao	Male	2020.10.27							Graduated from the Risk Management and Insurance Group Master's Program, National Chengchi University	None	None	None	None	
Head of Human Resource Department (Concurrent)	R.O.C.	Tai-Lung Chen	Male	2019.04.27	6,000	-					Graduated from Department of Law, Fu Jen Catholic University	None	None	None	None	
Assistant Vice President of General Affairs Department	R.O.C.	Ta-Chun Wu	Male	2015.07.01							Master of Financial Management, Loyola University	None	None	None	None	
Assistant Vice President of Accounting Department	R.O.C.	Fei-Wen Kuo	Female	2012.02.23							Graduated from Risk Management and Insurance Institute, Ming Chuan University	None	None	None	None	
Manager of Information Department (Acting)	R.O.C.	Chun-Yu Hsu	Male	2020.08.01							Graduated from the Mathematical Coefficient Statistics Group, Tamkang University	None	None	None	None	
Manager of Risk Management Department	R.O.C.	Shu-Chuan Wu	Female	2016.02.01							Graduated from the Department of Commercial Mathematics, Soochow University	None	None	None	None	
Chief Compliance Office (Concurrent)	R.O.C.	Ching-Hua Ke	Female	2019.07.01							Graduated from the Law Department of National Taiwan University	None	None	None	None	
Assistant Vice President of Legal Department	R.O.C.	Tai-Lung Chen	Male	2015.10.01	6,000	-					Graduated from Department of Law, Fu Jen Catholic University	Concurrently serve as the Supervisor of	None	None	None	

Position	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
												the Company's Human Resource Department and Corporate Governance Officer				
Assistant Vice President of Finance Department	R.O.C.	Chang-Hsiao Hsueh	Male	2015.06.24							Graduated from the Industrial Management Department, Union Junior College	None	None	None	None	
Chief Investment Officer of Investment Department	R.O.C.	Fu-Cheng Wu	Male	2018.04.16							Graduated from the Master's Program, Department of Finance, National Central University	None	None	None	None	
Assistant Vice President of Channel Sales Department	R.O.C.	Hung-Te Lai	Male	2021.01.01							Graduated from the Mechanical Engineering Department, Taiwan United Junior College	None	None	None	None	
Manager of YuanAn Branch	R.O.C.	Sung-Yen Lai	Male	2021.01.01							Graduated from the Department of Business Management, Lingdong College of Technology	None	None	None	None	
Assistant Vice President of Taipei Branch	R.O.C.	Chin-Pin Huang	Male	2018.04.27							Graduated from the Banking and Insurance Department, Opening Continuing Education College, National Taipei College of Business	None	None	None	None	
Manager of Taoyuan Branch	R.O.C.	Hui-Kuo Chang	Male	2018.09.26							Graduated from the Mechanical Engineering Department, South Asia Technical College	None	None	None	None	
Assistant Vice President of Zongli Branch	R.O.C.	Yu-Cheng Lo	Male	2021.04.01	12,899	0.01%					Graduated from Business Continuing Education Bachelor's Program, Business School, Feng Chia University	None	None	None	None	
Manager of Hsinchu Branch	R.O.C.	Hsu-Nan Yen	Male	2021.01.01							Graduated from Finance Master Program, Feng Chia University	None	None	None	None	
Manager of Langyang Branch	R.O.C.	Chia-Ming Chang	Male	2011.02.01							Graduated from the Department of Animal Husbandry and Veterinary Medicine, Yilan Advanced Agricultural and Industrial Vocational School	None	None	None	None	
Manager of Taichung Branch	R.O.C.	Ching-Hsin Lin	Male	2020.02.01							Graduated from Electronic Engineering, Nan-Kai Junior College of Technology and Commerce	None	None	None	None	
Assistant Vice President of Fengyuan Branch	R.O.C.	Tung-I Lai	Male	2021.04.01							Graduated from Accounting Statistics Department, Tsou Ton Commercial and Technical Vocational High School	None	None	None	None	
Assistant Vice President of Changhua Branch	R.O.C.	Kuo-Chung Yen	Male	2008.12.15							Graduated from Banking and Insurance Department, Practice Home Economics College	None	None	None	None	
Manager of Nantou Branch	R.O.C.	Pi-Tu Wu	Male	2013.01.01	6,054	-					Graduated from the Department of Mechanical Engineering (Science), Chienkuo Junior College of Technology	None	None	None	None	
Assistant Vice President of Tainan Branch	R.O.C.	Jui-Lin Hsu	Male	2016.01.01	1,050	-					Graduated from Management Master's Program, National Chiayi University	None	None	None	None	
Manager of Chiayun Branch	R.O.C.	Kuo-Jung Cheng	Male	2016.01.01							Graduated from Chemical Engineering Department, WuFeng Junior College	None	None	None	None	
Manager of Yongkang Branch	R.O.C.	Tsung-Hsun Lu	Male	2019.03.01							Graduated from Banking and Insurance Department, Feng Chia University	None	None	None	None	
Deputy General Manager of Kaohsiung Branch	R.O.C.	Sheng-Kuang Tsao	Male	2021.04.01							Graduated from Electrical Engineering Department, Chien Hsin Junior College	None	None	None	None	
Manager of Gangshan Branch	R.O.C.	Chien-Jung Su	Male	2021.04.01							Graduated from the Mechanical Graphics Department, Evergreen High School	None	None	None	None	
Manager of Yushan Branch	R.O.C.	Chin-Fang Lai	Male	2021.03.01	6,510						Graduated from the Department of Information Management, Nan Kai Institute of Technology	None	None	None	None	
Manager of Pingtung Branch	R.O.C.	Mei-Hui Tseng	Female	2021.03.01							Graduated from the Institute of International Business, National Pingtung Institute of Commerce	None	None	None	None	

Note 1: It shall include the information on General Manager, deputy general managers, Assistant Vice Presidents, the persons in charge of divisions and branch units, and any position equivalent to General Manager, deputy general managers, and Assistant Vice Presidents.

Note 2: For the experience related to holding the current position, if one has worked in the CPA firm conducting the auditing and attesting business or related company, he/she shall state the job title and responsible position. Assistant Deputy General Manager, regardless of job title, should also be disclosed.

Note 3: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example, increase the number of independent directors, and there shall be more than half of the directors who do not concurrently serve as employees or managers).

### III. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), Supervisors, General Manager, and Deputy General Managers

(1-1) Remuneration paid to general directors and independent directors (disclosure of name with individual corresponding bracket)

December 31, 2020

Unit: NTD

Position	Name	Remuneration Paid to Directors								Relevant Remuneration Received by Directors who Are Also Employees								Total A, B, C, D, E, F, G as % of EAIT		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company				
		Base Compensation (A)		Severance Pay and Pension (B)		Directors (C) (Note 7)		Business Execution Expenses (D)		Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee compensation (G) (Note 7)										
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	Cash amount	Stock amount	Cash amount	Stock amount		The Company	All Companies in Financial Statements		
General directors	Corporate Director	Want Want Co., Ltd.																						
	Chairman	Legal Representative of Want Want Co., Ltd.: Chi-Hsiung Hung																						
	Vice Chairman	Legal Representative of Want Want Co., Ltd.: Chung-Chung Tsai (Note 3)																						
	Director	Legal Representative of Want Want Co., Ltd.: Hsiu-Chuan Lin (Note 4)		11,296,667	11,296,667	None	None	65000,000	6,500,000	2,135,008	2,135,008	2.84%	2.84%	7,299,159	7,299,159	108,000	108,000	81,869	None	81,869	None	3.91%	3.91%	None
	Director	Legal representative of Want Want Co., Ltd.: Shih-Wei Hsu (Note 5)																						
	Director	Legal Representative of Want Want Co., Ltd.: Hai-Lun Xu																						
	Director	Legal Representative of Want Want Co., Ltd.: Chia-Ying Ma																						
	Director	Legal Representative of Want Want Co., Ltd.: Liu Zi-Ming																						
Independent Director	Independent Director	Wang Dong Liang																						
	Independent Director	Ping-Kai Kuo		2,340,000	2,340,000	None	None	None	None	850,000	850,000	0.45%	0.45%	None	None	None	None	None	None	None	None	0.45%	0.45%	None
	Independent Director	Yu-Fung Ma																						

Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: NT\$0 Thousand.

Note 1: Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and

working time.

(1) In accordance with Paragraph 2, Article 36 of the Articles of Incorporation of the Company: The Board of Directors is delegate to make reasonable remuneration for the Independent Directors whose remuneration shall not be included in the Company's earnings distribution. The remuneration of the Company's directors (including traffic allowance) is based on the provisions of Article 17 of the Articles of Incorporation, and the amount of such remuneration shall be determined by the Board of Directors based on the industry standard.

(2) The Company has rules for the remuneration of directors and functional members. The remuneration of independent directors of the Company is a fixed monthly remuneration, so they no longer participate in the distribution of earnings.

(3) The Company has established evaluation methods for directors and managerial officers' performance and remuneration, which requires that long-term performance goals shall be consistent with the concept of sustainable operation and stable income, and avoid high-risk business operations or high-volatility investments strategy.

Note 2: The information on positions held on April 30, 2020. Note 3: Dismissed on June 11, 2020. Note 4: Dismissed on November 5, 2020. Note 5: Newly appointed on November 5, 2020. Note 6: Retirement pension includes payments and withdrawals. Note 7: NT\$1,412,412 is not included for driver compensation.

## (1-2) Remuneration paid to directors (including independent directors):

## Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements
Less than NT\$1,000,000	Representatives of Want Want Co., Ltd.: Chung-Chung Tsai, Hsiu-Chuan Lin, Hai-Lun Xu, Shih-Wei Hsu, Chia-Ying Ma, Zi-Ming Liu.	Representative of Want Want Co., Ltd.: Chung-Chung Tsai, Hsiu-Chuan Lin, Hai-Lun Xu, Shih-Wei Hsu, Chia-Ying Ma, Zi-Ming Liu.	Representatives of Want Want Co., Ltd.: Chung-Chung Tsai, Hsiu-Chuan Lin, Hai-Lun Xu, Shih-Wei Hsu, Chia-Ying Ma.	Representative of Want Want Co., Ltd.: Chung-Chung Tsai, Hsiu-Chuan Lin, Hai-Lun Xu, Shih-Wei Hsu, Chia-Ying Ma.
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Dong-Liang Wang, Ping-Kai Kuo, Yu-Fung Ma.	Dong-Liang Wang, Ping-Kai Kuo, Yu-Fung Ma.	Dong-Liang Wang, Ping-Kai Kuo, Yu-Fung Ma.	Dong-Liang Wang, Ping-Kai Kuo, Yu-Fung Ma.
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Want Want Co., Ltd.	Want Want Co., Ltd.	Want Want Co., Ltd. Representative of Want Want Co., Ltd.: Zi-Ming Liu.	Want Want Co., Ltd. Representative of Want Want Co., Ltd.: Zi-Ming Liu.
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Representative of Want Want Co., Ltd.: Chi-Hsiung Hung	Representative of Want Want Co., Ltd.: Chi-Hsiung Hung	Representative of Want Want Co., Ltd.: Chi-Hsiung Hung	Representative of Want Want Co., Ltd.: Chi-Hsiung Hung
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	11 persons	11 persons	11 persons	11 persons

Note: Corporate directors and representatives are listed respectively



(2) Supervisor's remuneration (with the aggregate remuneration range and disclosure method): None (Since June 24, 2016, the Company replaced the supervisor's function with an Audit Committee)

(3-1) Remunerations paid to General Managers and Deputy General Managers (Summarized in accordance with the range of remuneration disclosed)

**December 31, 2020**

Unit: NTD

Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Special Subsidies (C)		Remuneration of Employee (D) (Note 6)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Zi-Ming Liu	16,359,185	16,359,185	820,440	820,440	7,247,969	7,247,969	384,444	None	384,444	None	3.53%	3.53%	None
Deputy General Manager	Sheng-Kuang Tsao													
Deputy General Manager	Shao-Yun Pan													
Actuarial Officer	Chin-Yuan Lin (Note 1)													
Chief Information Officer	Chia-Hsiung Chiu (Note 2)													
Chief Investment Officer	Fu-Cheng Wu													
Chief Auditor	Li-Hung Wang													
Chief Compliance Officer of Head Office	Ching-Hua Ke													

Note 1: Resigned on December 1, 2020. Note 2: Resigned on August 1, 2020. Note 3: NT\$1,360,379 is not included for driver compensation. Note 4: Retirement pension includes payments and withdrawals.

(3-2) Range of Remuneration

Range of Remuneration Paid to the General Manager and Deputy General Managers	Name of General Manager and Deputy General Managers	
	The Company	All Companies in Financial Statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Chia-Hsiung Chiu, Ching-Hua Ke	Chia-Hsiung Chiu, Ching-Hua Ke
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Chin-Yuan Lin, Li-Hung Wang, Fu-Cheng Wu, Shao-Yun Pan, Sheng-Kuang Tsao	Chin-Yuan Lin, Li-Hung Wang, Fu-Cheng Wu, Shao-Yun Pan, Sheng-Kuang Tsao
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Zi-Ming Liu	Zi-Ming Liu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	8 persons	8 persons

(4-1) The remuneration of the top five executives with the highest remuneration at a listed company (name and remuneration shall be disclosed individually): Not applicable.

(4-2) The name of the managerial officers and the status of the distribution:

December 31, 2020

Unit: NTD

	Position	Name	Stock amount	Cash amount	Total	Ratio of total amount to net profit after tax (%)
General Manager	General Manager	Zi-Ming Liu	None	1,329,606	1,329,606	0.19%
	Deputy General Manager	Shao-Yun Pan				
	Deputy General Manager	Sheng-Kuang Tsao				
	Chief Investment Officer	Fu-Cheng Wu				
	Chief Auditor	Li-Hung Wang				
	Chief Compliance Officer	Ching-Hua Ke				
	Assistant Vice President	Mao-Liang Chao				
	Assistant Vice President	Tai-Lung Chen				
	Assistant Vice President	Yu-Cheng Lo				
	Assistant Vice President	Jui-Lin Hsu				
	Assistant Vice President	Tung-I Lai				
	Assistant Vice President	Ta-Chun Wu				
	Assistant Vice President	Wen-Jui Li				
	Assistant Vice President	Chin-Pin Huang				
	Assistant Vice President	Hung-Te Lai				
	Assistant Vice President	Min-Chin Wang (Note 8)				
	Assistant Vice President	Kuo-Chung Yen				
	Manager	Hui-Kuo Chang				
	Manager	Sung-Yen Lai				
	Manager	Ching-Hsin Lin				
	Manager	Pi-Tu Wu				
	Manager	Kuo-Jung Cheng				
	Manager	Tsung-Hsun Lu				
	Manager	Jui-Cheng Hsieh (Note 7)				
	Manager	Chin-Fang Lai				
	Manager	Wen-Sung Liao (Note 8)				
	Manager	Hung-Hua Lin				
	Manager	Chuan-Sheng Tsui				
	Manager	Sen-Jung Liu				
	Manager	Shu-Chuan Wu				
	Assistant Vice President	Wan-Hua Tsai				
	Manager	Sung-Tse Chang				
	Manager	Kuo-Chun Hung				
	Manager	Hui-Ying Li				
Manager	Tsang-Ching Lin					
Manager	Che-Chang Hsu					
Manager	I-Cheng Wu					
Manager	Min-Yuan Hsu					
Chief Financial Officer	Chang-Hsiao Hsueh					
Chief Accountant	Fei-Wen Kuo					

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: Please specify the employee bonus (including stocks and cash) to be allocated to the managerial officers as approved by the Board of Directors in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year. The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 3: The scope of managerial officers shall be defined in the following manner, as per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301: March 27, 2003

(1) The General Manager and those on the comparable level. (2) The deputy general managers and those on the comparable level. (3) The Assistant Vice Presidents and those on the comparable level. (4) The finance department executives.

(5) Accounting department executives. (6) Other individuals empowered with managing the Company's affairs and as authorized signatories.

Note 4: If any director, General Manager or deputy general managers has received employee bonus (including stock dividend and cash dividend), please complete Table 1-2 and also this table.

Note 5: It is based on the in-service data on December 31, 2020, and adopts the estimation method.

Note 6: It is calculated based on the proportion of the actual allotment amount last year to calculate the amount to be allotted this year.

Note 7: Resigned on March 1, 2021.

Note 8: Resigned on April 1, 2021.

**(5) Specify and compare the salary to directors, General Managers and Deputy General Managers of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.**

Position	2020 Ratio of total remunerations of directors, supervisors, General Manager, and deputy general managers to net income after tax:	2020 Ratio of the total remunerations paid by the Company and all companies in the financial report to the Company's directors, supervisors, General Manager and deputy general managers to net income after tax:	2019 Ratio of total remunerations of directors, supervisors, General Manager, and deputy general managers to net income after tax:	2019 Ratio of the total remunerations paid by the Company and all companies in the financial report to the Company's directors, supervisors, General Manager and deputy general managers to net income after tax:
Director	6.82%	6.82%	6.91%	6.91%
Independent Director				
Supervisor (None)				
General Manager and Deputy General Managers				

**(6) The Company's remuneration policies, standards and combinations, the remuneration determination procedure and the correlation between business performance and future risks**

- I. The remuneration of the Company's directors (including traffic allowance) is based on the provisions of Article 17 of the Articles of Incorporation, and the amount of such remuneration shall be determined by the Board of Directors based on the industry standard. The salary and remuneration of the Company's directors are based on a monthly salary system, and the traffic allowances are paid based on actual attendance of the Board of Directors and their respective functional committees. The remuneration of the Chairman also includes an annual performance bonus and is handled in accordance with the "Performance System and Evaluation Mechanism of the Chairman And General Manager".
- II. The remuneration of managerial officers appointed by the Company is based on Article 31 of the Articles of Incorporation, which shall be reported to the Board of Directors by the Chairman for discussion. The salary and remuneration system of appointed managerial officers adopts a monthly salary system plus various bonuses. The monthly salary includes the salary and various allowances. The bonuses are in the nature of incentives or rewards and depend on the Company's overall operating performance in the year and the achievement of the unit, such as year-end, dividends, variable performance bonuses, etc. The remuneration of the General Manager also includes annual performance (year-end) bonuses, and is handled in accordance with the "Performance System and Evaluation Mechanism of the Chairman And General Manager". The retirement pension of appointed managerial officers shall be processed in accordance with their appointment contracts.

- III. Regarding the distribution of variable bonuses in the Company's directors and appointed managerial officers, the Company's overall business performance for the year and the comprehensive evaluation of the operating performance of the units under its jurisdiction shall be considered, and attention shall be paid to the reasonableness and fairness and the provisions of Article 36 of the Articles of Incorporation during the deliberation.
- IV. The compensation paid to directors and managerial officers of the Company, after being discussed by the Remuneration Committee, is submitted to the Board of Directors for further approval.
- V. The Company has set up the "Evaluation Method for Performance and Salary of Directors and Managerial Officers", in order to respond to the future changes in the financial and economic environment at home and abroad. Also, the Company's remuneration policy all incorporates possible future risks into the evaluation criteria to avoid guiding directors and managerial officers are engaged in behaviors that exceed the Company's risk appetite in pursuit of salary compensation.

## IV. Implementation of Corporate Governance

### (I) Operations of the Board of Directors:

#### Information on Operations of the Board of Directors

A total of twelve (12) meetings [A] of the Board of Directors were held in the most recent year (2019). The attendance of directors and supervisors was as follows:

Position	Name (Note 1)	Attendance in Person (B)	Attendance by Proxy	Actual attendance rate (%) [B/A] (Note 2)	Note
Chairman	Chi-Hsiung Hung	12	0	100%	Reelected on June 18, 2019
Vice Chairman	Chung-Chung Tsai	5	0	42%	Reassigned on June 11, 2020
Director	Hai-Lun Xu	12	0	100%	Reelected on June 18, 2019
Director	Hsiu-Chuan Lin	9	1	75%	Reassigned on November 5, 2020
Director	Chia-Ying Ma	10	2	83%	Reelected on June 18, 2019
Director	Zi-Ming Liu	12	0	100%	Reelected on June 18, 2019
Director	Shih-Wei Hsu	2	0	17%	Newly appointed on November 5, 2020
Independent Director	Wang Dong Liang	12	0	100%	Newly-appointed on June 18, 2019
Independent Director	Ping-Kai Kuo	12	0	100%	Reelected on June 18, 2019
Independent Director	Yu-Fung Ma	12	0	100%	Reelected on June 18, 2019

Other matters to be recorded:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date /Term	Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
The 11th meeting of the 25th Board of Directors (March 20, 2020)	Discussed the proposal on CPAs evaluation and performance appraisal, appointment and remuneration	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed the 2019 Statement of Internal Control System	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed the statement on the overall implementation of information security in 2019	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed the 2019 Statement of Internal Control System	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Amended the processing procedures for outsourcing and internal control operations	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed the Statement on Internal Control System for Anti-Money	All independent directors voted in favor of the proposal without any

	Laundrying and Counter-Terrorist Financing 2019	objections, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed that the Company's issuance of new shares by capital increase from surplus	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
The 12th meeting of the 25th Board of Directors (April 28, 2020)	Discussed the price limit to buy Want Want China Holdings' shares from the open market	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Amended audit plan 2020	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
The 13th meeting of the 25th Board of Directors (May 27, 2020)	Amended certain provisions of the internal control system	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
The 14th meeting of the 25th Board of Directors (June 24, 2020)	Amended certain provisions of the internal control system	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
The 18th meeting of the 25th Board of Directors (October 30, 2020)	Amended certain provisions of the internal control system	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
The 20th meeting of the 25th Board of Directors (December 29, 2020)	Discussed the Company's audit plan 2021	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Amended certain provisions of the Company's internal control system	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.
	Reviewed the Company's derivative financial product transactions and risk management operating procedures	All independent directors voted in favor of the proposal without any objections, and the Board of Directors voted in favor of the proposal without any objections.

(II) Any recorded or written board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified: As shown in the following table.

Session (Date)	Subject	Recusals of directors from voting	Reasons for recusal	Voting
The 9th meeting of the 25th Board of Directors (January 16, 2020)	Discussed the performance bonus of the Company's Chairman and General Manager in 2019, and reviewed the appropriateness of the "Performance System and Evaluation Mechanism for Chairman and General Manager"	Chi-Hsiung Hung Zi-Ming Liu	Because they are related to their own interests and follow the principle of recusal.	Followed the principle of recusal, after the acting chairman consulted the directors who did not need to avoid, the proposal was passed without objection.
The 11th meeting of the	Discussed the Company's	Chi-Hsiung Hung Chung-Chung	Because they are related to	Followed the principle of recusal, after the

25th Board of Directors (March 20, 2020)	employee and director remuneration distribution plan 2019	Tsai Hai-Lun Xu Hsiu-Chuan Lin Chia-Ying Ma Zi-Ming Liu	their own interests and follow the principle of recusal.	acting chairman consulted the directors who did not need to avoid, the proposal was passed without objection.
	Remuneration distribution case of the Company's appointed managerial officers in 2019	Zi-Ming Liu	Because they are related to their own interests and follow the principle of recusal.	Followed the principle of recusal, after the chairman consulted the directors who did not need to avoid, the proposal was passed without objection.
The 12th meeting of the 25th Board of Directors (April 28, 2020)	Proposed to buy Want Want China Holdings' shares from the open market at a limit price	Chi-Hsiung Hung Chung-Chung Tsai Hai-Lun Xu Hsiu-Chuan Lin Chia-Ying Ma Zi-Ming Liu	Because they are related to their own interests and follow the principle of recusal.	Followed the principle of recusal, after the acting chairman consulted the directors who did not need to avoid, the proposal was passed without objection.
The 18th meeting of the 25th Board of Directors (October 30, 2020)	The Company's appointment and removal of managerial officers and their remunerations	Chi-Hsiung Hung	Because they are related to their own interests and follow the principle of recusal.	Followed the principle of recusal, after the acting chairman consulted the directors who did not need to avoid, the proposal was passed without objection.
The 20th meeting of the 25th Board of Directors (December 29, 2020)	Discussed the traffic allowance and remuneration of newly-appointed directors	Shih-Wei Hsu	Because they are related to their own interests and follow the principle of recusal.	Followed the principle of recusal, after the chairman consulted the directors who did not need to avoid, the proposal was passed without objection.

III. Disclose the evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the board members (on themselves or peers), and fill in the attached Table 2 (2) Implementation of Evaluation for the Board of Directors.

(2) Implementation of Evaluation for the Board of Directors.

Frequency (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	Evaluating the performance of the Board of Directors from January 1, 2020 to December 31, 2020.	The scope of the evaluation includes the performance of the entire Board of Directors, individual directors, and the functional committees.	Internal self-evaluation of Board of Directors, self-evaluation of board members and peer evaluation	Performance self-evaluation of the Board of Directors as a whole and individual directors, performance evaluation of functional committees

The results of the performance evaluation of the Board of Directors in 2020 are shown as follows:

(I) Self-evaluation of Board performance

The Board's performance evaluation has 50 parameters ranging over seven dimensions. The evaluation shows that on 49 parameters it scored "Excellent (5), and on 1 for "Good (4)" reflecting good performance by the Board of Directors in guiding and supervising business strategies, major business activities, and risk management, for establishing an appropriate internal control system, and for actively participating in environmental, social, and corporate governance (ESG) initiatives. The overall operation of the Board is considered excellent and is in line with corporate governance practices.

Seven dimensions of self-evaluation	Evaluation item	Rating result
A. Involvement in Company's business activities	12 items	4.94 scores
B. Improvement in the Board's decision making quality	12 items	4.75 scores
C. Composition and structure of the Board	7 items	5 scores
D. Selection and continuing education of the directors	7 items	5 scores
E. Internal Control	7 items	5 scores
F. Participation in principles for fair treatment of customers	3 items	5 scores



G. Participation in ESG initiatives	2 items	5 scores
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(II) Self-evaluation of board member performance:  
The performance of the Board members is evaluated on 23 parameters ranging over six dimensions. The evaluation rates 21 parameters as "Excellent (5)" and 2 "Good (4)" showing that all directors have a positive effect on efficiency and effectiveness of the Board.

Six dimensions of self-evaluation	Evaluation item	Rating result
A. Alignment of the Company's goals and tasks	3 items	5 scores
B. Understanding of the director's roles and responsibilities	3 items	5 scores
C. Involvement in Company's business activities	8 items	4.92 scores
D. Management and communication of the internal relations	3 items	5 scores
E. Professionalism and continuing education of directors	3 items	5 scores
F. Internal control	3 items	5 scores

(III) Self-evaluation of functional committee performance  
The performance of the functional committees is evaluated on 26 parameters ranging over five dimensions. The evaluation rates as "Excellent (5)" on 24 parameters and "Good (3)" on two, reflecting its overall excellence in operation and in line with corporate governance, which has resulted in improved Board operations.

Five dimensions of self-evaluation	Evaluation item	Rating result
A. Involvement in Company's business activities	4 items	5 scores
B. Awareness of the duties of the functional committees	8 items	4.75 scores
C. Improving functional committee's decision-making	7 items	5 scores
D. Composition of functional committee, and election and appointment of committee members	4 items	4.5 scores
E. Internal Control	3 items	5 scores

Note 1: Specify the implementation cycle of the Board of Directors evaluation, for example, once a year.

Note 2: Fill in the period during the Board of Directors' evaluation, for example, evaluating the performance from January 1, 2020 to December 31, 2020.

Note 3: The scope of the evaluation includes the performance of the entire Board, individual director, and the functional committee in the form of self-evaluation.

Note 4: The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: the evaluation contents shall include at least the following items according to the scope of evaluation:

- (1) Evaluation of performance for the Board of Directors: Including participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.
- (2) Evaluation of performance for the individual board members: Including alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
- (3) Evaluation of performance for the Audit Committee: Including participation in the operation of the Company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(I) The Company currently has 3 independent directors and established an Audit Committee, and has formulated "Rules Governing the Scope of Powers of Independent Directors" and "Audit Committee Charter" in accordance with laws and regulations, in order to facilitate the independent directors' exercising of their powers.

(II) In order to enhance the professional knowledge of directors and implement corporate governance, the Company arranges for all directors every year the continuing education courses required for corporate governance and business operations and meet the number of class hours prescribed by the competent authority.

(III) The results of the performance evaluation of the Company's 2020 Board of Directors have been disclosed on the Company's website: Public Information/Corporate Governance/Board Performance Evaluation Methods and Implementation Status.

V. Policy and Implementation of Diversity of Board Members

(1) Policy: In accordance with Article 20 of the Company’s “Corporate Governance Best Practice Principles”

The Board of Directors of the Company shall guide the Company strategies, supervise the management levels, and be responsible for the Company and the shareholders. For various work and arrangement of the Company’s governance system, the Authority of the Board of Directors shall be fully exercised according to regulations, Articles of Association, or Shareholders Meeting resolutions of.

The Company’s board structure shall consist of at least five directors, depending on the scale of the operation and development, the ownership of major shareholders, and actual operating needs. The establishment of independent directors shall carefully consider the reasonable professional combination and the objective conditions for independent exercise of powers.

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company’s managerial officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company’s business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic qualification and value: gender, age, nationality and culture.
- II. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

The directors should generally have the knowledge, skills and self-cultivation required for performing their duties. In order to achieve the ideal targets of corporate governance, the general abilities that the board of directors should be equipped with are stated below:

- I. Capability to make sound business judgments
- II. Accounting and financial analysis capabilities
- III. Business management ability
- IV. Risk management and response
- V. Crisis management capability
- VI. Financial insurance expertise
- VII. Global market viewpoint
- VIII. Leadership skills
- IX. Capability to make decisions

The Board of Directors shall be aware of the Company’ operational risk exposure, such as market risk, credit risk, liquidity risk, operational risk, legal risk, reputation risk, and other types of risk relating to the securities firm's operation, to ensure effectiveness of risk management and shall be ultimately responsible for risk management.

(2) Implementation of the Diversity Policy for Board of Directors

**Implementation of the Diversity Policy for Board of Directors**

Diversity indicators Name/Gender	Professional background and industry experience	Capability to make sound business judgments	Accounting and financial analysis capabilities	Business management ability	Risk management knowledge	Crisis management capability	Financial insurance expertise	Global market viewpoint	Leadership skills	Capability to make decisions
Chi-Hsiung Hung/Male	√	√	√	√	√	√	√	√	√	√
Shih-Wei Hsu/Male	√	√	√	√	√	√	√	√	√	√
Hai-Lun Xu/Female	√	√	√	√	√	√	√	√	√	√
Chia-Ying Ma/Male	√	√	√	√	√	√	√	√	√	√
Zi-Ming Liu/Male	√	√	√	√	√	√	√	√	√	√
Dong-Liang Wang/Male	√	√	√	√	√	√	√	√	√	√
Ping-Kai Kuo/Male	√	√	√	√	√	√	√	√	√	√
Yu-Fung Ma/Male	√	√	√	√	√	√	√	√	√	√

**Analysis of the current situation of the Board of Directors’ diversity policy**

Item Name of Director	Basic composition							Experience/Field of Work					Background Information							
	Nationality/Place of Registration	Gender	Serve concurrently as the Company's employees	Age			Years for serving as a director of other public offering companies			Finance/Accounting/Legal	Health Management/Medical Treatment	Hotel/Tourism	Financing Control/Banking/Insurance	Information/Telecom/Media	Manufacturing/Investment/Others	Professionals (Professor/Lawyer/Accountant)	Business	Law	Public Administration	Business Management
				41 to 50	51 to 60	Above 61	Under 3 years	3~9 years	Over 9 years											
Chi-Hsiung Hung	R.O.C.	Male			V			V				V					V		V	
Shih-Wei Hsu	R.O.C.	Male	V				V					V				V			V	
Hai-Lun Xu	R.O.C.	Female		V				V				V		V		V			V	
Chia-Ying Ma	R.O.C.	Male		V				V	V						V					
Zi-Ming Liu	R.O.C.	Male	V	V		V						V				V			V	
Wang Dong Liang	R.O.C.	Male		V		V			V						V		V			
Ping-Kai Kuo	R.O.C.	Male		V				V	V						V				V	
Yu-Fung Ma	R.O.C.	Male		V				V	V						V				V	

Note 1: Chi-Hsiung Hung, Hai-Lun Xu, Chia-Ying Ma, Zi-Ming Liu, Shih-Wei Hsu are representatives of Want Want Co., Ltd.

Note 2:

- (1) If a director or supervisor resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of board meetings held during his or her tenure and number of such meetings attended.
- (2) If a director or supervisor is re-elected before the end of the accounting year, the names of the current and previous director or supervisor shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. Their attendance rate (%) to Board session shall be calculated based on the number of meetings called and the actual number of sessions they attended, during the term of office.

## (II) Audit Committee or Attendance of Supervisors at Board Meetings:

The Audit Committee held 8 meetings (A) during 2020; the attendance of independent directors is summarized as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) [B/A] (Note)	Note
Independent Director	Wang Dong Liang	8	0	100%	Convener Newly appointed on June 18, 2019
Independent Director	Ping-Kai Kuo	7	1	88%	Reappointed on June 18, 2019
Independent Director	Yu-Fung Ma	8	0	100%	Reappointed on June 18, 2019

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

(I) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Meeting date/session	Resolutions	The results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions
The fifth meeting of the 2nd session	Business Report and Financial Statement 2019	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the

(March 20, 2020)		proposal without any objections.
	Discussed the proposal on CPAs evaluation and performance appraisal, appointment and remuneration	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Statement on Overall Implementation of Information Security 2019	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Statement on Internal Control System 2019	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Amended the “Processing Procedures for Outsourcing and Internal Control Operations of the Company”	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	In 2019, the Chairman, General Manager, Chief Auditor, Head of Anti-Money Laundering and Counter-Terrorist Financing jointly issued a statement on the internal control system of anti-money laundering and counter-terrorist financing	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 6th meeting of the 2nd session (April 24, 2020)	Proposed to buy the shares of Want Want China Holdings from the open market at a limited price	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Amended audit plan 2020	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 7th meeting of the 2nd session (May 27, 2020)	Amended certain provisions of the Company’s internal control system	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 8th meeting of the 2nd session (June 23, 2020)	Amended certain provisions of the Company’s internal control system	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 10th meeting of the 2nd session (August 24, 2020)	Consolidated and parent company only financial reports for the first half of 2020	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 11th meeting of the 2nd session (October 29, 2020)	Amended certain provisions of the Company’s “Accounting System”	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Amended the Company’s internal control system “5-5 Investment Department”	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
The 12th meeting of the 2nd session (December 25, 2020)	Amended certain provisions of the Company’s internal control system	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Reviewed the Company’s “Derivative Financial Commodity Transaction and Risk Management Operating Procedures”	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.
	Discussed the Company’s audit plan 2021	All independent directors of the Audit Committee approved and passed the proposal, and the Board of Directors voted in favor of the proposal without any objections.

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds

or more of all Directors: None.

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified: None.

Session (Date)	Subject	Recusals of directors from voting	Reasons for recusal	Voting
-	-	-	-	-

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations).

Implementation status: The Company's internal audit supervisor and accountants, in accordance with regulations, attended the meetings of the Audit Committee and the Board of Directors to report internal audit business and financial reports in accordance with regulations.

Communication Date	Channels of Communication	Communication Object	Communication Matters	Communication Results
2020.3.20	Audit Committee	Chief Auditor	Statement on Internal Control System	There were no comments at this meeting, and the proposal was passed according to the proposal.
		CPA	Business Report and Financial Statement 2019	There were no comments at this meeting, and the proposal was passed according to the proposal.
2020.4.24	Audit Committee	Chief Auditor	Amended audit plan 2020	There were no comments at this meeting, and the proposal was passed according to the proposal.
2020.5.27	Audit Committee	Chief Auditor	Amended certain provisions of the Company's internal control system	There were no comments at this meeting, and the proposal was passed according to the proposal.
2020.6.23	Audit Committee	Chief Auditor	Amended certain provisions of the Company's internal control system	There were no comments at this meeting, and the proposal was passed according to the proposal.
2020.8.24	Audit Committee	CPA	Consolidated and parent company only financial reports for the first half of 2020	There were no comments at this meeting, and the proposal was passed according to the proposal.
2020.12.25	Audit Committee	Chief Auditor	Discussed the Company's audit plan 2021	There were no comments at this meeting, and the proposal was passed according to the proposal.

Note:

- \* If an independent director resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Audit Committee meetings held during his or her tenure and number of such meetings attended.
- \* If any independent director is re-elected before the end of the accounting year, the names of current and previous independent directors shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Audit Committee meetings held during his or her tenure and number of such meetings attended.

**Supervisors' participation in the operation of the Board of Directors: Not applicable. The Company has established an Audit Committee on June 24, 2016 and no longer has supervisors.**

Note: \* If a supervisor resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of board meetings held during his or her tenure and number of such meetings attended.

- \* If a supervisor is re-elected before the end of the accounting year, the names of the current and previous director or supervisor shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Audit Committee meetings held during his or her tenure and number of such meetings attended.

**(III) The Company’s corporate governance operation and its differences from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons thereof:**

Evaluation Item	Status (Note 1)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the “Corporate Governance Best Practice Principles”, which is disclosed on the Company’s website, in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the “Corporate Governance Best Practice Principles for Insurance Enterprises”.	No deviation
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish and implement internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigations?	V		The Company has established internal control procedures for “stock operations” and has a spokesperson system. The Company has designated specialist staff to handle suggestions, doubts and disputes from shareholders to the Company, and entrusted professional stock agency companies to assist in providing suggestions.	No deviation
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		The Company has established shareholder service personnel to manage related information and consigned a professional shareholder service agency to provide latest information.	No deviation
(III) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		No lending behavior between the Company and affiliated enterprises. In accordance with the regulations of the competent authority, the Company has separately formulated the “Procedures for Dealing with Other Transactions Other Than Lending with Interested Parties”, the “Rules Governing Other Transactions Other Than Lending with Interested Parties Handled by the Management Department Authorized by the Board of Directors”, the “Rules Governing Internal Major Information Processing and Prevention of Insider Transaction Management”, the “Procedures for Acquiring or Disposing of Assets”, the “Rules Governing Compliance With Regular Transactions Between the Company and Domestic And Foreign Insurance-Related Businesses, and Prevention of Conflicts of Interest for Insider Transactions” and other relevant regulations for compliance.	No deviation
(IV) Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	V		The Company has established the “Procedures for Handling Material Inside Information and Preventing Insider Transactions”, which prohibits the Company’s internal personnel from buying or selling the Company’s stocks or other nature of securities when they learn of the Company’s major internal information on their own or in the name of others.	No deviation
III. Composition and responsibilities of the Board of Directors				
(I) Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?	V		In the “Corporate Governance Best Practice Principles”, the Company stipulates that the composition of the Board of Directors shall have a diversified principle and policy, and state the basic requirements, professional knowledge and skills and capabilities that the Board of Directors shall have, in order to achieve the ideal goal of corporate governance. For the main academic experience of the directors of the Company, please refer to the Company’s Annual Report.	No deviation
(II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	V		The Company currently has an Audit Committee, a Compensation Committee and a Risk Management Committee.	No deviation
(III) Does the company establish standards and methods to evaluate the performance of	V		The Company has established a Board of Directors and directors’ performance evaluation method as the Board’s performance evaluation method. The results of the performance	No deviation

Evaluation Item	Status (Note 1)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?</p> <p>(IV) Does the company regularly evaluate the independence of the CPAs?</p>	V		<p>evaluation are reported to the Board of Directors in the first quarter of each year, and the profits are used as the relevant reference basis for directors' remuneration and nomination for renewal.</p> <p>The Company has established accountant evaluation and performance appraisal methods, which regularly assess the independence and competence of CPAs every year (once a year), and CPAs issue a declaration of independence regarding the inspection work. The evaluation results 2020 and the appointment proposal 2021 were passed by the Audit Committee and the Board of Directors in March 2021. The appointed CPAs all meet the Company's independence assessment standards (Note 2) and are sufficient to serve as CPAs of the Company.</p>	No deviation
<p>IV. Has the Company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?</p>	V		<p>The Company has assigned one corporate governance supervisor and one corporate governance officer in accordance with regulations to take charge of corporate governance related matters.</p>	No deviation
<p>V. Does the Company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?</p>	V		<p>The communication between the Company and the interested parties is handled by the responsible unit. Also, the Company has formulated the "Procedures for Dealing with Other Transactions Other Than Lending with Interested Parties", the "Rules Governing Other Transactions Other Than Lending with Interested Parties Handled by the Management Department Authorized by the Board of Directors" and other relevant regulations for mutual compliance. The dedicated unit of the Company handles stock affairs including legal and non-legal issues according to the existing procedure. All shareholders of the Company are able to ask for our stock service via the hotline, email or the Company's website. The Company has also set up corporate governance and CSR zone on the website to provide related parties with information about corporate governance.</p>	No deviation
<p>VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?</p>	V		<p>The Company has appointed the Department of Stock Affairs at Waterland Securities Co., Ltd. to process affairs related to shareholders meetings.</p>	No deviation
<p>VII. Information disclosure</p> <p>(I) Does the Company have a website to disclose the financial operations and corporate governance status?</p> <p>(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English,</p>	V	V	<p>The Company's website is <a href="http://www.wwunion.com">http://www.wwunion.com</a>. In accordance with the "Information Disclosure Management Measures for Property Insurance Industry" promulgated by the Financial Regulatory Commission, we regularly disclose and update relevant financial, business and corporate governance related matters on the website.</p> <p>The Company has a spokesperson and a deputy spokesperson, and arranges dedicated units responsible for company information collection and disclosure. The significant</p>	<p>No deviation</p> <p>No deviation</p>

Evaluation Item	Status (Note 1)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?)</p> <p>(III) Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?</p>		V	<p>external announcement shall be made according to regulations in "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities". The Company has an English website for foreign investors to access relevant information.</p> <p>The Company is engaged in financial and insurance business and has overseas subsidiaries. There are many matters to be disclosed in the financial statements. It shall be treated with caution and strengthened to check. Therefore, it is time-consuming. It is not possible to announce and file the annual financial report within two months after the end of the year. The operating conditions of each month shall be improved after a branch is disposed, and an early announcement shall be made.</p>	<p>The Company is engaged in financial and insurance business and has overseas subsidiaries. There are many matters to be disclosed in the financial statements. It shall be treated with caution and strengthened to check. Therefore, it is time-consuming. It is not possible to announce and file the annual financial report within two months after the end of the year. The operating conditions of each month shall be improved after a branch is disposed, and an early announcement shall be made.</p>
<p>VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?</p>	V		<p>(I) Employee rights and interests: The Company's work rules and internal regulations shall be all handled in accordance with the Labor Standards Law and relevant laws and regulations.</p> <p>(II) Employee care: In addition to regular annual cash gifts, the Company also provides subsidies to employees for organizing club activities and organizing employee travels from time to time. In addition, when employees and their family members encounter weddings, funerals, celebrations, and injuries, the Company and the Company's Welfare Committee provide gift money or condolences in accordance with the Company's internal regulations. In addition, the Company regularly conducts health checks for employees, and also insures group accident and medical insurance for employees (including their spouses) from life insurance companies.</p> <p>(III) Investor relationship: The Company has a spokesperson system. If investors have any questions, they can get in touch with the Company's spokesperson.</p>	<p>No deviation</p>



Evaluation Item	Status (Note 1)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>(IV) Supplier relations The main business sources of the product insurance industry mostly come from insurance brokers or insurance agents, and their list is disclosed on the Company's website in accordance with regulations. The website is <a href="https://www.wvunion.com/2_public_company.aspx">https://www.wvunion.com/2_public_company.aspx</a></p> <p>(V) Rights of interested parties: The relationship between the Company and the interested parties and the exercise of rights shall be processed in accordance with relevant laws and regulations.</p> <p>(VI) Continuing education of directors and directors: The directors' and supervisors' continuing education was conducted in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The situation is as follows:</p> <p>(VI) Implementation of risk management policies and risk evaluation measures: The risk management of the Company is at a strategic position, and risks are taken into consideration when forming related decisions. The Company identifies, measures, monitors and reports risks through qualitative or quantitative management methods and maintains the possible risks from operating activities within an acceptable range in order to pursue steady operating policy and uphold the spirit of consistent execution. In terms of risk measurement, the Company shall consider the nature, scale and complexity of each business and operating activity, set appropriate quantitative methods or qualitative standards for each type of risk, regularly review various key risk indicators and risk limits, and make layered reporting in accordance with relevant regulations. The Company also formulates "Operational Crisis Response Measures" in accordance with Article 6 of the "Key Points for Handling Financial Institutions' Operational Crisis", and has a Risk Management Committee to effectively monitor, manage and respond to various risks that may arise in the course of business operations. In addition to the above measures, the Company has formulated internal regulations associated with risk control, including the "Insurance Risk Management Measures", the "Catastrophe Risk Management Measures", the "Provision Risk Management Measures", the "Asset Liability Coordination Risk Management Measures", the "Operational Outsourcing Risk Management Principles and Operating Procedures", the "Key Risk Indicators Notification Operation Method", the "Market Risk Management Method", the "Credit Risk Management Method", the "Liquidity Risk Management Method", the "Operation Risk Management Method", etc., in order to pay attention to and effectively improve the related matters of risk control at any time.</p> <p>(VIII) Implementation of customer relations policies: The exercise of the rights and obligations of the Company and its customers is in principle handled in accordance with the contractual contents contained in the insurance policy. The Company also has a customer service office and a free customer service line to maintain a smooth communication channel with customers.</p>	

Evaluation Item	Status (Note 1)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			(IX) The Company's purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for directors and supervisors, with an insurance coverage of US\$5 million.	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.	V		According to the results of the 6th corporate governance evaluation released by the Corporate Governance Center in the most recent year, the Company's rankings are listed in the top 21%~35% of listed companies. The following is the indication of the improved situation and the priority strengthening items and measures for those who have not yet improved: 1. The Company appointed a Corporate Governance Officer to be responsible for related corporate governance affairs and disclosed the scope of functional authority, key business implementation items, and continuing education on its website and annual report in 2019. 2. The Company simultaneously discloses material information in English. 3. The Company has established a/an dedicated (adjunct) unit for promoting ethical corporate management and corporate social responsibilities, and disclosed in its annual reports and company website the operation and implementation of which unit, and reported regularly to the Board of Directors.	No deviation

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

Note 2: Evaluation Standards for the Independence of CPAs:

Evaluation Item	Evaluation result	Independence of the CPAs
The CPA is employed by the company for a regular position, receives a fixed salary, or is its director or supervisor.	No	Yes
CPAs have served as directors, supervisors, managerial officers of the Company, or employees who have a significant influence on visa cases, and have been dismissed for less than 2 years.	No	Yes
The accounting firm and the Company are related parties to each other.	No	Yes
A CPA and the person in charge or manager of the Company have a spouse or second-degree relative relationship.	No	Yes
CPAs or their spouses and minor children have an investment or interest-sharing relationship with the Company.	No	Yes
CPAs or their spouses and minor children have funds to borrow from the Company.	No	Yes
CPAs have been consecutively commissioned for seven years.	No	Yes
The Company obtained an independent statement issued by the accountant.	Yes	Yes

Table:

Position	Name	Total Hours	Course contents			
			Date	Training Institution	Course Name	Hours
Chairman	Chi-Hsiung Hung	6	2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3

Director	Hai-Lun Xu	6	2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3
Director	Chia-Ying Ma	12	2020/9/21	TWSE	Corporate Governance 3.0 - Sustainable Development Roadmap	3
			2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/21	Taiwan Corporate Governance Association	Strategic Thinking on Group Enterprise Restructuring (including IPO in mainland China)	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3
Director	Hsiu-Chuan Lin	18	2020/9/21	TWSE	Corporate Governance 3.0 - Sustainable Development Roadmap	3
			2020/9/23	Independent Director Association Taiwan	Effect of Taiwan's Fair Trade Act and Global Anti-trust Regulations on Taiwanese Enterprises and Case Analysis	3
			2020/9/24	Taiwan Association of Corporate Governance Professionals	Legal Seminar on Substantial Beneficiary 2020	3
			2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/15	Independent Director Association Taiwan	The key significance of information security strategy to corporate development, information security governance and protection	3
			2020/11/5	Independent Director Association Taiwan	Insider Trading and Unconventional Trading in Domestic Securities Market Regulations and Case Study	3
Director	Zi-Ming Liu	6	2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3
Independent Director	Yu-Fung Ma	9	2020/9/3	Independent Director Association Taiwan	Talking about the operating strategy and transformation of Taiwanese enterprises from the global political and economic situation	3
			2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3
Independent Director	Ping-Kai Kuo	6	2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3
Independent Director	Wang Dong Liang	6	2020/9/25	Taiwan Institute of Directors	Anti-Money-laundering, Counter-Terrorism-Financing, and Principles for Treating Customers Fairly	3
			2020/10/30	Taiwan Institute of Directors	IFRS17 Conversion and Insurance enterprise response strategy	3

(IV) **Composition, Responsibilities and Operations of the Remuneration Committee**

**1. Professional Qualifications and Independence Analysis of Remuneration Committee**

**Members**

Title (Note 1)	Qualification Name	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Yu-Fung Ma	V		V	V	V	V	V	V	V	V	V	V	V	V	1	Reappointed on June 18, 2019
Independent Director	Wang Dong Liang	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0	Newly appointed on June 18, 2019
Independent Director	Ping-Kai Kuo	V		V	V	V	V	V	V	V	V	V	V	V	V	0	Reappointed on June 18, 2019

Note 1: For the title, please fill in director, independent director, or others.

Note 2: Please check “V” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

**The responsibilities of the Company's Remuneration Committee are as follows:**

- (1) Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- (2) Establishing and regularly reviewing the BOD and upper management's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.
- (3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.
- (4) If the decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the Company, the Committee shall be asked to make recommendations before the matter is submitted to the Board of Directors for deliberation.

## 2. Operational Status of the Remuneration Committee

- (1) There are three members in the Remuneration Committee of the Company.  
 (2) Current Remuneration Committee Term: From June 18, 2019 to June 17, 2022. A total of 4 (A) Remuneration Committee meetings were held in 2020. The information and attendance of the members was as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Actual attendance rate (%) (B/A) (Note)	Note
Convener	Yu-Fung Ma	4	0	100%	Reappointed on June 18, 2019
Committee Member	Wang Dong Liang	4	0	100%	Newly appointed on June 18, 2019
Committee Member	Ping-Kai Kuo	3	1	75%	Reappointed on June 18, 2019

The resolutions of the 4th Remuneration Committee in 2020						
The 4th Remuneration Committee of Union Insurance Co., Ltd.						
Session/ Time	Date	Attendance			Resolutions	Resolution results
		Wang Dong Liang	Ping-Kai Kuo	Yu-Fung Ma		
5	2020.1.16	V	V	V	Establishing and regularly reviewing the BOD and upper management's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					The performance bonus of the Company's Chairman and General Manager in 2019, and the review of the appropriateness of the "Performance System and Evaluation Mechanism for the Chairman and General Manager"	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					Performance evaluation of managerial officers appointed by the Company in 2019 and their year-end bonus	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					Changes in the managerial officers appointed by the Company and salary adjustments	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
6	2020.3.20	V	Entrusted independent director Yu-Fung Ma as a proxy to attend the meeting	V	Proposal for the Company's distribution of remuneration for employees and directors for 2019	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without

						objection. The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					Changes in the managerial officers appointed by the Company and salary adjustments	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					Remuneration distribution case of the Company's appointed managerial officers in 2019	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
7	2020.10.29	V	V	V	The Company's appointment and removal of managerial officers and their remuneration	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
8	2020.12.25	V	V	V	The Company's appointment and removal of managerial officers and changes	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.
					Traffic allowance and remuneration of newly-appointed directors	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection.

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, the session, the contents of the motion, the results of the resolutions by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: The Company's Board of Directors and Remuneration Committee have no such circumstances in most recent year.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, the session, the contents of the motion, all members' opinions and the response to members' opinion shall be specified: The Company's Remuneration Committee has no such circumstances in most recent year.

Note:

- (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the "Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated based on the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
- (2) If a Remuneration Committee member is re-elected before the end of the accounting year, the names of current and previous members shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Remuneration

Committee meetings held during his or her tenure and number of such meetings attended.

(V) **Chief Corporate Governance Officer**

The Company's Board of Directors appointed Tai-Lung Chen, the head of the Company's Legal Department, as the head of corporate governance. He is responsible for corporate governance related matters, including handling matters related to the Board of Directors, Audit Committee, Remuneration Committee and shareholders' meeting in accordance with the law, assisting in the appointment of directors and continuing education, providing information required by directors to perform their business, and assisting directors in complying with laws and regulations. For the business execution status of the corporate governance executive, please refer to "IV. Corporate Governance Operation" (#page 17-30#) of the Annual Report.



## (VI) Implementation Status of Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Status (Note 1)		Summary Description (Note 2)	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof									
	Yes	No											
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 3)	V		<p>The Company upholds the principles of ethical corporate management and fair treatment of customers, and is committed to practicing sustainable operations and fulfilling corporate social responsibilities. Through different communication channels, the Company understands and collects the concerns of stakeholders, identifies potential risks and management opportunities faced by the Company based on the significance and priority of the concerns of each stakeholder, indeed safeguard the rights and interests of stakeholders and the trust in the Company, so as to conform to the concept of sustainable operation of the Company.</p> <p>Based on the materiality principle of corporate social responsibility, the Company conducts the relevant risk evaluation of the important issues and stipulates the relevant risk management policies and measures according to the evaluated risks as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Material Issue</th> <th style="width: 20%;">Risk Assessment Item</th> <th style="width: 65%;">Risk management policy or strategy</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Environment (E)</td> <td style="text-align: center;">Corporate Environmental Protection and Sustainable Development</td> <td> <ol style="list-style-type: none"> <li>1. Formulate the “Corporate Environment, Energy-saving and Carbon-Reduction Management Measures”, and annually count greenhouse gas emissions and water consumption, and continue to implement energy-saving and carbon-reduction policies.</li> <li>2. Incorporate climate change risk management into the overall risk management policy and integrate it into the Company’s current overall risk management procedures and mechanisms.</li> <li>3. Promote energy-friendly activities, implement green procurement policies, and mitigate environmental impacts in order to achieve the goal of sustainable operation.</li> </ol> </td> </tr> <tr> <td style="text-align: center;">Social (S)</td> <td style="text-align: center;">Employee rights protection, talent cultivation and occupational safety and health</td> <td> <ol style="list-style-type: none"> <li>1. Formulate a “human rights policy” to ensure the fairness and reasonableness of various opportunities within the Company, and provide compliant and appropriate complaint channels to ensure that employees are not treated differently or subject to any form of discrimination.</li> <li>2. Organize national, domestic and foreign education and training courses, formulate “Guidelines for Employee Education and Trainings”, and invest long-term resources to cultivate and improve employees’ skills and</li> </ol> </td> </tr> </tbody> </table>	Material Issue	Risk Assessment Item	Risk management policy or strategy	Environment (E)	Corporate Environmental Protection and Sustainable Development	<ol style="list-style-type: none"> <li>1. Formulate the “Corporate Environment, Energy-saving and Carbon-Reduction Management Measures”, and annually count greenhouse gas emissions and water consumption, and continue to implement energy-saving and carbon-reduction policies.</li> <li>2. Incorporate climate change risk management into the overall risk management policy and integrate it into the Company’s current overall risk management procedures and mechanisms.</li> <li>3. Promote energy-friendly activities, implement green procurement policies, and mitigate environmental impacts in order to achieve the goal of sustainable operation.</li> </ol>	Social (S)	Employee rights protection, talent cultivation and occupational safety and health	<ol style="list-style-type: none"> <li>1. Formulate a “human rights policy” to ensure the fairness and reasonableness of various opportunities within the Company, and provide compliant and appropriate complaint channels to ensure that employees are not treated differently or subject to any form of discrimination.</li> <li>2. Organize national, domestic and foreign education and training courses, formulate “Guidelines for Employee Education and Trainings”, and invest long-term resources to cultivate and improve employees’ skills and</li> </ol>	Complies with the provisions of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
Material Issue	Risk Assessment Item	Risk management policy or strategy											
Environment (E)	Corporate Environmental Protection and Sustainable Development	<ol style="list-style-type: none"> <li>1. Formulate the “Corporate Environment, Energy-saving and Carbon-Reduction Management Measures”, and annually count greenhouse gas emissions and water consumption, and continue to implement energy-saving and carbon-reduction policies.</li> <li>2. Incorporate climate change risk management into the overall risk management policy and integrate it into the Company’s current overall risk management procedures and mechanisms.</li> <li>3. Promote energy-friendly activities, implement green procurement policies, and mitigate environmental impacts in order to achieve the goal of sustainable operation.</li> </ol>											
Social (S)	Employee rights protection, talent cultivation and occupational safety and health	<ol style="list-style-type: none"> <li>1. Formulate a “human rights policy” to ensure the fairness and reasonableness of various opportunities within the Company, and provide compliant and appropriate complaint channels to ensure that employees are not treated differently or subject to any form of discrimination.</li> <li>2. Organize national, domestic and foreign education and training courses, formulate “Guidelines for Employee Education and Trainings”, and invest long-term resources to cultivate and improve employees’ skills and</li> </ol>											

				<p>functions.</p> <p>3. In order to maintain the health of employees and create a good working environment, the Company has formulated the “Occupational Safety and Health Work Code”, the “Occupational Safety and Health Management Plan”, the “Office Air Quality Monitoring Implementation Plan”, and established the General Affairs Department to take charge of labor safety affairs.</p>	
			Consumer rights protection and personal information security maintenance	<p>1. Implement customer personal information protection, formulate the “Personal Data File Security Maintenance Measures”, the “Personal Data Management Policy, Personal Data Processing Procedures for Collection, Processing, or Use of Medical Records, Medical Treatments, and Health Checks”, and obtain personal data protection (BS 10012) ) certification.</p> <p>2. Attach importance to information security, formulate the “Information Security Policy” and set up an “Information Promotion Committee” to be responsible for the establishment and promotion of an information security management system, and obtain information security management (ISO 27001) certification.</p>	
			Social charity	<p>1. Formulate the “Corporate Social Responsibility Policy” and “Corporate Social Responsibility Code”, and disclose the implementation status and results in the “CSR Report”.</p> <p>2. Take care of the disadvantaged and promote “micro-insurance”, and invest funds in the form of donations or activities to help the disadvantaged in society with practical actions.</p>	
			Economic (G) Corporate governance is in line with ethical corporate management and fair treatment of customers	<p>1. Stable and sound corporate governance ensures the sustainable development of the corporate organization. The Company safeguards the rights and interests of its shareholders and other interested parties, and formulates the “Corporate Governance Best Practice Principles”, the “Policy on Ethical Corporate Management”, the “Codes of Ethical Conduct”, and the “Operational Crisis Response Measures”.</p> <p>2. Also, the Company has formulated the “Principles for Fair Treatment of Customers” and formed an “Implementation Team for Promoting Fair Treatment of Customers Plan” to ensure that every customer can receive fair and undifferentiated treatment.</p> <p>3. We ensure all promotion and execution of the Company’s various businesses in line with the relevant laws and regulations by implementing the mechanism of internal control system.</p>	
II. Does the company establish exclusively (or concurrently) dedicated	V		In order to perfect the management and promotion of corporate social responsibility, the Board of Directors has authorized the General Manager to formulate the “CSR Committee Setting Method” and establish a CSR Committee with the General Manager as the chairman and deputy general managers as the deputy chairmen. In order to promote		Complies with the provisions of the “Corporate Social

<p>first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>		<p>social responsibility full-time (part-time) units, the Marketing and Planning Department discusses the implementation policy from time to time, convenes a committee to track the implementation results at least every six months, and reports to the Board of Directors on the implementation of the current year and the implementation plan for the next year.</p> <p>The CSR Committee sets up corporate governance, customer care, employee care, environmental sustainability and social welfare groups to implement corporate social responsibility. Its membership and work duties are as follows:</p> <ol style="list-style-type: none"> <li>1. Corporate Governance-The Compliance Office, Auditing Office, Risk Management Department, and Accounting Department are responsible for ethical corporate management, organizational strategy, risk management, legal compliance, internal control, and maintenance of shareholder rights.</li> <li>2. Customer Care-The Individual Insurance Claims Department, Corporate Insurance Claims Department, Information Department, Risk Management Department, each insurance department, Customer Service Center and other departments are responsible for customer relationship maintenance, customer information confidentiality, information security, consumer rights protection, and other related matters.</li> <li>3. Employee Care-The Human Resource Department and the General Affairs Department are responsible for employee compensation and benefits, functional management, labor relations, employee education and trainings, and the creation of a friendly employment environment.</li> <li>4. Environmental Sustainability-The General Affairs Department and Risk Management Department are mainly responsible for environmental protection, pollution reduction, green procurement, supply chain management, and climate change response measures.</li> <li>5. Social Welfare-The Marketing and Planning Department is mainly responsible for micro-insurance, care for the disadvantaged, community participation, public welfare activities, cultural and sports education participation, environmental protection issues, etc.</li> </ol>	<p>Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”</p>
<p>III. Environmental issues (I) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(III) Does the company</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company is a financial service company, and has established a labor safety system and a safety and health management system in accordance with the law. Although the Company does not apply the ISO14001 environmental management system, when performing business activities, the Company shall perform the management and regular maintenance of official vehicles, and the electric energy used in the office, water resources and waste generated, try its best to protect the natural environment through the reuse of resources, elevator energy saving, channel lighting, air-conditioning and water resources management, and commit itself to the goal of sustainable environmental development.</p> <p>(II) Promote the concepts of power saving, water saving, and paper reduction to employees on a regular basis, and implement environmental protection concepts in daily work, including replacing office lighting equipment with LED lamps, replacing old power-consuming air conditioners and electrical appliances, and replacing the equipment that complies with environmental protection standards. Computer equipment procurement must comply with the principles of green procurement; photocopying paper is made from crops, natural forests are not cut down, and raw materials are collected by planting trees by themselves.</p> <p>(III)</p>	<p>Complies with the provisions of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”</p>

<p>evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</p> <p>(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse</p>	<p>V</p>	<p>1. According to the “Global Risks Report” issued by the World Economic Forum, the risks associated with “climate change” have been the most concerned topic for many years, and will cause huge risks to business operations and opportunities. In order to enhance the management of climate change, the Company evaluates the opportunities and risks that climate change may bring to the Company, incorporates climate change factors into the operational strategy planning and decision-making process, and actively promotes various environmental protection, energy saving and carbon reduction measures, reduces greenhouse gas emissions, promotes green financial services, etc., in an effort to mitigate and adjust the operational impact brought by climate change.</p> <p>2. In order to continue to enhance climate change management and integrate with the international climate change framework, the Company has introduced the “Task Force on Climate-Related Financial Disclosures (TCFD)” framework at the end of 2020. The climate-related information on governance, strategy, risk management, indicators and targets is disclosed as follows:</p> <ul style="list-style-type: none"> <li>■ Governance           <ol style="list-style-type: none"> <li>(1) Incorporate climate change risk management into the overall “Risk Management Policy and Guiding Principles” and submit it to the Board of Directors for approval.</li> <li>(2) Initiate climate change risk management procedures every year. The “Climate Change Risk Management Team” assesses potential risks and business opportunities that climate change may bring, develops appropriate response measures, and integrates relevant information into risk management in the report, which shall be submitted to the Risk Management Committee and the Board of Directors.</li> </ol> </li> <li>■ Strategy           <p>Regarding the sources of climate change risks, the Company adopts a qualitative approach to assess the impact on operations and finances based on transformational risks and physical risks, and develop countermeasures.</p> </li> <li>■ Risk Management           <p>Incorporate climate change risk management into the overall risk management policy and integrate it into the Company’s current overall risk management procedures and mechanisms.</p> </li> <li>■ Indicators and Targets           <p>Through the various teams under the Company’s “CSR Committee”, we formulate climate-related indicators and targets, and integrate relevant indicators and targets into the annual specific action plan, implement them, and track them regularly.</p> </li> </ul> <p>(IV) The Company is a financial service provider, and the impact of climate change on the Company’s operating activities is relatively small. However, in response to climate changes and the development trend of greenhouse gas reduction, the Company has formulated corporate environmental, energy-saving and carbon-reduction management measures, reviews the annual statistics of greenhouse gas emissions and water consumption year by year, and continuously implements the energy-saving and carbon-reduction policies on the principle of carbon emissions per unit and no increase in water consumption.</p>	
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gas reduction, water reduction, or waste management ?				
IV. Social issues			<b>Human Resource Department</b>	
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company's Board of Directors passed a resolution on the "Human Rights Policy" on December 28, 2018, agreeing and supporting the principles set forth in various international human rights conventions, ensuring the fairness and reasonableness of various opportunities within the Company, providing compliant and appropriate complaint channels, ensuring that employees are not treated differently or subject to any form of discrimination.	Complies with the provisions of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		(II) 1. The Company formulates employee welfare measures in accordance with various labor-related laws and regulations. For the implementation status, please refer to page 97. 2. The Company's employee remuneration includes monthly salary, year-end bonus and employee remuneration. Year-end bonuses are distributed based on the Company's operating performance and individual employee performance for the year, and employee remuneration is based on the Company's Articles of Incorporation. If there is a profit in the year, one to five percent shall be allocated as employee remuneration. However, if there are still accumulated losses, certain profits shall first be allocated to make up for accumulated losses, then the remaining balance shall be made available to allocate any bonuses or compensations.	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III) Regularly inspect the lighting, air-conditioning, and fire-fighting equipment in the working environment to maintain the cleanliness of the environment. Regularly conduct check-ups for employees, and hire workplace nurses to provide health consultations and conduct occupational health and safety seminars. Also cooperate with the government's major epidemic announcement and publicity.	
(IV) Does the company provide its employees with career development and training sessions?	V		(IV) In order to enable employees to continuously improve their knowledge and skills, the Company provides various education and trainings to deeply cultivate employees' professional knowledge and encourage employees to continue to learn and grow, so that employees can obtain various professional licenses and increase their diverse capabilities. For its implementation status, please refer to page 97-102.	
(V) Does the Company's	V		(V) The Company provides insurance products to protect policyholders for compensation for losses caused by insured accidents. The marketing documents, requirements for insurance, policy clauses, and insurance rates of the	

<p>product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?</p> <p>(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?</p>	<p>V</p>	<p>products provided shall be all processed in accordance with relevant insurance laws and regulations. Also, the Company has followed the relevant provisions of the Personal Data Protection Act for the various services to policyholders, fully introduced the information security management system (ISMS), obtained the information security management (ISO 27001) certification and personal data protection (BS 10012) certification, and established the personal information management system (PIMS).</p> <p>In order to safeguard the rights and interests of financial consumers, the Company has established the “Financial Consumption Dispute Resolution System”, which has been approved and implemented by the Board of Directors, set up a “Policyholder Service and Appeal Center” to handle customer complaints, provided a 24-hour 0800 toll-free hotline. Also, the Company has a “Customer Service Center” on its official website, providing all-weather insurance professional services.</p> <p>(VI) In order to work with contractors to implement corporate social responsibility, promote sustainable environmental development and safeguard basic human rights, the Company regularly visits outsourced printing companies every year to ensure that they meet the requirements of environmental protection and maintenance of labor standards. For the procurement of information equipment and electrical equipment, manufacturers are also required to provide products with environmental protection and energy saving labels, in order to jointly promote environmental protection with suppliers, reduce environmental impact, and achieve the goal of environmentally sustainable operation.</p>	
<p>V. Does the company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?</p>	<p>V</p>	<p>The Company’s CSR report has been compiled in accordance with the GRI standards published by the Global Reporting Initiative (GRI), and has been disclosed in accordance with the core options of the GRI Standards. The disclosed financial statements are in accordance with International Financial Reporting Standards (IFRS), and have been checked and confirmed by KPMG Taiwan. The above-mentioned report is now being verified by the third party British Standards Institution (BSI). The verification/assurance is expected in the first ten days of June this year.</p>	<p>Complies with the provisions of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”</p>
<p>VI. If the company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles:  The Company passed the “Corporate Social Responsibility Principles” and “Corporate Social Responsibility Policy” at the 27th Meeting of the 23rd Board of Directors on July 30, 2015. There is no deviation between the Company’s actual operations and these principles and policies.</p>			

VII. Other important information to facilitate a better understanding of corporate social responsibility practices:

Other promotion plans and achievements of the Company in 2020:

Aspect	Performance
Community engagement	Sponsored total of 22 activities of Want Want China Times and participated in the promotion of health, sports, art and other related community feedback activities, including Want Want China Times Health Lecture Series, Taiwan Sports Series with Feet, and Art Project Series, with a sponsorship amount of NT\$750,000.
Social contributions	<p>The Company continues to invest in social welfare activities, covering elderly care, children’s welfare, physical and mental disabilities, disadvantaged groups, rural education, aboriginal tribes, and even culture and sports, education promotion, and environmental protection issues. It is expected to help people in need in various aspects, warm every family with action and care, and give substantial contributions to the society:</p> <ol style="list-style-type: none"> <li>1. Donated NT\$80,000 for education scholarship and grants to the Taiwan Financial Services Roundtable, to relevant schools and students who are enthusiastic about the financial services industry.</li> <li>2. Sponsored a bonus of NT\$5,0000 for excellent traffic safety education schools, supporting and encouraging schools at all levels to promote traffic safety education, and establishing concepts from an early age to root down to reduce traffic accident casualties.</li> <li>3. Sponsored BE HEROES football development project at NT\$100,000 to create a better training environment for Taiwan high school football, and continue to inject resources to help high school football take root and develop.</li> </ol>
Social service	<p>The Company has established 6 Union volunteer teams across the province, actively participating in social welfare activities through the Company’s dense service bases, and encouraging employees to participate in community services, care for disadvantaged groups, and provide social emergency relief. Volunteer participation in 2020:</p> <ol style="list-style-type: none"> <li>1. “Anti-Drug Youth Hiking, Anti-Violence Mutual Assistance Exploration” public welfare activities, promote the concept of “anti-drug, anti-smoking” and “anti-violence and anti-bullying” among young friends by utilizing hiking and exploring experience activities. A total of NT\$100,000 was donated, and a total of 20 volunteers participated in the services.</li> <li>2. “The 9th Republic of China Sea Life Saving Association Cerebral Anesthesia Children and Disabled Persons at Sea Experience Activities”, assisting cerebral palsy children and persons with physical and mental disabilities to experience sea activities. A total of NT\$100,000 was donated, and a total of 20 volunteers participated in the services.</li> <li>3. The “The 6th Yuxiang Cup National Wheelchair Badminton Championships”, encouraging disabled friends to get involved in badminton, and encouraging each other with friends to regain self-confidence in life. A total of NT\$150,000 was donated and a total of 30 volunteers participated in the services.</li> <li>4. “The 33rd End-of-the-Year Winter Warm Current Charity Conference”, with the theme of “Love and Family Support Passing Happiness”, held a garden party to provide care and warmth for disadvantaged families and children. A total of NT\$50,000 was donated, and a total of 10 volunteers participated in the services.</li> </ol>

Social charity	<p>1. Vigorously promote micro-insurance policies to protect disadvantaged groups: In order to take care of the disadvantaged groups, the Company vigorously promotes the “micro-insurance” business, so that economically disadvantaged people can buy basic life insurance protection with more inexpensive premiums. Micro-insurance promoted 49 groups and 16,597 people including Syin-Lu Social Welfare Foundation to insure from 2014 to 2021.</p> <p>2. Implement public welfare care:</p> <p>(1) Donate to 12 units including the “Lecoin Platform” and Jieh Huey Foundation, with a total donation of NT\$240,000.</p> <p>(2) Held the charity teaching course “Lego Filming” in the summer vacation of Heping Elementary School in Shiding District. For the lack of resources in the primary schools, most of them were left unattended during the summer vacation. This course allowed the students to bring more variety and fun to the students through doing middle school. The total cost of study and activity was NT\$49,980.</p> <p>(3) Sponsored the “EnTie Commercial Bank-Children’s Future 101 Concert” at NT\$200,000, and encouraged children in remote villages to build self-confidence to participate in the outside world through Father Chen Bookstore. Regardless of unemployment, physical or mental illness, or even long-term failure, dropout, etc., under the cultivation system of the bookstore, through the community counseling mechanism or technical and vocational education, everyone has the opportunity to be independent, which is the reason for the persistence of the Bookstore.</p>
Consumer rights	<p>1. The Company follows the “Insurance Act”, “Financial Consumer Protection Law”, Principles for Fair Treatment of Customers”, Rules for Explaining the Important Contents of Contracts and Disclosing Risk before Financial Services Industry Provides Financial Products or Services”, fully understands the relevant data of consumers before concluding contracts with consumers for providing financial products or services, so as to ensure suitable products or services provided.</p> <p>2. In order to safeguard the financial consumption rights of the disadvantaged and physically handicapped, and to provide appropriate financial-friendly service measures, the Company has set up a “Financial-Friendly Service Zone” on its official website to provide relevant operating guidelines for those consumers with visual, auditory, language, physical, and mental disorders to handle various commodity insurance, claim settlement and contract change services.</p> <p>3. In order to safeguard the rights and interests of financial consumers and enable consumers to obtain fast and satisfactory processing, the Company has a 24-hour 0800 free customer service line and a “Customer Service Center” in the official website service area to provide all-weather insurance professional services.</p> <p>4. The Company attaches importance to the management of policyholders’ appeal cases, and has set up a “Policyholder Service and Appeal Center” to handle customer appeals and regularly review the handling of appeal cases without violating the principle of fair treatment.</p> <p>5. The Company strengthens information security management and personal data protection, establishing an information security management system and a personal data protection management system based on “Plan-Execute-Check-Action”, including automatic mail audit system (MAIL AUDIT), the Company’s internal personal computer USB device and CD control, IPS, WAF security equipment and monthly rental DDoS protection services, in order to strengthen external network protection and improve information security.</p> <p>6. The Company attaches importance to the personal data security of policyholders, fully introducing the information security management system (ISMS), obtaining the information security management (ISO 27001) certification, completing the establishment of the personal information management system (PIMS), and obtaining personal data protection (BS 10012) certification.</p> <p>7. The Company implements information security exercises, improves risk control capabilities, regularly reviews the appropriateness of information security protection, and handles DDoS attacks, virus outbreaks, malware proliferation, email social engineering and other exercises to strengthen the information security mechanism. Also, the Company provides regular information security advocacy notices and employee information security education and training courses, strengthens the monitoring and management of information security equipment, and builds anti-virus and anti-hack capabilities to ensure safe and reliable computer operations.</p>

For other CSR implementation results, please refer to the Company’s official website “CSR Zone: [https://www.wwunion.com/? page\\_id=5889](https://www.wwunion.com/? page_id=5889)” and the website of the Insurance Bureau’s Public Information Observation Station.

Note 1: If Implementation Status is specified "Yes", please explain the key policies, strategies and measures taken and the current progress; if Implementation Status is specified "No," please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the Company has prepared a CSR report, Implementation Status may be completed by providing page references to the CSR report instead.

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.



**Implementation of ethical corporate management and difference between the implementation and the "Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies" and reasons thereof.**

Evaluation Item	Operation Status (Note 1)		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Establishment of ethical corporate management policies and programs	Yes		The Company has established the "Guidelines for Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct," which have been implemented upon approval of the Board of Directors through resolutions. The aforesaid regulations have specified the ethical corporate management policies and practices and stipulated that the directors, supervisors, managers, employees, and mandataries of SinoPac Holdings and persons having substantial control shall not engage in unethical conduct and shall commit themselves to the rigorous and thorough implementation of the ethical corporate management policies both in internal management and external business activities. The Company's "Policy on Ethical Corporate Management" has referred to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". The Company formulates preventive plans and measures for receiving improper benefits, political contributions, donations or sponsorships, infringement of intellectual property rights, conflicts of interest, leakage of trade secrets, insider trading, etc., analyzes and evaluates business activities with a higher risk of dishonesty on a monthly basis through the operational risk checklist.	No deviation
(I) Does the Company have policies and practices for ethical corporate management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and senior management make commitments to actively implement those business policies?	Yes			No deviation
(II) Does the Company establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	Yes			No deviation
(III) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?			The Company has established the "Procedures for Ethical Management and Guidelines for Conduct," which specify the ethical corporate management practices and prevention programs against unethical conduct, including operating procedures, guidelines, punishments for violations, a disciplinary and appeal system, and guide all employees on how to prevent unethical conduct such as offering and acceptance of improper benefits when conducting business.	

II. Fulfillment of ethical corporate management			
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	Yes	In order to confirm the objective integrity conditions of the transaction manufacturers, the Company's undertaking unit first confirms the legal compliance of the counterparty and whether there are credit deficiencies before the transaction, and establishes the integrity clause and related penalties for breach of contract depending on the nature of the contract. The manufacturers will be required to make compensations as agreed if fail to perform it.	No deviation
(II) Has the Company established an exclusively (or concurrently) dedicated unit under the BOD to implement ethical corporate management, and report to the BOD on a regular basis (at least once per year) on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information?	Yes		No deviation
	Yes	The Company's Internal Auditing Office is responsible for designing policies and preventive measures in relation to corporate integrity. It also supervises and reports to the Board of the Company regularly regarding the implementation.	No deviation
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	Yes	In order to prevent conflicts of interest, the Company has established the "Codes of Ethical Conduct", the "Procedure for Processing Matters Other Than Lending with Interested Parties" and the "Specifications for the Company and Domestic and Foreign Insurance-Related Businesses in Compliance with Regular Transactions, Conflicts of Interest Prevention, and Insider Trading Practices", and set up E-mails such as the investor service window and the special area for interested parties as statement channels.	No deviation
(IV) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks? Does the Company inspect the implementation of such auditing plans or assign CPAs to implement the auditing?	Yes	The Company has an accounting system and handles related matters in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises". The Company has established an internal audit system, a self-inspection system, a regulatory compliance system, and a risk management system in accordance with regulations to maintain an effective internal control system operation. The audit unit conducts regular inspections in accordance with the "Regulations Governing Implementation of Internal Control and Audit System of Insurance Enterprises". The Company also handles the accountant audit system in accordance with the "Regulations Governing Implementation of Internal Control and Audit System of Insurance Enterprises".	No deviation
(V) Does the Company regularly hold internal and external educational trainings on operational integrity?		The Company conducts education and training related to ethical corporate management every year to enable board members, managerial officers, and employees to understand the policies and plans of ethical corporate management and the legal consequences of violations. The education and training courses (including legal compliance, personal data protection law, anti-money laundering and counter-terrorist financing, financial service industry principles for fair treatment of customers, and ethical corporate management education and training, etc.) in 2020 totaled 7,864 participants, and the total number of training hours was 18,166 hours.	

Evaluation Item	Operation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
III. Operation of the whistle-blowing system				
(一) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	Yes		The Company has set up “Reporting Illegal Acts and Its Acceptance Measures”, and has an investor service window, and has a special area for interested parties on the Company’s official website to handle complaints and reports and other related matters.	No deviation
(二) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?	Yes		The Company has formulated “Reporting Illegal Acts and Its Acceptance Measures”, “Guidelines for Reward Reporting and Claiming Illegal Cases”, “Communication Management Measures with Stakeholders”, and “Codes of Ethical Conduct”, and shall implement standard operating procedures for processing and confidentiality mechanism accordingly.	No deviation
(三) Does the Company provide protection for whistle-blowers against receiving improper treatment?	Yes		The Company has established “Reporting Illegal Acts and Its Acceptance Measures”, “Guidelines for Reward Reporting and Claiming Illegal Cases”, “Communication Management Measures with Stakeholders”, and “Codes of Ethical Conduct”, and shall implement standard operating procedures for processing and whistleblower protection system accordingly.	No deviation
IV. Strengthen information disclosure Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	Yes		The Company discloses the “Ethical Corporate Management Best Practice Principles” and “Policy on Ethical Corporate Management” on the Company’s website and the Market Observation Post System (MOPS), and has a corporate governance column to disclose relevant information.	No deviation
V. The Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: No deviation.				
VI. Any other important information on the Company’s implementation of ethical corporate management (such as the status of its reviews and amendments of its “Ethical Corporate Management Best Practice Principles”): The Company’s Board of Directors has passed the “Report of Illegal Acts and Its Acceptance Measures”, “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles” and “Policy on Ethical Corporate Management” for compliance.				

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

**(VII) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any.**

Corporate governance B items are provided in the “Public Information” section of the Company’s official website for the general public and investors to inquire about relevant information and regulations.

The Company’s website is <http://www.wwunion.com>

**(VIII) Other information enabling better understanding of the Company's corporate governance.**

1. The Company’s material information is disclosed in a timely manner and posted on the website designated by the competent authority and the Company’s official website.
2. The Company’s Board of Directors has passed the “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Policy on Ethical Corporate Management” and “Reporting Illegal Acts and Their Acceptance Measures” for compliance.
3. In order to facilitate and encourage shareholders to participate in corporate governance and exercise shareholder rights, the Company has adopted electronic methods as one of the channels for exercising voting rights since 2016.

## **(IX) Status of Internal Control System**

### **1. Statement of Internal Control System**

## **Union Insurance Co., Ltd.**

### **Statement on Internal Control System**

Based on the self-assessment findings, Union Insurance Co., Ltd. (“the Company”) states the following with regard to its internal control system from January 1, 2020 to December 31, 2020.

- I. The Company is sure that the establishment, implementation and management of the internal control system are the responsibility of the Board of Directors and the management. The Company has established this system. Its goals are to provide reasonable assurance on the target achievement on the results of operations, financial reporting, and legal compliance. The goal of operations is to pursue results and efficiency in operations including profits, performance and guaranteeing the safety of assets, etc.; the goal of financial reporting is to ensure reliability of external financial reporting; the goal of legal compliance is to pursue compliance with relevant laws and regulations. The legal compliance system is part of the internal control system dedicated to achieving legal compliance goals. Financial records and statements are prepared in accordance with the Insurance Act and related regulations based on consistent basis of preparation and they are results of the internal control system for financial reporting.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" (hereinafter referred to as the "Regulations") promulgated by the Financial Supervisory Commission. The aforementioned judgment is also based on the items for evaluating the effectiveness of the internal control system in the "Regulations." The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring operations. Each component element also includes a number of judgment items. For the aforementioned items, please refer to the provisions of the Implementation Measures.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the above inspection results, the Company believes that the design and implementation of the internal control system (including operations, financial reporting and compliance with laws) during the period of the period are effective. In addition to the items listed in the schedule, it can reasonably ensure the Board of Directors (Council) and managers know the extent of which the operating goals have been achieved, the goals for financial reporting and compliance with the laws have been achieved; it is also believed that the financial records and statements are prepared in accordance with the insurance law and relevant regulations. The basis for the reports was consistent and the correctness was reasonable.

- VI. If it is a company that is publicly issuing shares, the following shall be added: This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act or relevant provisions of the Insurance Act.
- VII. The Statement was passed by the Company's Board of Directors (Council) on March 26, 2021.

Sincerely,

Financial Supervisory Commission

By: Union Insurance Co., Ltd.

Chairman: Chi-Hsiung Hung

General Manager: Tzu-Ming Liu

Chief Auditor: Li-Hung Wang

Chief Compliance Officer of Head Office: Ching-Hua Ke

March 26, 2021

Union Insurance Co., Ltd.  
Matters to Be Strengthened and Improvement plan for the internal control system  
(Base day: December 31, 2020)

Matters to Be Strengthened	Improvement Measures	Schedule for Completing Improvements
<p>In the insurance business missing items listed in the 2019 general business inspection report (No. 108F135) issued by the Office of Censorship, Financial Supervisory Commission, the Company has been verified the violation of the relevant laws and regulations such as the Insurance Act, and received the penalty of NT\$1.2 million and 1 correction:</p> <p>I. A complete file has not established for the transaction party of interested-party transaction.</p> <p>II. For the purchasing standards set for the processing of advertising and other procurement operations, there are deficiencies such as price comparison, evaluation (including rent reasonableness), and selection procedures, which fail to effectively evaluate and control the risks that may be derived from the contents of the contract, resulting in the inability to implement procurement risk management. The legal compliance department also failed to read the appropriateness of the contracts.</p> <p>III. For commercial fire insurance rate evaluation, the basic risk rate is determined based on the</p>	<p>For interested party not filed in the interested party database, the filing has been completed.</p> <p>The internal operating specifications have been amended to include inquiries, advertising efficiency evaluation standards and follow-up efficiency tracking mechanisms, so as to determine reasonable advertising costs.</p> <p>The fire insurance underwriting technical adjustment coefficient item “The building function is not a</p>	<p>The improvement has been completed.</p> <p>The improvement has been completed.</p> <p>The improvement has been completed.</p>

building function. However, the underwriting technical adjustment factor reduction item does not have an underwriting track for the relevant evaluation item, and only based on “The building function is not a factory”. The underwriting process is a mere formality.

factory” has been deleted; in addition, the revision of the underwriting adjustment coefficient has been strengthened in the fire insurance internal underwriting education and trainings.

Financial Supervisory  
Commission Letter Bao-Chang-  
Zi No. 10904907362 dated  
March 16, 2020



## **Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorist Financing**

On behalf of Union Insurance Co., Ltd., we hereby certify that from January 1, 2020 to December 31, 2020, the Company has actually complied with the laws and regulations regarding anti-money laundering and counter-terrorist financing, established an internal control system, implemented risk management, and an independent audit department has performed inspections and reported regularly to the Board of Directors (Council) and supervisors/Audit Committee/supervisors (Board of Supervisors). After prudent evaluation, the internal control and regulatory compliance status of all units in anti-money laundering and counter-terrorist financing this year have been effectively implemented, except for the items listed in the attached “Matters to Be Strengthened and Improvement Plan for Internal Control System for Anti-Money Laundering and Counter-Terrorist Financing”.

Sincerely,

Financial Supervisory Commission

By

Chairman:	Chi-Hsiung Hung
General Manager:	Tzu-Ming Liu
Chief Auditor/Auditor:	Li-Hung Wang
Head of Anti-Money Laundering and Counter-Terrorist Financing:	Ching-Hua Ke

March 26, 2021

Matters to Be Strengthened and Improvement Plan for Internal Control System for  
Anti-Money Laundering and Counter-Terrorist Financing  
(Base day: December 31, 2020)

Matters to Be Strengthened	Improvement Measures	Schedule for Completing Improvements
None		

**Statement on Overall Implementation of Information Security of Union  
Insurance Co., Ltd.**

On behalf of Union Insurance Co., Ltd., we hereby certify that from January 1, 2020 to December 31, 2020, Union Insurance Co., Ltd. has duly complied with Article 6 and Article 6-1 of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises", and the self-disciplinary regulations of information security established by the Non-Life Insurance Association of the Republic of China. After prudent evaluation, the overall implementation of information security for the year has been effectively implemented, except for the items listed in the attached table. If there is any hypocrisy, we are willing to take legal responsibility.

Sincerely,

Financial Supervisory Commission

By: Union Insurance Co., Ltd.

Chairman:	Chi-Hsiung Hung (Signature & Seal)
General Manager:	Tzu-Ming Liu (Signature & Seal)
Chief Auditor:	Li-Hung Wang (Signature & Seal)
Chief Information Security Officer:	Ming-Wen Kang (Signature & Seal)

March 26, 2021

**Matters to Be Strengthened and Improvement Plan for Overall Implementation of  
Information Security of Union Insurance Co., Ltd.**

(Base day: December 31, 2020)

<b>Matters to Be Strengthened</b>	<b>Improvement Measures</b>	<b>Schedule for Completing Improvements</b>
No improvements.		

2. Audit report on the internal control system audited by CPAs

**Independent Auditors' Report on the Internal Control System**

To The Board of Directors of Union Insurance Company:

We have audited the two constituent elements of the attached document submitted by Union Insurance Company, one of which was a statement on March 26, 2021 asserting that the design and implementation of its internal control system of 2020 (including the reports filed with the competent authorities as required by its internal control system relating to financial reporting) was effective, the other one was a statement asserting its regulatory compliance (i.e. conducting the tasks prescribed in Rule Letter No.0930014734 issued by the Ministry of Finance). The establishment and maintenance of an appropriate internal control system is the responsibility of the management; our responsibility is to present an audit report on the statement of the internal control system issued by Union Insurance Company based on the audit results.

We conducted the audit work in accordance with Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, Regulations Governing Foreign Investments by Insurance Companies, the Official Letter No. 0920704313 issued by the Ministry of Finance on May 5, 2003, and the Official Letter No. 0930014734 dated March 30, 2004 issued by the Ministry of Finance (which stipulated the audit scope for independent auditors performing an audit on the effectiveness of the design and implementation of the regulatory compliance system of an insurance company). The procedures include understanding and evaluating the design of the aforementioned system, testing and evaluating its implementation, and other audit procedures that we deem necessary. We, as independent auditors, believe that our audit work may be used as a reasonable basis to support our opinion.

Any internal control system has inherent constraints. Hence, it is possible that the aforementioned internal control system of Union Insurance Company may not be able to prevent or detect errors or frauds that have already taken place. In addition, future circumstances may change and the degree of compliance with the internal control system may also abate. Therefore, the fact that the internal control system is effective in this period does not mean that it will be effective in the future.

In our opinion, the statement issued by Union Insurance Company on the design and implementation of the internal control system for 2020 relating to financial reporting (including the correctness of reports filed with the competent authority as required by its internal control system relating to financial reporting) and assurance of asset security (i.e. prevent assets from unauthorized acquisition, use, or disposal), except for items listed in the Appendix Tables, is an effective statement, in that its judgment is based on items for judgment as specified in the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" and "Regulations Governing Establishment of Internal Control Systems by Public Companies" and thus is considered effective in all material aspects. In addition, the design and implementation of its regulatory compliance system (i.e. tasks prescribed in the Official Letter No. 0930014734 issued by the Ministry of Finance) are handled in accordance with relevant laws and regulations in all material aspects.

KPMG

CPA:

Li Feng-Hui

Chung Dan-Dan

March 26, 2021

**(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.**

**Penalties Imposed by Competent Authorities:**

Sequence number	Date	Approval Date and Document No.	Violated Regulation	Subject	Fine (NT\$)	Improvement
1	March 17,2020	Financial-Supervisory-Insurance-No. 10904907361 dated March 16, 2020	Paragraph 3, Article 146-7 and Paragraphs 1 & 2, Article 148-3, Insurance Act	Violation of the relevant laws and regulations including the Insurance Act while conducting insurance related business activities.	NT\$1.2 million and 1 correction	The improvement of the lack of penalty is as follows: 1. For interested party not filed in the interested party database, the filing has been completed. 2. The internal operating specifications have been amended to include inquiries, advertising efficiency evaluation standards and follow-up efficiency tracking mechanisms, so as to determine reasonable advertising costs. 3. The fire insurance underwriting technical adjustment coefficient item “The building function is not a factory” has been deleted; in addition, the revision of the underwriting adjustment coefficient has been strengthened in the fire insurance internal underwriting education and trainings.
2	January 29, 2021	Financial-Supervisory-Insurance-No. 11004903101 dated January 28, 2021	Article 7, Paragraph 1, Subparagraph 11, and Article 17 of Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises, which were established under Article 148-3, Paragraph 2 of the Insurance Act.	When running the insurance business, the Company violated some provisions of the Insurance Act.	A fine of NT\$600 thousand and an order of correction were imposed.	Improvements in the penalized deficiencies are as follows: 1. The Insurance Department has revised the underwriting procedures in accordance with the "Principles for Insurers to Insure the Disabled." 2. The Company has included the business premises addresses of insurance agents, insurance brokers, banks and their branches in a database, and checked the contact information of policyholders. 3. On a case by case basis, the Company has examined each case to determine whether it violates the “Principles for Treating Customers Fairly” or the Financial Consumer Protection Act at the complaint case review meeting; violations, if any, are recorded in the meeting minutes.

## (XI) Major Resolutions of Shareholders' Meeting and Board Meetings within the current fiscal year and as at the date of the Annual Report

### 1. Major Resolutions of Board Meetings within the current fiscal year and as at the date of the Annual Report

Meeting Date	Major Resolutions of the Board Meetings	Resolution
The 11th meeting of the 25th Board of Directors (March 20, 2020)	Discussed the Company's employee and director remuneration distribution plan 2019	After consulting with Yu-Fung Ma, independent director and acting chairman, Ping-Kai Kuo and Dong-Liang Wang, independent directors did not need to avoid, both expressed that the proposal was passed without objection.
	The Company's Business Report and financial statements 2019	After the Chairman consulted all the directors present, the proposal was passed without objection.
	The Company's distribution of earnings for 2019	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Proposed to issue new shares by capital increase from surplus	After the Chairman consulted all the directors present, the proposal was passed without objection.
	The date, time, place, meeting procedures, content of the main proposals and other related matters of the 2020 regular shareholders' meeting.	After the Chairman consulted all the directors present, the proposal was passed without objection.
The 12th meeting of the 25th Board of Directors (April 28, 2020)	Amended certain provisions of the Articles of Incorporation	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Amended certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings"	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Amended certain provisions of the Company's "Rules for the Election of Directors"	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Proposed to buy Want Want China Holdings' shares from the open market at a limit price	After the Chairman consulted all the directors present, the proposal was passed without objection.
The 14th meeting of the 25th Board of Directors (June 24, 2020)	Set the ex-dividend schedule and related matters for the Company's cash dividend distribution 2020	After the Chairman consulted all the directors present, the proposal was passed without objection.
The 16th Meeting of the 25th Board of Directors (August 24, 2020)	Set the base date and related matters for the capital increase in the issuance of new shares for the 2020 surplus capital increase	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Consolidated and parent company only financial reports for the first half of 2020	After the Chairman consulted all the directors present, the proposal was passed without objection.
The 23rd Meeting of the 25th Board of Directors (March 26, 2021)	The Company's distribution of remuneration for employees and directors for 2020	After consulting with Yu-Fung Ma, independent director and acting chairman, Ping-Kai Kuo and Dong-Liang Wang, independent directors did not need to avoid, both expressed that the proposal was passed without objection.
	Business Report and Financial Statements 2020	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Earnings Distribution Plan 2020	After the Chairman consulted all the directors present, the proposal was passed without objection.
	The date, time, place, meeting procedures, content of the main proposals and other related matters of 2021 regular shareholders' meeting	After the Chairman consulted all the directors present, the proposal was passed without objection.
	Amended certain provisions of the Company's Articles of Incorporation	After the Chairman consulted all the directors present, the proposal was passed without objection.

### 2. Major Resolutions at the Regular Shareholders' Meeting 2020 and the implementation thereof

Meeting Date	Major resolutions of the shareholders' meeting	Implementation Status
2020.6.24	1 Approved Business Report and Financial Statements 2019	It has been announced and submitted to the competent authority in accordance with the law for record-keeping.



2	Approved the distribution of earnings for 2019.	The earnings distribution plan has been announced in accordance with the law. Distribution of cash dividends on common stocks: NT\$0.88 per share, a total of NT\$187,404,800. The cash dividend payment date for common stocks is July 31, 2020.
3	Approved the proposal on the issuance of new shares by capital increase from surplus.	The ex-rights base date is September 18, 2020. After the capital increase, the total paid-in capital is NT\$2,236,080,000 with 223,608,000 shares. The new shares were issued on November 3, 2020.
4	Approved the amendment to some provisions of the Company's Articles of Incorporation	It is handled in accordance with the resolution, and the registration change was approved by the Ministry of Economic Affairs, the competent authority, on July 27, 2020.
5	Approved amendments to certain provisions of the Company's "Rules for the Election of Directors"	Handle in accordance with the contents of the resolution and apply to the next shareholders' meeting.
6	Approved amendments to the Company's "Rules of Procedure for Shareholders' Meetings"	Handle in accordance with the contents of the resolution and apply to the next shareholders' meeting.

**(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None**

**(XIII) A summary of resignations and dismissals of the Company's chairperson, General Manager, accounting manager, financial manager, chief internal auditor, or research and development officer during the most recent fiscal year and up to the date of publication of the Annual Report:**

General Manager Ling-Fan Kung retired on February 23, 2018, and the Board of Directors approved Deputy General Manager Zi-Ming Liu as the General Manager on February 27, 2018. This proposal has been approved by the competent authority to take effect.

## V. Information on Audit Fees

Name of CPA Firm	Name of CPA		Audit Period	Note
KPMG	Li Feng-Hui	Chung Dan-Dan	2020.01.01- 2020.12.31	None

Note: If there has been a change of certified public accountants or independent public accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor auditor and successor auditor as well as the reasons for change of auditors in the commentary column.

Range	Category of Fees	Audit Fees	Non-audit Fees	Total
1	Under NT\$2,000,000		V	V
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand			
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand	V		V
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand			
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand			
6	NT\$10,000 thousand (inclusive) and above			

1. Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm and/or its affiliates account for 25% or more of the audit fees: None.
2. Disclosure of the amount, percentage and reasons of decrease in audit fees where there has been a change of accounting firm and the audit fees are lower than the previous fiscal year: None.
3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: None.

## Information on Audit Fees

Unit: NTD Thousands

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees				Subtotal	Audit Period	Note
			System Design	Company Registration	Human Resources	Other (Note 2)			
KPMG	Chih Chang			160				2020.01.01-2020.12.31	
	Li Feng-Hui	4,350	-		-	-	-		
	Chung Dan-Dan								

Note 1: If there has been a change of CPAs or accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor CPAs or accounting firm and successor CPAs or accounting firm as well as the reasons for change thereof in the commentary column, and disclose the audit and non-audit public fees paid in order.

Note 2: The non-audit fees shall be listed according to the non-audit services. If the "other" non-audit fees are 25% or more of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column.

## VI. Information on Replacement of CPAs

### (I) Former CPAs

Date of Replacement	None		
Replacement Reasons and Explanations			
Explain the client or CPAs	Situation/Party	CPA	Client
Termination or non-acceptance of appointment	Termination by the Company		
	No longer accept (continue) appointment		
Opinions and reasons for the inspection report other than unqualified opinions issued in the last two years	None		
Deviation from the insurance industry	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
	None	v	Others
	Explanation		
Other Revealed Matters (Those that shall be disclosed in accordance with Item 1-4, Paragraph 2, Article 24 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises)	None		

### (II) Successor CPAs:

Name of CPA Firm	None
Name of CPA	
Date of Appointment	
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	
Succeeding CPA's written opinion of disagreement toward the former CPA	

### (III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines.

The Company shall submit the matters stipulated in Items 1 and 2-3 in the preceding paragraph to the former CPAs in writing, and notify the former CPAs to respond via writing within ten days if the former CPAs hold different opinions. The Company shall disclose the former CPA's written response: None.

**VII. Information About Chairman, General Manager, and Financial or Accounting Manager of the Company Who Has Worked with the CPA Firm Which Conducts the Audit of the Company or Affiliate to Said Firm in the Most Recent Year: None**

**VIII. Change in shareholdings and in shares pledged by directors, management, and shareholders holding more than a 10% share in the Company:**

**Share changes by directors, supervisors, managerial officers, and major shareholders**

Unit: Share

Position	Name	2020		The current year ended April 30, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major shareholders holding 10% or more	TSAI HO WANT ENTERPRISES CO., LTD. (Note 3)	29,191,946	-	-	-
Major shareholders holding 10% or more	Wang Chia Enterprise Co., Ltd. (Note 3)	27,711,148	-	-	-
Corporate Director	Want Want Co., Ltd.	2,223,330	-	-	-
Director & General Manager	Zi-Ming Liu	298	-	-	-
Chief Auditor	Li-Hung Wang	514	-	-	-
Assistant Vice President	Tai-Lung Chen	5,000	-	-	-
Assistant Vice President	Min-Chin Wang (Note 4)	36	-	-	-
Assistant Vice President	Jui-Lin Hsu	1,050	-	-	-
Assistant Vice President	Yu-Cheng Lo	614	-	-	-
Manager	Pi-Tu Wu	288	-	-	-
Manager	Chin-Fang Lai	310	-	-	-

Note 1: It is based on the incumbency data on December 31, 2020.

Note 2: On June 24, 2020, the regular shareholders' meeting resolved to transfer surplus to capital increase of NTS 106,480,000.

Note 3: The shareholding exceeded 10% on February 11, 2020.

Note 4: Resigned on April 1, 2021.

### Information about Equity Transfer

Unit: NT\$, Share

Name	Reason for Equity Transfer	Trading Date	Trading Counterpart	Relationship between trading counterpart and the Company, directors, supervisors, manager and shareholders who hold more than 10% of the Company's shares	Number of Shares	Trading Price
TSAI HO WANT ENTERPRISES CO., LTD.	Acquisition	2020.02.11	Yen-Ming Tsai	Ultimate controller	26,812,819	20.4
			British Virgin Islands Merchant Sea-Land Logistics Solutions Co., Ltd. Taiwan Branch, British Virgin Islands Merchant Capital Management Co., Ltd. Taiwan Branch	Substantial related party		
Wang Chia Enterprise Co., Ltd.	Acquisition	2020.02.11	Want Want Construction Co., Ltd., British Virgin Islands Commercial Addis, Taiwan Branch, British Virgin Islands Commercial Park Plaza Co., Ltd. Taiwan Branch.	Substantial related party	25,402,535	20.4

Note 1: Please specify the names of directors, supervisors, managerial officers, and shareholders who hold more than 10% of the Company's shares.

Note 2: Please specify acquisition or disposal.

### Equity pledge information: The Company's equity pledge transactions are relative to per capita financial institutions, and there is no pledge of equity as of December 31, 2020.

Name	Reasons for pledging shares changed	Date of Change	Trading Counterpart	Relationship between trading counterpart and the Company, directors, supervisors, manager and shareholders who hold more than 10% of the Company's shares	Number of Shares	Shareholding Ratio	Ratio of Pledge	Pledged (Redeemed) Amount
None	-				-	-%	-%	-

## IX. Relationship information, if among the Company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another

### Relationships among the company's ten largest shareholders

April 19, 2021 (the number of shares held in the register of shareholders on the closing date); Unit:

share, %

NAME	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEES		INFORMATION ON TOP 10 SHAREHOLDERS IN PROPORTION OF SHAREHOLDINGS, WHO ARE RELATED TO ONE ANOTHER, OR ARE KIN AT THE SECOND TIER RELATED TO ONE ANOTHER, THEIR NAMES AND RELATIONSHIP (NOTE 4)		NOTE
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Designation (or Name)	Relationship	
Want Want Co., Ltd.	46,689,943	20.88	0	0	0	0	1. Yen-Ming Tsai, director of Tsai Ho Want/Wang Chia 2. Yu-Man Peng, director of Tsai Ho Want 3. Cheng-Chiang Tsai, supervisor of Tsai Ho Want	1. Same person as the Company's director 2. Same person as the Company's director 3. Same person as the Company's supervisor	
Yu-Sheng Li (Representative of WANT WANT CO., LTD.)	0	0	0	0	0	0	None	None	
TSAI HO WANT ENTERPRISES CO., LTD.	49,961,671	22.34	0	0	0	0	1. Yu-Man Peng, director of Want Want Co., Ltd. 2. Chung-Chung Tsai, director of Wang Chia 3. Yen-Ming Tsai, director of Wang Chia/Want Want Co., Ltd. 4. Cheng-Chiang Tsai, supervisor of Want Want Co., Ltd.	1. Same person as the Company's director 2. Same person as the Company's director 3. Same person as the Company's director 4. Same person as the Company's supervisor	
Yu-Man Peng (Representative of TSAI HO WANT ENTERPRISES CO., LTD.)	0	0	0	0	0	0	Want Want Co., Ltd.	Director	
Wang Chia Enterprise Co., Ltd.	48,480,873	21.68	0	0	0	0	1. Chung-Chung Tsai, director of Tsai Ho Want 2. Yen-Ming Tsai, director of Tsai Ho Want/Want Want Co., Ltd.	1. Same person as the Company's director 2. Same person as the Company's director	
Chung-Chung Tsai (Representative of Wang Chia Enterprise Co., Ltd.)	0	0	0	0	0	0	TSAI HO WANT ENTERPRISES CO., LTD.	Director	
H.Y. TSAI CO., LTD.	3,743,478	1.67	0	0	0	0	1. Yen-Jung Tsai, Shao-Jen Tsai, directors of Shao Yuan 2. Mei-Hsiu Tseng, supervisor of Shao Yuan	1. Same person as the Company's director 2. Same person as the Company's supervisor	
Yen-Jung Tsai (Representative of H.Y. TSAI CO., LTD.)	0	0	0	0	0	0	Shao Yuan Co., Ltd.	Director	
Shao Yuan Co., Ltd.	1,256,972	0.56	0	0	0	0	1. Yen-Jung Tsai, Shao-Jen Tsai, directors of H.Y. TSAI 2. Mei-Hsiu Tseng, supervisor of H.Y. TSAI	1. Same person as the Company's director 2. Same person as the Company's supervisor	
Yen-Jung Tsai (Representative of Shao Yuan Co., Ltd.)	0	0	0	0	0	0	H.Y. TSAI CO., LTD.	Director	
TAINET COMMUNICATION SYSTEM CORP.	5,207,850	2.33	0	0	0	0	None	None	
Huasheng International Investment Co., Ltd. (Representative of TAINET COMMUNICATION SYSTEM CORP.)	0	0	0	0	0	0	None	None	
Chien-Hsiung Li	2,434,746	1.09	0	0	0	0	None	None	
Che-Chih Chen	1,070,000	0.48	0	0	0	0	None	None	
Yen-Tung He	994,400	0.44	0	0	0	0	None	None	
Wen-Yu Cheng	985,124	0.44	0	0	0	0	Wen-Yu Cheng	Second-degree relatives	
Wen-Chi Cheng	985,124	0.44	0	0	0	0	Wen-Yu Cheng	Second-degree relatives	

Note 1: Number of shares held by the top 10 shareholders at the close of business on the book closure date.

Note 2: The top ten shareholders' names shall be identified separately. In the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately.

Note 3: The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 4: Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed.

**X. The number of shares held by the investment business, and combined to calculate the comprehensive shareholding ratio**

**Total equity stake held**

December 31, 2020 Unit: Share; %

Investee business (Note: The Company's long-term investments)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
			-	-	-	-

Note: The Company passed the resolution of the Board of Directors on December 30, 2019 to sell all the shares of its subsidiary, China Property Insurance (Thai) Public Co., Ltd., and the equity transfer was completed in January 2020.

## Chapter 4 Capital Overview

### I. Source of Capital

Unit: Share; NT\$

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1963.01	NTD 10	1,500,000	15,000,000	1,500,000	15,000,000	Company establishment, cash capital increase	None	
2004.08	NTD 10	623,631,981	6,236,319,810	623,631,981	6,236,319,810	Capital increase by retained earnings NT\$299,034,800 Capital increase by capital reserve NT\$216,542,440	None	Note 1
2004.11	NTD 10	623,631,981	6,236,319,810	567,134,981	5,671,349,810	Capital reduction by treasury stock NT\$564,970,000	None	Note 2
2005.08	NTD 10	623,631,981	6,236,319,810	606,834,430	6,068,344,300	Capital increase by retained earnings NT\$170,140,500 Capital increase by capital reserve NT\$226,853,990	None	Note 3
2006.12	NTD 10	623,631,981	6,236,319,810	587,054,430	5,870,544,300	Capital reduction by treasury stock NT\$197,800,000	None	Note 4
2007.08	NTD 10	623,631,981	6,236,319,810	50,000,000	500,000,000	Capital reduction NT\$5,370,544,300	None	Note 5
2007.08	NTD 10	623,631,981	6,236,319,810	200,000,000	2,000,000,000	Private offering NT\$1,500,000,000	None	Note 6
2008.10	NT\$8.27	623,631,981	6,236,319,810	260,459,493	2,604,594,930	Private offering NT\$604,594,930	None	Note 7
2009.08	NTD 10	623,631,981	6,236,319,810	200,000,000	2,000,000,000	Capital reduction NT\$604,594,930	None	Note 8
2009.08	NT\$25	623,631,981	6,236,319,810	220,000,000	2,200,000,000	Private offering NT\$200,000,000	None	Note 9
2010.03	NT\$22.5	623,631,981	6,236,319,810	260,000,000	2,600,000,000	Capital increase by cash NT\$400,000,000	None	Note 10
2012.08	NTD 10	623,631,981	6,236,319,810	200,000,000	2,000,000,000	Capital reduction NT\$600,000,000	None	Note 11
2014.09	NTD 10	623,631,981	6,236,319,810	212,960,000	2,129,600,000	Capital increase by retained earning NT\$129,600,000	None	Note 12
2020.09	NTD 10	623,631,981	6,236,319,810	223,608,000	2,236,080,000	Capital increase by retained earning NT\$106,480,000	None	Note 13

Note 1: Approved by Letter No. (2004) Financial-Supervisory-Securities-I-0930130468 dated July 9, 2004. Note 2: Approved by Letter No. (2004) Financial-Supervisory-Securities-III-0930143632 dated October 12, 2004.

Note 3: Approved by Letter No. (2005) Financial-Supervisory-Securities-I-0940127016 dated July 12, 2005. Note 4: Approved by Letter No. (2005) Financial-Supervisory-Securities-III-0950150157 dated October 30, 2006.

Note 5: Approved by Letter No. (2007) Financial-Supervisory-Securities-I-0960037255 dated August 17, 2007. Note 6: Approved by Letter No. (2007) Financial-Supervisory-Insurance-I-09602102650 dated August 16, 2007.

Note 7: Approved by Letter No. (2008) Financial-Supervisory-Insurance-I-09702190860 dated October 28, 2008. Note 8: Agreed to reduce capital by Letter No. (2009) Financial-Supervisory-Securities-Corporate-0980037873 dated August 4, 2009.

Note 9: Agreed to increase capital by Letter No. (2009) Financial-Supervisory-Insurance-Corporate-09802136860 dated July 28, 2009.

Note 10: Agreed to handle by Letter No. (2010) Financial-Supervisory-Insurance-Corporate-0980069513 dated January 19, 2010.

Note 11: Agreed to increase capital by Letter No. (2012) Financial-Supervisory-Securities-Corporate-1010031788 dated July 24, 2012.

Note 12: Agreed to increase capital by Letter No. (2014) Financial-Supervisory-Securities-Corporate-No. 1030030149 dated August 15, 2014.

Note 13: Declared effective by the Financial Supervisory Commission on August 14, 2020.

Note 14: The Company's paid-in capital is NT\$2,236,080,000 as of April 30, 2021.

April 30, 2021

Share Type	Authorized Capital			Note
	Outstanding Shares (Issued)	Unissued Shares	Total	
Common stock	223,608,000 shares	400,023,981 shares	623,631,981 shares	None

Note: Please specify whether the stock refers to TWSE or GTSM stock (the stock forbidden from being traded in TWSE or GTSM, if any, shall be identified).

### Information on Shelf Registration System

Type of Securities	Securities to be issued		Quantity of Issued Shares		Purpose and Expected Benefit of Issued Shares	Period in Which Unissued Shares to be Issued	Note
	Total Quantity	Approved Amount	Number of Shares	Price			
None							

### Shareholder structure

April 19, 2021

(Number of Shares Held at the Close of Business on the Book Closure Date)

Shareholder structure Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	0	52	13,648	39	13,739
Shares Held	0	0	157,922,561	62,553,564	3,131,875	223,608,000
Percentage of Ownership	0%	0%	70.62%	27.98%	1.40%	100%

Note: The first TWSE/TPEX listed or emerging market companies shall disclose the proportions of their shares in Mainland Chinese investors; Mainland Chinese investors refer to the people, legal persons, groups, other institutions from Mainland Area or their organizations investing in third areas, as defined in Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area. (None)

## II. Diversification of shareholding

NT\$10 per share

April 19, 2021

(Number of Shares Held at the Close of Business on the Book Closure Date)

Range of Shares	Number of Shareholders	Shares Held	Shareholding Ratio (%)
1~999	8,640	1,679,045	0.75
1,000~5,000	3,470	7,265,693	3.23
5,001~10,000	705	5,148,501	2.30
10,001~15,000	282	3,375,032	1.51
15,001~20,000	138	2,485,730	1.11
20,001~30,000	161	3,996,481	1.79
30,001~50,000	124	4,850,900	2.17
50,001~100,000	109	7,615,671	3.41
100,001~200,000	56	7,910,174	3.54
200,001~400,000	21	5,785,135	2.59
400,001~600,000	18	8,824,157	3.95
600,001~800,000	3	1,878,757	0.84
800,001~1,000,000	4	3,947,191	1.77
Over 1,000,001	8	158,845,533	71.04
Total	13,739	223,608,000	100.00

Note: Preferred shares: None.



### III. List of Major Shareholders

April 30, 2021

Name of Major Shareholders	Shareholding	Shares Held	Shareholding Ratio (%)
Want Want Co., Ltd.		46,689,943	20.88%
TSAI HO WANT ENTERPRISES CO., LTD.		49,961,671	22.34%
Wang Chia Enterprise Co., Ltd.		48,480,873	21.68%
H. Y. TSAI CO., LTD.		3,743,478	1.67%
Shao Yuan Co., Ltd.		1,256,972	0.56%

### IV. Market price, net value, earnings, dividends per share and related information in the most recent two years

Item	Year	2019	2020	As of March 31, 2021 (Note 8)	
Market Price Per Share (Note 1)	Highest	22.70	22.90	22.20	
	Lowest	19.00	15.60	19.60	
	Average	20.02	19.49	20.55	
Net Worth per Share (Note 2)	Before distribution	25.44	26.15	(Note 10)	
	After distribution	23.39	(Note 9)	(Note 10)	
Earnings (losses) per share (Note 3)	Weighted Average Shares (thousand shares)	223,608	223,608	223,608	
	Earnings (loss) per share (before retrospective adjustment)	3.30	3.14	0.95	
	Earnings (loss) per share (after retrospective adjustment)	3.15	3.14	(Note 10)	
Dividends Per Share	Cash dividends	0.88	(Note 9)	(Note 10)	
	Stock grants	Stock dividends appropriated from earnings	0.50	(Note 9)	(Note 10)
		Stock dividends appropriated from capital surplus	-	(Note 9)	-
	Accrued Unpaid Dividends (Note 4)	-	-	-	
Return on Investment	P/E Ratio (Note 5)	6.36	6.21	(Note 10)	
	Price/Dividend Ratio (Note 6)	22.75	(Note 9)	(Note 10)	
	Cash Dividend Yield (Note 7)	4.40%	(Note 9)	(Note 10)	

**\* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.**

Note 1: Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please fill out the figures according to the number of outstanding shares at the end of the fiscal year and the resolution regarding distribution by the shareholders' meeting the following year.

Note 3: Please fill out basic and diluted earnings per share if retroactive adjustment is necessary due to stock dividend payout.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

Note 9: The Company's 2020 earnings distribution proposal has been approved by the Board of Directors and is still under the resolution of the shareholders' meeting.

Note 10: Not applicable for the first quarter of 2021.

## V. The Company's Dividend Policy and Implementation

### (I) Dividend Policy:

1. The If there are earnings, the Company shall first pay the tax, make up the losses in previous years and set aside a legal capital reserve at 20% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve or reversal special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. After that, the Company may delegate the Board of Directors, depending on the operating circumstance, to allocate a certain portion of retained earnings as a reserve, then the remaining balance plus unappropriated retained earnings in previous years shall be calculated in an Earnings Distribution report and submitted to the shareholders' meeting for approval.

The Board of Directors is delegated to make reasonable remuneration for the Independent Directors whose remuneration shall not be included in the Company's earnings distribution.

The Company is in the property insurance industry. Therefore, the Company must develop its business by complying with government policies and meeting the capital adequacy ratio, and by strengthening the Company's underwriting capacity and solvency. The Company's dividend distribution policy shall be subject to the current and future investment environment, capital needs, market competition, and capital budgeting of the Company, so as to take care of shareholders' interest, dividend equalization, and long-term financial planning of the Company. The Board of Directors shall prepare an Earnings Distribution Proposal every year according to law. The distribution of earnings may be distributed in cash dividends or stock dividends. However, the ratio of cash dividends shall not be less than 10% of the total dividends, except in the event that cash dividends are less than NT\$0.1 per share, in which case stock dividends may be distributed instead.

2. Concrete and explicit dividend policy:

Distribution of dividends over the years:

Year	Cash dividends	Stock dividends	Cash dividend distribution date
2013		0.648	-
2014	1.165	-	2015.08.04
2015	0.1	-	2016.08.17
2016	-	-	-
2017	0.7	-	2018.8.17
2018	0.9	-	2019.9.27
2019	0.88	0.5	2020.7.31
2020	0.8	-	To be determined

The Company's Articles of Incorporation does not specify a fixed dividend distribution rate, because such a rate shall be subject to adjustment based on various considerations, such as having to strengthen the Company's underwriting capacity and solvency, having to take care of the long-term financial planning that involves capital needs in a future investment environment, and having to properly meet shareholders' demands for cash inflow. In addition, the distribution rate shall be determined by a resolution of the Shareholders' Meeting.

Dividend distribution for the next three years is expected to be no less than 30% of the distributable earnings generated at that year, which is arrived at by subtracting the annual earnings from payment for tax and duties, payment made to offset previous deficits, and allocation of legal reserves, special reserves, and remuneration for directors and employees; in principle, cash dividends distributed shall not be less than 10% of total dividends distributed.

**(II) The Company's proposed dividend distribution at the shareholders' meeting:**

On March 26, 2021, the Company's Board of Directors passed a resolution of NT\$463,145,925 in the 2020 available surplus to distribute shareholders' cash dividends of NT\$178,886,400. Calculated based on the actual number of outstanding shares of the Company on December 31, 2020, the allotted cash dividend per share is NT\$0.8, which is still under the resolution of the shareholders' meeting.

**(III) Please specify any material changes in the expected dividend policy: None**

**VI. Impact of the Stock Grants Proposed by the Shareholders' Meeting on the Company's Operating Performance, Earnings per Share and Return on Investment: The Company does not require public financial forecasts for 2021, so it is not applicable.**

**VII. Compensation to directors and employees:**

**(I) The percentage or range of the remuneration of employees and directors stated in the Articles of Incorporation:**

In accordance with the Company's Articles of Incorporation: If the Company makes a profit during the year, 1% to 5% shall be allocated for employee remuneration, and no more than 5% for directors' remuneration. However, if there are still accumulated losses, certain profits shall first be allocated to make up for accumulated losses, then the remaining balance shall be made available to allocate any bonuses or compensations.

Employee compensations shall be distributed in stocks or in cash and delegate the Board of Director to determine it each year within the scope of provisions.

The compensation distribution of employee and directors shall be performed by the board of directors with a resolution of more than two-thirds of the directors present and a majority of the directors' attendance, and report to the shareholders' meeting.

**(II) The estimated basis for the estimated amount of compensation for employees and directors, the calculation basis for the number of shares allocated for the compensation of stocks, and the accounting treatment if the actual allotted amount differs from the estimated amount:**

The amount of remuneration for employees and directors of the Company in 2020 is estimated based on the number of distributions stipulated in the Company's Articles of Incorporation. If there is a difference between the actual distribution amount and the estimated amount, it will be recognized as the 2020 profit and loss according to the accounting estimate change processing principle.

**(III) Information on the proposed distribution of employees and directors' compensation approved by the Board of Directors:**

Distribution items	Estimated amount of the recognized expenses in the year.	Number of board resolutions	Difference handling situation
Director compensation - Cash	6,500,000	6,500,000	No deviation
Employee compensation - Cash	28,500,000	28,500,000	No deviation
Employee compensation - Stock	None	None	No deviation

**(IV) The actual allocation of employee bonus and remuneration to directors in the previous year (including the number, amount and stock price of allocated shares), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment thereof:**

The Company's distribution of employee remuneration-cash of NT\$28,000,000 and directors' remuneration-cash of NT\$6,000,000 in 2019, there is no difference with the amount recognized in 2019.

- VIII. The Company's repurchase of shares: None.**
- IX. Corporate Bonds: None.**
- X. Preferred Shares: None.**
- XI. Global Depository Receipts (GDRs): None.**
- XII. Employee Stock Options: None.**
- XIII. Employee Restricted Stock: None.**
- XIV. The names of the managers and top ten employees who obtained the employee stock option certificates, and the status acquisition and subscription: None.**
- XV. The names of the managers and top ten employees who obtained the new restricted employees' right shares, and the acquisition status: None.**
- XVI. Status of Mergers and Acquisitions: None.**
- XVII. Status of Financing Plans and Implementation: None.**

## Chapter 5 Operational Overview

### I. Business Activities

#### (I) Business Scope

##### 1. Contents of Major Business:

The Company and its subsidiaries belong to the property insurance industry, and are engaged in various property insurance and sales and services approved by the competent authority. The main types of insurance are as follows:

- (1) Fire insurance: Residential fire insurance, residential earthquake insurance, commercial fire insurance, commercial earthquake insurance, typhoon and flood insurance.
- (2) Transportation insurance: Cargo insurance, hull insurance, fishing vessel insurance, aviation insurance, cargo carrier liability insurance, and maritime contractor liability insurance.
- (3) Motor insurance: Arbitrary car body damage insurance, arbitrary motor liability insurance, compulsory motor liability insurance, and compulsory motorcycle liability insurance.
- (4) Engineering insurance: Construction comprehensive insurance, installation engineering insurance, construction machinery insurance, boiler insurance, machinery insurance, and electronic equipment insurance.
- (5) Liability insurance: General liability insurance, professional liability insurance, guarantee insurance, personal comprehensive insurance, commercial comprehensive insurance, and other property insurance.
- (6) Accident insurance: Group accident insurance, personal accident insurance, travel safety insurance, micro insurance.
- (7) Health insurance: Group medical insurance, personal medical insurance.

##### 2. Weight of lines of business

Unit: NT\$ thousands/ %

Item	Written premiums	Proportion of written premium business%
Fire insurance	1,342,576	12.62%
Marine insurance	247,025	2.32%
Aviation insurance	102,940	0.97%
Liability insurance	2,936,834	27.60%
Guarantee insurance	20,552	0.19%
Other property insurance	3,688,467	34.66%
Accident insurance	1,007,916	9.47%
Health insurance	27,107	0.25%
Compulsory automobile liability insurance	1,268,744	11.92%
<b>Total</b>	<b>10,642,161</b>	<b>100.00%</b>

##### 3. The Company's current products (services):

Union Voluntary Motor Major Accident Insurance  
 Union Voluntary Motor Physical Damage Insurance – Type 乙  
 Union Voluntary Motor Third Party Liability Insurance  
 Union Voluntary Motor Physical Damage Insurance – Type 甲  
 Union Passengers Liability Insurance for Commercial Bus Industry

Union Voluntary Motor Physical Damage Insurance – Type 丙  
 Union Voluntary Motor Theft Insurance for Limited Sum Insured Amount  
 Union Voluntary Motor Theft Insurance  
 Union Voluntary Motor Employers Liability Insurance  
 Union Voluntary Motor Travelers Liability Insurance  
 Union Voluntary Motor Carriers Liability Insurance  
 Union Motor Comprehensive Insurance for Car Dealers  
 Union Motor Comprehensive Insurance for Testing Drive of Car Dealers  
 Union Voluntary Motor Physical Damage Insurance for Fire Accident  
 Union Voluntary Motor Compensation Insurance for Natural Disasters  
 Union Voluntary Motor Insurance for Courtesy Purpose  
 Union Voluntary Motor Car-to-Car Collision Insurance for Non-Commercial Purpose  
 Union Voluntary Motor Window Glass Insurance  
 Union Driver's Liability Insurance for Non-Commercial Purpose  
 Union Comprehensive Voluntary Motor Third Party Liability Insurance  
 Union Compulsory Motor Liability Insurance  
 Union Compulsory Motorcycle Liability Insurance  
 Union Motor Third Party Liability Insurance for Taxi  
 Union Motor Third Party Liability Insurance for Commercial Bus Industry  
 Union Motor Passenger Liability Insurance for Commercial Bus Industry  
 Union Motor Driver Injury Insurance-For Business  
 Union Motorcycle Comprehensive Insurance for Third Party  
 Union Motor Bodily Injury Liability Insurance for Passengers  
 Union Voluntary Motor Third Party Liability Insurance for Non-Commercial Purpose – Combined Single Limit type  
 Union Residential Earthquake Total Loss Insurance  
 Union Commercial Fire Insurance  
 Union Residential Tangible Personal Property Fire and Theft Insurance  
 Union Residential Fire and Basic Earthquake Insurance  
 Union Comprehensive Commercial Fire Insurance for Commercial Purpose  
 Union Want-Want Comprehensive Residential Miscellany Insurance  
 Union Comprehensive Insurance  
 Union Comprehensive Residential Miscellany Insurance  
 Union Comprehensive Shop Insurance  
 Union Comprehensive Homeowner Insurance Basic Terms and Conditions  
 Union Comprehensive Homeowner Insurance  
 Union Carriers' Liability Insurance – Type 甲  
 Union Carriers' Liability Insurance – Type 乙  
 Union Freight Forwarders' Liability Insurance  
 Union Insurance Institute Cargo Clauses (A)  
 Union Insurance Institute Cargo Clauses (B)  
 Union Insurance Institute Cargo Clauses ©  
 Union Insurance Institute Cargo Clauses (Air Cargo)  
 Union Insurance Institute Air Cargo Clauses ©  
 Union Insurance Institute Cargo Clauses (All Risks)  
 Union Insurance Institute Cargo Clauses (W.A)  
 Union Insurance Institute Cargo Clauses (F.P.A.)  
 Union Insurance Postal Parcel Insurance – All Risks  
 Union Insurance Institute Frozen Food Clauses (A)  
 UNION INSURANCE INSTITUTE FOSFA TRADES CLAUSES ( C )  
 Union Insurance Institute Frozen Meat Clauses (A) – 24 Hours Breakdown  
 Union Insurance Institute Cargo Clauses (A) 2009  
 Union Insurance Institute Cargo Clauses (Air)(excluding sendings by Post) 2009  
 Union Insurance Hull Insurance Institute Time Clauses - Hulls (1/10/83).  
 Union Insurance Air Cargo Forwarders' Liability Insurance  
 Union Insurance Inland Cargo Insurance Terms and Condition – Type 甲  
 Union Insurance Inland Cargo Insurance Terms and Condition – Type 乙  
 Union Insurance Fishing Vessels Insurance  
 Union Insurance Yacht Insurance  
 Union Insurance Fishing Vessels Employers Liability Insurance  
 Union Insurance Fishing Vessels Insurance for Recreational Purpose  
 Union Insurance Aviation Hull and Liability Insurance  
 Union Insurance-Shiprepairer's Liability Clauses (1/1/90)  
 Union Insurance - ROC AVIATION COMPANY, LIMITED AVIATION HULL "ALL RISKS" AND LIABILITY INSURANCE/ PASSENGER AND CREW PERSONAL ACCIDENT INSURANCE  
 Union Insurance - INSTITUTE YACHT CLAUSES  
 Union Insurance - EMERALD PACIFIC AIRLINES AVIATION HULL (INCLUDING SPARES AND EQUIPMENT) AND LIABILITY INSURANCE PASSENGER AND CREW PERSONAL ACCIDENT INSURANCE

Union Insurance - DAILY AIR CORPORATION AVIATION HULL AND SPARES ALL RISKS AND LIABILITY INSURANCE HULL AND SPARES WAR AND ALLIED PERILS INSURANCE PASSENGER AND CREW PERSONAL ACCIDENT INSURANCE  
 Union Insurance Stock Throughput Insurance Open Cover (A001)  
 Union Insurance Operator's Liability Insurance  
 Union Institute Air Cargo Clauses(All Risks)(excluding sendings by post)  
 Union Insurance Marine Cargo Insurance Open Cover(A002)  
 Union Insurance Shipowner's Liability Insurance  
 Union Insurance Stock Throughput Insurance Open Cover (A002)  
 Union Insurance Marine Cargo Container/Carriage Equipment Coverage Policy (A001)  
 Union Insurance - MS AMLIN ASIA PACIFIC PTE LTD POLICY CONDITION  
 Union Insurance - AMERICAN YACHT FORM R12  
 Union Insurance Institute Cargo Clauses (B) 2009  
 Union Insurance Institute Cargo Clauses (C) 2009  
 Union Insurance Stock Throughput Insurance Open Cover (A003)  
 Union Insurance - TP AVIATION INTERNATIONAL CO., LTD AVIATION HULL AND SPARES ALL RISKS, HULL WAR RISKS, PREMISES, HANGARKEEPERS AND PRODUCTS LIABILITY, THIRD PARTY AND PASSENGER LIABILITY AND PERSONAL ACCIDENT (AIR TRAVEL ONLY) INSURANCE  
 Union Insurance Marine Cargo Container/Carriage Equipment Coverage Policy(A002)  
 Union Insurance Stock Throughput Insurance Open Cover (A004)  
 Union Comprehensive Event Sponsor Liability Insurance  
 Union Directors and Officers Liability Insurance  
 Union Comprehensive Jeweler's Block Insurance  
 Union Comprehensive Credit Card Insurance  
 Union Group Personal Accident Insurance  
 Union Comprehensive Travel Personal Accident Insurance  
 Union Comprehensive Travel Insurance  
 Union Accounts Receivable Credit Insurance (Export Credit)  
 Union MRT Passenger's Liability Insurance  
 Union Payment Bond  
 Union Bid Bond  
 Union Maintenance Bond  
 Union Retention  
 Union Advance Payment Bond  
 Union Performance Bond  
 Union Public Liability Insurance  
 Union Kindergarten Liability Insurance  
 Union Oil Business Liability Insurance  
 Union Loss Adjusters Association Professional Indemnity Insurance  
 Union Safe Box Liability Insurance  
 Union Small Credit Loan Insurance  
 Union Security Company's Liability Insurance  
 Union Maintenance Bond  
 Union Adjusters Professional Indemnity Insurance  
 Union Agents Brokers Professional Indemnity Insurance  
 Union Liquidators Professional Indemnity Insurance  
 Union Architects and Engineers Professional Indemnity Insurance  
 Union Comprehensive Arts Insurance  
 Union Lawyers Professional Indemnity Insurance  
 Union Toxic Chemical Substances Handlers' Liability Insurance  
 Union Glass Insurance  
 Union Fidelity Bond  
 Union Overseas Study Performance Bond  
 Union Golfer's Liability Insurance  
 Union Comprehensive Golf Club Insurance  
 Union Commercial Property Floater's Insurance  
 Union Cash Insurance  
 Union Product Liability Insurance  
 Union Pollution Liability Insurance  
 Union Accountants Professional Indemnity Insurance  
 Union Cancellation of Events Insurance  
 Union Advance Payment Bond  
 Union Elevator's and Lifters Liability Insurance  
 Union Employer's Liability Insurance  
 Union Bankers Blanket Bond  
 Union Performance Bond  
 Union Contractors Liability Insurance  
 Union Medical Malpractice Professional Indemnity Insurance  
 Union Railway Transportation Liability Insurance

Union Burglary Insurance  
 Union RoHS Comprehensive Insurance  
 Union Comprehensive Medical Organizations Liability Insurance  
 Union Directors & Officers Liability Insurance  
 Union Home Member's Accident Liability Insurance  
 Union Travel Industry Bond –Type 甲  
 Union Travel Industry Bond –Type 乙  
 Union Adjusters' Professional Indemnity Insurance  
 Union Comprehensive Excellence Employers Insurance  
 Union Insurance Agents and Brokers Professional Indemnity Insurance  
 Union Directors & Officers Liability Insurance (Elite version)  
 Union Directors & Officers Liability Insurance (Top version)  
 Union Commercial General Liability Insurance (occurrence basis – type 甲)  
 Union Comprehensive Group Overseas Business Travel Insurance  
 Union New Comprehensive Credit Cards Insurance  
 UNION COMMERCIAL GENERAL LIABILITY INSURANCE  
 Union Criminal Executor Liability Insurance  
 Union Trade Credit Insurance Selective Policy  
 Union Pharmacist Liability Insurance  
 Union Insurance Contractor's All Risks Insurance  
 Union Insurance Erection All Risks Insurance  
 Union Insurance Contractors' Plant and Machinery Insurance  
 Union Insurance Boiler Insurance  
 Union Insurance Machinery Insurance  
 Union Insurance Electronic Equipment Insurance  
 Union Passenger Carrier Liability Insurance 甲  
 Union Travel Agency Liability Insurance  
 Union Overseas Study Agency Professional Indemnity Insurance  
 Union Directors & Officers Liability Insurance (Prosperity I) CLAIMS MADE POLICY  
 Union Directors & Officers Excess Liability Insurance Policy (Prosperity I) CLAIMS MADE POLICY  
 Union New Comprehensive Travel Insurance (overseas version)  
 Union Comprehensive Machinery Insurance  
 Union Contractors' All Risks Insurance  
 Union Erection All Risks Insurance  
 Union Comprehensive General Liability Policy (A)  
 Union Motion Picture And TV Production Insurance  
 Union Childcare Provider Professional Indemnity Insurance  
 Union Product Comprehensive Liability Insurance  
 Union Commercial General Liability Policy (B)  
 Union Motor Extended Warranty Expenses Insurance  
 Union Motor Warranty Expenses Insurance Union Contingency Cancellation and Abandonment Policy  
 Union Contingency Cancellation and Abandonment Policy  
 Union Public Bicycles Liability Insurance  
 Union Hole-in-One Insurance  
 Union Policemen Liability Insurance  
 Union Jujube Crop Insurance  
 Union Cancellation of Events Expenses Insurance  
 Union Land Administration Agents Professional Indemnity Insurance  
 Union Information Security Protection Insurance (A)  
 Union Product Comprehensive Liability Insurance (A)  
 Union Personal Accident Insurance (Type - Individual & Group)  
 Union Personal Disability Insurance  
 Union Armed Force Group Personal Accident Insurance  
 Union Group Personal Accident Insurance ( C )  
 Union Mountain Climbing Accident Insurance  
 Union "Gin-Want" Individual Personal Accident Insurance  
 Union Group Personal Accident Insurance for persons on boat  
 Union Micro Individual Personal Accident Insurance  
 Union "Gin-Man-Yi" Individual Personal Accident Insurance  
 Union Group Personal Accident Insurance (A)  
 Union Micro Group Personal Accident Insurance  
 Union "Want-Want Bao" Group Personal Accident Insurance  
 Union Business Travel Group Personal Accident Insurance  
 Union Off-Duty Group Personal Accident Insurance  
 Union "Ping-An Want" Group Personal Accident Insurance  
 Union On-Duty Group Personal Accidental Insurance  
 Union New Travel Insurance (Domestic Type)  
 Union 3-year Term Personal Accident Insurance  
 Union Group Personal Accident Insurance for Volunteer



Union Travel Personal Accident Insurance  
 Union Group Personal Accident Insurance (B)  
 Union Business Travel Group Personal Accident Insurance (Type 乙)  
 Union Contractor's Group Personal Accident Insurance  
 Union "Ing Want" Individual Personal Accident Insurance  
 Union Comprehensive Specific Activity Insurance  
 Union "Jian Kang Want Want" Daily Hospitalization Insurance  
 Union Group 1-year Term Medical Reimbursement Insurance  
 Union "Want Want Hsing" Daily Hospitalization Insurance  
 Union Group Cancer Health Policy  
 Union Group Daily Hospitalization Insurance  
 Union Group Cancer Death Policy  
 Union Group Cancer Policy  
 Union Group Medical Reimbursement Insurance  
 Union Group Health Policy  
 Union Dread Disease Policy (Type 甲)  
 Union Individual Cancer Death Policy  
 Union Individual Cancer Policy  
 Union Individual Cancer Medical Expenses Policy  
 Union Dread Disease Policy (Type 乙)  
 Union Pets Insurance  
 Union Drone Liability Insurance  
 Union Employer's Liability Insurance  
 Union Group Personal Accident for Hydrostatic Pressure Tester & Blaster  
 Union Personal Certifiable Disease Health Policy  
 Union Administration Agents Professional Indemnity Insurance  
 Union Green Energy Motor Insurance  
 Union Comprehensive Drivers Insurance  
 Union Mobile Equipment Insurance  
 Union Designated Driving Industry Liability Insurance  
 Union Personal Liability Insurance  
 Union Information Security Protection Insurance  
 Union Comprehensive Seashore Activity Insurance  
 Union Personal Liability Insurance (Type - 甲)  
 Union Drone Liability Insurance  
 Union Specified Professions Professional Liability Insurance (A)  
 Union Overseas Emergency Illness Health Policy  
 Union Mobile Phone Insurance  
 Union Group Personal Accident Insurance for vessel testing persons  
 UNION COMMERCIAL GENERAL LIABILITY INSURANCE Primary and Non-Contributory Insurance  
 Clause (A)  
 Union Administration Agents Professional Indemnity Insurance

#### 4. New products and services planned to be developed:

The Company is actively developing new products in response to related needs, actively researching accident and health insurance products such as infectious diseases and vaccines, weather insurance products in response to climate change, and green energy products that cooperate with the government to promote green energy policies to create social, economic and triple-win situation for the insured and the insurer.

## (II) Industry Overview:

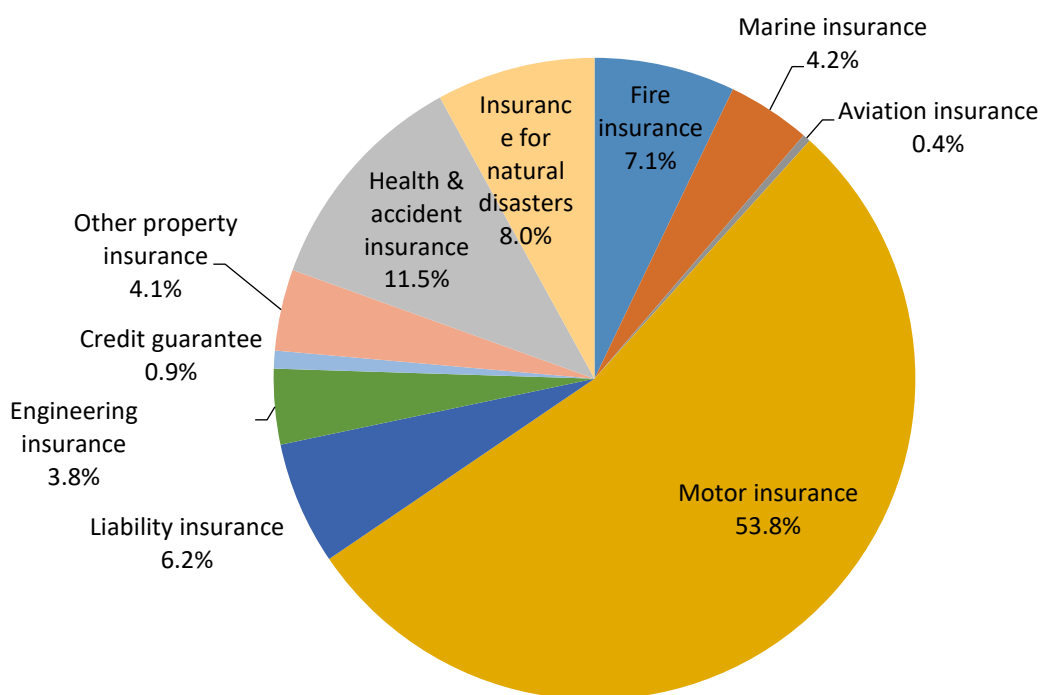
### 1. Current industry situation

According to statistics from the Non-Life Insurance Association of the Republic of China, the domestic property insurance market written premium income reached NT\$187.39 billion in 2020, with an increase of NT\$11 billion and a growth of 6.2% compared with the previous year's NT\$176.39 billion.

Unit: NT\$ Million

Year/Item	Fire insurance	Marine insurance	Aviation insurance	Motor insurance	Liability insurance	Engineering insurance	Credit Guarantee	Other property insurance	Health & accident insurance	Insurance for natural disasters	Total	
2019	Premium	11,912	7,193	708	93,960	11,837	6,723	1,627	6,742	22,518	13,169	176,390
	Ratio	6.7%	4.1%	0.4%	53.3%	6.7%	3.8%	0.9%	3.8%	12.8%	7.5%	100%
2020	Premium	13,226	7,784	808	100,825	11,705	7,134	1,657	7,593	21,591	15,066	187,390
	Ratio	7.1%	4.2%	0.4%	53.8%	6.2%	3.8%	0.9%	4.1%	11.5%	8.0%	100%
Growth Rate	11.0%	8.2%	14.2%	7.3%	-1.1%	6.1%	1.8%	12.6%	-4.1%	14.4%	6.2%	

### Ratio of Various Insurance Businesses In 2020



Source: The Non-Life Insurance Association of the Republic of China

According to statistics from the Non-Life Insurance Association of the Republic of China, in terms of the distribution of the market share of various property insurance in 2020, the share of auto optional insurance reached 53.8%, which is still the highest among all types of insurance, followed by health & accident insurance, insurance for natural disasters, fire insurance, liability insurance and marine insurance, totaling 37.0%, and the remaining insurance types totaled 9.2%.

## 2. Industry Developments

COVID-19 raged around the world in 2020. In order to prevent the spread of the epidemic, countries have adopted strict control measures such as closing cities, closing borders, and restricting personnel activities. This has brought global economic demand to a near halt, and international crude oil and raw material prices have plummeted, thus causing the global GDP to shrink by 4.3% in 2020, which is more serious than the 1.7% decline during the financial turmoil. Although governments in various countries have invested financial resources and released currencies to save the economy, large-scale fiscal stimulus and monetary easing policies have combined to rescue the economic crisis and finance risks, but the IMF estimates that the global economy will shrink by 3.5% in 2020, the largest decline since the Great Depression in 1929.

At the beginning of 2020, Taiwan was dragged down by the sharp global economic recession, and the economy in the first half of the year has declined significantly. However, since the third quarter of 2020, as major countries restarted economic activities, the prosperity of domestic traditional industries has recovered month by month as overseas demand rebounded. COVID-19 epidemic has driven the development of long-distance and digital transformation business opportunities, and accelerated the transfer of global supply chains. In addition, the emergence of urgent orders from major Chinese factories under US sanctions has created favorable conditions for Taiwan's exports and production. Taiwan's economy has not declined due to COVID-19 epidemic. On the contrary, Taiwan became a few countries in the world where the economy is growing, and its economic performance has astounded the world. At the beginning of the year, Directorate-General of Budget, Accounting and Statistics has amended the economic growth rate of 3.11% in 2020. Among the top 30 countries in the world by GDP, Taiwan's economic scale ranked 21st, but its economic growth rate ranked first. The property and casualty insurance industry has also benefited from the increase in domestic economic growth. The annual written premium revenue was NT\$187.39 billion, an increase of NT\$11 billion from the written premium of NT\$176.39 billion in 2019. However, the border blockade of various countries has greatly reduced travel insurance premium revenue. The growth rate fell from 6.99% in 2019 to 6.24%.

With the widespread use of vaccines, the global economy is expected to emerge from the haze of the epidemic in 2021. Coupled with low base period factors, international oil prices are recovering moderately, raw material prices are slowly rising, and the use of emerging technologies is booming. Major international forecasting agencies all agree that the global economy and major countries' economies will turn from recession to growth in 2021, and global economic and trade growth will be significantly better than 2020 performance. Due to the proper control of the epidemic in Taiwan, the booming demand for emerging technologies, the continuous investment of semiconductor manufacturers in advanced manufacturing processes, and the benefit of the reorganization of the global supply chain,

Taiwan's export performance will grow substantially. Secondly, the government vigorously promotes green energy construction, attracts foreign investment in Taiwan, promotes the "Six Core Strategic Industries" based on the past 5+2 innovative industries, in an effort to build Taiwan into a center of "High-end Manufacturing, High-Tech R&D, Advanced Semiconductor Manufacturing Process, Green Energy Development", and improve Taiwan's key position and economic resilience. Therefore, on the whole, domestic and external demands have improved simultaneously, making the economic growth rate of 2021 higher than that of 2020. The Directorate General of Budget, Accounting and Statistics, Executive Yuan predicts the economic growth rate of Taiwan in 2021 will be 4.64%, and the growth momentum is expected to be better than that of most economies. Due to the close relationship between insurance demand and economic growth and national income, the overall product insurance business development in 2021 is expected to continue to show a growth trend.

### **3. Relationship Amongst Upstream, Midstream, and Downstream of the Industry**

The insurance industry is different from the production business. The product insurance company business underwrites other risks of non-life insurance. It mainly sells insurance contracts. In addition to the direct solicitation of insurance companies from insurers, some of them are sold through insurance brokers and agents. Therefore, the latter is downstream of the source of insurance business. In addition, the business undertaken is for risk dispersion, and reinsurance arrangements are used to increase the underwriting capacity to support business development. Therefore, reinsurance companies are in the upstream of the insurance industry. Insurance companies improve business quality and gain a competitive advantage by relying on downstream (insurance brokers and agents) and their own market development capabilities, underwriting technology, and management performance. At the same time, they can expand their business through appropriate arrangements for upstream reinsurance to increase underwriting capacity. Therefore, reinsurance companies, insurance companies and insurance brokers and agents must be closely integrated in order to achieve overall benefits.

### **4. Product Development Trends and Competition Landscape**

The concept of risk insurance, knowing the danger is not in danger is deeply rooted in the minds of individuals and enterprises, so everyone has the concept and demand for risk dispersion, so that insurance is an irreplaceable product. However, in the past, the protection provided by various insurance companies was not very different, resulting in fierce competition among product insurers to cut prices. In recent years, companies have devoted themselves to innovative R&D, developing "unique" products, hoping to differentiate the market from leading product price and not blindly pursuing growth. Seeking profitable target customers and pursuing long-term underwriting profits have become the mainstream development trend.

### **(III) Technology and R&D Overview**

#### **1. R&D expenses invested this year:**

In response to the current technological advancement and competition in the insurance business, funds are continuously allocated every year to train educational personnel and develop new products. In addition to maintaining market competitiveness, it is also moving towards the concept of sustainable development.

#### **2. Successfully developed technologies or products this year:**

- (1) Union Toxic Chemical Substances Handlers' Liability Insurance Clearance Fee Liability Supplementary Clause
- (2) Union's Certifiable Disease Waiting Period Excluding Comment Clause
- (3) Union Negative Pressure Isolation Ward Insurance Supplementary Clause
- (4) Union New Comprehensive Travel Insurance (Overseas Version) Insurance Premiums for Overseas Public Transportation Accidents Supplementary Clause
- (5) Union Injury and Accident Insurance Automatic Renewal Supplementary Clause
- (6) Union Contractors Liability Insurance Accidental Pollution Liability Supplementary Clauses
- (7) Union Insurance Residential Comprehensive Insurance with Clause on the Use of Green Building Materials
- (8) Union Public Liability Insurance Criminal Litigation Cost Supplementary Clause
- (9) Union Product Liability Insurance Criminal Litigation Cost Supplementary Clause
- (10) Union Contractors Liability Insurance Criminal Litigation Cost Supplementary Clause
- (11) Union Motor Insurance Holiday Increase Protection Supplementary Clause
- (12) Union Drone Liability Insurance Shared Insurance Amount Supplementary Clause
- (13) Union Insurance Cash Insurance Cash Definition Expanding Supplementary Clause (Triple Stimulus Voucher)
- (14) Union Bankers Blanket Bond Cash Definition Expanding Supplementary Clause (Triple Stimulus Voucher)
- (15) Union Motor Insurance Car Key and Car Lock Supplementary Clause
- (16) Union Agents Brokers Professional Indemnity Insurance Priority Payment Supplementary Clauses
- (17) Union Cash Insurance Insurance Contract Right Transfer Notice Supplementary Clause
- (18) Union Architects and Engineers Professional Indemnity Insurance Interaction Liability Supplementary Clause
- (19) Union Architects and Engineers Professional Indemnity Insurance Document Loss Replacement Fee Supplementary Clause
- (20) Union Architects and Engineers Professional Indemnity Insurance Overseas Business Supplementary Clause
- (21) Union Architects and Engineers Professional Indemnity Insurance Sanctions Exclusions Supplementary Clause
- (22) Union Program Interruption Insurance Expected Profit Loss Supplementary Clause
- (23) Union Contractors Liability Insurance Ordering Party or Related Manufacturer Property Supplementary Clause
- (24) Union Employer's Liability Insurance Overpayment Supplementary Clause
- (25) Union Employer's Liability Insurance Contract Termination Notice Days Supplementary Clause
- (26) Union Employer's Liability Insurance Contract Termination Refund Supplementary Clause
- (27) Union Employer's Liability Insurance Computer Virus Hacking Risk Exclusions Supplementary Clause
- (28) Union Employer's Liability Insurance Premium Delayed Delivery Supplementary Clause
- (29) Union Employer's Liability Insurance Employee Definition Expanding Supplementary Clause
- (30) Union Employer's Liability Insurance Limited Coverage for Listed Employers Supplementary Clause
- (31) Union Employer's Liability Insurance Person Number Limitation Supplementary Clause
- (32) Union Insurance Employer Comprehensive Insurance Employee Status Change Notice Supplementary Clause
- (33) Union Insurance Employer Compensation Contract Liability Insurance Employee Status Change Notice Supplementary Clause (Type A)
- (34) Union Insurance Employer Compensation Contract Liability Insurance Employee Status Change Notice Supplementary Clause (Type B)
- (35) Union Employer's Liability Insurance Consolation Fund Visitation Fee Payment Supplementary Clause
- (36) Union Employer's Liability Insurance Electric Shock and Diving Work Exclusions Supplementary Clause
- (37) Union Employer's Liability Insurance Occupational Disaster Compensation Liability Supplementary Clause (A)
- (38) Union Employer's Liability Insurance Occupational Disaster Compensation Liability Supplementary Clause (B)
- (39) Union Employer's Liability Insurance Waiver of Subrogation Rights Supplementary Clause

- (40) Union Infectious Diseases Exclusions Supplementary Clauses (Applicable to Commercial Fire Insurance) (Applicable to Commercial Fire Comprehensive Insurance)
- (41) Union Network Loss and Electronic Data Exclusions Supplementary Clause (Applicable to Commercial Fire Insurance) (Applicable to Commercial Fire Comprehensive Insurance)
- (42) Union Product Liability Insurance Consolation Fund Expenses Supplementary Clause
- (43) Union Off-Duty Group Personal Accident Insurance Injury Medical Care Hospitalization Condolence Insurance Supplementary Clause
- (44) Union Employer's Liability Insurance Waiver of Right of Subrogation to Ordering Party or Employees Supplementary Clause
- (45) Union Employer's Liability Insurance Priority Payment Supplementary Clause
- (46) Union Employer's Liability Insurance Sanctions Limit Supplementary Clause
- (47) Union Employer's Liability Insurance Natural Disaster Liability Supplementary Clause
- (48) Union Employer's Liability Insurance Commuting and Business Trips Liability Supplementary Clause
- (49) Union Employer's Liability Insurance Overseas Liability Supplementary Clause

### **3. R&D plan**

- (1) Replace the new core system to improve quotation, underwriting, reinsurance, claims and other operations.
- (2) In response to global climate change, actively promote agricultural insurance to diversify farmers' business risks.
- (3) Cultivate insurance talents and continuously improve competitiveness and productivity through continuous improvement of core functions.
- (4) Develop niche products and projects by utilizing the Company's internal data
- (5) In line with the development of the Internet, plan to develop simple, easy-to-understand, inexpensive and easy-to-sell personal insurance products to expand and strengthen the sales of online channels.
- (6) Develop customized products for specific needs to protect various risks and strive for more diversified business.
- (7) In response to changes in the insurance market caused by technological development, strengthen education and training and actively participate in external seminars to continue to stimulate staff development capabilities in order to keep up with the overall market changes.
- (8) Actively reform and simplify the operating procedures of underwriting claims and even charging, in order to achieve the goal of streamlining manpower and speeding services.

### **(IV) Long and Short-Term Business Development Plans**

#### **Short-term:**

- 1. Continue to strengthen the professionalism of underwriters and claim adjusters, arrange education and training courses, inherit experience, encourage the acquisition of relevant licenses, so as to enhance the professional skills of employees and strengthen the professional strength of teams.
- 2. Continue to screen businesses, implement underwriting policies and strengthen claims control to increase underwriting profits.
- 3. Develop new channels and new customers to expand market share and improve market ranking.
- 4. Promote the simplification of operating procedures and information transformation to reduce management and marketing costs, and deepen the implementation of correct cost concepts in the hearts of all employees to enhance competitive advantages.
- 5. Continue to develop direct business and online insurance business, increase the proportion of business, and reduce marketing costs.
- 6. Continue to research and develop innovative insurance products to meet customer needs to expand product differentiation to gain a competitive advantage, and conduct regular inspections of various insurance rates to strengthen rate competitiveness and profitability.

**Long-Term:**

1. Continue to adjust the business structure and properly control the accumulation of risks through appropriate reinsurance arrangements.
2. Care for the society for a long time, participate in various public welfare activities, fulfill corporate social responsibility, and establish a good corporate image.
3. Construct a complete customer-oriented information system, and provide a one-stop, fast operation and customer-oriented service network.
4. Integrate the Company's overall resources, create benefits, and implement enterprise risk management (ERM), and strive to maximize the Company's earnings and shareholders' equity, implement the Company's sustainable business goals.
5. Adhere to the Group's business philosophy and advantages of "favor, self-confidence, and great unity", implement laws and regulations, strengthen insurance expertise and corporate governance, continue to create good results and make the Company the most trusted insurance company for customers.

## II. Overview of Market and Production and Marketing Situation

### (I) Market Analysis

#### 1. The Company's main insurance sales regions for 2020

Unit: NTD Thousand

Regions	Premium	Regions	Premium
Keelung City	87,405	Yunlin County	168,534
Taipei City	2,732,721	Chiayi County	210,622
New Taipei City	1,099,801	Tainan City	742,786
Taoyuan County	1,016,177	Kaohsiung City	1,209,290
Hsinchu County	379,525	Pingtung County	300,703
Miaoli County	144,291	Yilan County	104,346
Taichung City	1,318,375	Hualien County	74,650
Changhua County	420,643	Taitung County	23,677
Nantou County	189,343	<b>Total</b>	<b>10,222,889</b>

#### 2. Market share and business structure of the Company in 2020

Unit: %

Union Insurance	Fire insurance	Marine insurance	Motor insurance	Marine hull & aviation insurance	Engineering insurance	Health & accident insurance	Other insurance	Typhoon flood insurance	Total
Market share	4.6%	3.6%	6.6%	4.5%	6.3%	4.8%	2.0%	4.1%	5.5%
Business structure	10.7%	1.7%	65.5%	1.6%	4.4%	10.1%	4.2%	1.8%	100.0%

Note: Source: The Non-Life Insurance Association of the Republic of China

#### 3. Future Market Supply, Demand, and Growth Potential

##### (1) Supplies

Taiwan maintained a total of 19 domestic and foreign property insurance companies in 2020, including 14 local insurance companies and 5 foreign property insurance companies. The overall business was still concentrated in 14 domestic property insurance companies, of which, the market share of the top three property insurance companies reached more than 10%, their business volume accounted for 47% of the overall business. There were as many as 11 insurance companies with a market share of less than 5%, nearly 60%, and the total share was only 22.2%. It is obvious that the trend of “size does matter” in the overall property insurance market has not changed. Due to the large number of property insurance companies and fierce market competition, most of the business is still concentrated in some property insurance companies. Since 2016, Hotai Property Insurance, a subsidiary of Hotai Auto, has entered the market, resulting in TOYOTA vehicle business transfer, and its market ranking has improved from 12th in 2017 to 8th in 2020. The written premium in 2020 have even exceeded NT\$10 billion, which has greatly impacted the motor insurance business of other insurance companies. In order to maintain their market share, the



competition various property and casualty insurance companies will become increasingly fierce.

#### (2) Demands

Due to the close relationship between insurance demand and economic growth and national income, Taiwan's economy has been growing slowly in recent years. In recent years, due to abnormal weather, natural disasters, and fire accidents, companies have increasingly increased their demand for risk transfer from their own operations. The demand for commercial insurance continues to increase. In addition, Taiwan's property insurance market penetration is still low compared with advanced countries, so the development space is promising. In recent years, people are increasing awareness of liability insurance due to public accidents, frequent food safety issues and changes in the legal environment. Coupled with the increasing importance of the government and society in the protection of consumer rights, as well as the increasing awareness of insurance among people, people's demand for product insurance products is expected to continue to increase.

#### (3) Growth potential

Benefited from the gradual improvement in global economy and trade, the booming demand for technology applications, the continued implementation of Taiwanese investment in return, and the proper control of the domestic epidemic, the daily lives of people in Taiwan are not affected. It is estimated that Taiwan's export, investment, and consumption troika will work together in 2021, driving the steady growth of the overall economy. In addition, the government continuously and advance deploys, actively guides private capital to invest in entity construction, accelerates the construction of supply chains for emerging industries, and strengthens the key position of Taiwan's industry in the world. Domestic leading manufacturers continue to expand capital expenditures, private companies respond to the government's green energy policy, and green energy investment is gradually heating up. With 5G infrastructure construction and nano advanced process investment, private investment growth momentum is boosted, and the fundamentals of Taiwan stocks are stable. The positive growth of employee salaries and the increase in disposable income of the people are expected to drive a strong rebound in private consumption, which will help the development of motor insurance, fire insurance, engineering insurance, and transportation insurance businesses. However, the global epidemic has not been effectively controlled, and the ban on overseas tourism and international tourists to Taiwan may continue. The travel liability insurance and travel insurance business will still be affected, and it is difficult to have room for growth in 2021.

#### **4. Competitive niche:**

The Company has 17 branches and 10 service centers, 16 liaison offices, in the province, and 2 marketing departments in the Head Office. The service network is extremely dense. With the recruitment of professionals in finance, actuarial, and air management, the quality of personnel has improved and the professional team has become stronger. In addition, as the Company's new core system, e-commerce platform, online insurance system and official website revision and other information transformation operations are completed one after another, improving operational efficiency and accelerating customer service. In terms of marketing strategies, in

addition to cooperating with the insurance agency system marketing, the Company successfully and strategically joined hands with a number of banks, life insurance companies and special channels, and achieved good results. In the future, we will strengthen marketing channel services and maintain continuous business growth by utilizing project management methods.

## **5. The favorable and unfavorable factors of the development prospect and countermeasures**

### **(1) Advantages:**

- A. The Company continued to receive ratings of “twAA/stable” from Taiwan Ratings. Standard & Poor’s and A.M. Best continued to affirm the Company, granting “A-” and “A- (Excellent)” ratings, respectively, and the rating outlook is “stable”, which reflects Want Want Union’s strong business underwriting performance, capital level and well-managed asset risk, stabilizes customer confidence and assists employees in business development.
- B. The Company has obtained the double international standard certification of BS 10012 personal information management system and ISO 27001 information security management system. The Company implements the personal information protection policy in the Company’s culture and operating procedures, and strengthens the effectiveness of the implementation of information security management, so as to ensure the basic requirements for information confidentiality and represent Want Want Union’s intentions and commitment to protecting personal data.
- C. Attach importance to self-discipline and jointly maintain market order: Improve efficiency and service quality, replace unreasonable price competition, and underwrite risks in a healthy competition manner, which is conducive to long-term business development and allows the market to develop soundly.
- D. Emphasize the enhancement of underwriting claims, and continue to screen good-quality businesses, which will help reduce the loss rate and increase the underwriting profit.
- E. Launch various combination products can meet the different needs of the market, and facilitate sales by business personnel, and increase the transaction rate.

### **(2) Disadvantages:**

- A. In order to increase market share, property insurers have led to fierce market competition. Part of the price cut competition will still exist, which is unfavorable for the expansion of insurance business.
- B. In recent years, global warming has led to global climate abnormalities and frequent international natural disasters. Reinsurance companies have suffered serious losses, resulting in increased reinsurance premiums and reduced reinsurance commission income.
- C. The competent authority’s highly-supervised policy and the implementation of the personal capital law and money laundering prevention and control law have caused the property insurance industry to face more stringent legal requirements, which has an impact on business development and the burden of labor costs.
- D. Increasing consumer awareness has led to an increasing amount of liability insurance settlements. In addition, the implementation of a case-by-case holiday has led to an

increase in auto repair wages and spare parts prices, which is not conducive to the control of loss rates.

**(3) Countermeasures:**

- A. Strengthen the application of cross-industry alliance strategy and maintain the channel business; in addition, increase the expansion of direct business, enhance the benign competitive advantage, and expand the overall business scale.
- B. Research and develop innovative new products to meet customer insurance needs. Design and plan products for sale with the concept of “simple, easy to understand, inexpensive, and easy to sell”, and actively develop new markets to increase market share.
- C. Simplify various operating procedures, build complete information systems, and strengthen customer relationship management, so as to reduce expenses and increase business renewal rates and improve overall operating efficiency.
- D. Actively recruit excellent business employees and improve the quality of underwriting and claim adjusters, and provide customers with “damage prevention services” to expand business scale and improve customer satisfaction.
- E. Properly arrange reinsurance to transfer huge risks such as natural disasters at the lowest cost to avoid affecting the Company’s financial security.
- F. Strengthen corporate risk management and internal audit and internal control operations, increase capital utilization income, and control expenses and costs, so as to protect shareholders’ rights and interests and create the Company’s value.

**(II) Key Functions and Manufacturing Process of Major Products:**

1. Important use

“Insurance ensures the stability of economic life, assembles a large number of economic units for the losses caused by the occurrence of specific dangerous accidents, and raises money based on reasonable calculations, as an economic system for compensation.”

Property insurance is to provide the protection of the life responsibility of enterprises, families and individuals, that is, the cornerstone of social stability and economic prosperity, and can provide the funds needed for the construction of the country. Therefore, the development of the insurance industry has become one of the important indicators of modern national economic development and social welfare.

2. Production process

Insurance products of product insurance companies shall be submitted for review in accordance with legal procedures before they can be sold.

**(III) Status of Supply on Primary Materials: None.**

**(IV) The names of customers who have accounted for more than 10% of the total purchases (sales) in any of the last two years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease:**

- A. Names of the top ten customers in the two most recent years, the amount, ratio, and reasons for increase and reduction of such sales:

The Company is an insurance industry with scattered underwriting customers, and does not have important customers who account for over 10% of operating revenue. Therefore this

requirement is not applicable.

B. Names of the top ten suppliers in the two most recent years, the amount, ratio, and reasons for increase and reduction of such sales:

**(V) Production Volume and Value for the Most Recent 2 Years: Not Applicable.**

**(VI) Sales Volume/Value for the Most Recent Two Years**

Unit: Piece, NT\$ Thousand

Item	Year	2019		2020	
		Number of Pieces	Premium (NT\$ Thousand)	Number of Pieces	Premium (NT\$ Thousand)
Fire insurance		421,630	1,225,645	455,305	1,272,828
Marine insurance		80,475	231,602	73,123	241,233
Aviation insurance		2,947	89,284	3,998	100,710
Liability insurance		656,075	2,723,858	654,228	2,934,833
Guarantee insurance		1,818	20,310	1,923	19,445
Other property insurance		474,446	3,500,383	399,199	3,650,001
Accident insurance		636,805	1,026,823	596,661	1,001,610
Health insurance		67,171	48,064	11,021	27,107
Compulsory automobile liability insurance		996,276	967,336	1,173,128	975,122
Subsidiary		5,104	27,004	-	-
Total		3,342,747	9,860,309	3,368,586	10,222,889

### III. Information on Employees

Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

#### Number of employees in the Past 2 Years up to the Report Printing Date

Year		2019	2020	2021 (As of April 30, 2021)
Number of Employees	Head Office	357	371	362
	Branches	739	760	757
	Total	1096	1131	1119
Average Age		42.27	42.18	42.47
Average Service Year		12 years and 2 months	12 years and 1 months	12 years and 3 months
Academic distribution ratio	PhD	0.00%	0.00%	0.00%
	Master's	5.66%	5.57%	5.81%
	Bachelor's	81.57%	82.23%	82.30%
	High school	12.59%	12.02%	11.71%
	Below high school	0.18%	0.18%	0.18%

## **IV. Environmental protection expenditure**

### **(I) Establishing internal policies relating to energy conservation and carbon reduction, greenhouse reduction, reduction in water consumption or other waste management**

The Company upholds the concept of ethical corporate management, steady growth, and sustainable development, and is committed to the goal of environmental protection and environmental sustainability, reducing the load on environmental resources, enabling the sustainable use of earth resources, and fulfilling:

- (1) Comply with related environmental protection laws and regulations to jointly protect the nature environment.
- (2) Reduce energy consumption and promote energy conservation and carbon reduction measures.
- (3) Promote resource recycling, properly dispose of waste, and promote the sustainable use of resources.
- (4) Promote green procurement and use products with the Green Mark and Energy Label.

In terms of the Company's environmental protection affairs, the General Affairs Department is responsible for the formulation, promotion and maintenance of relevant environmental management systems and specific action plans, and timely arranging environmental education courses. In terms of energy resource consumption, the office operations of the Head Office, branches and subordinate liaison offices, and various energy-saving and carbon-reduction measures implemented include:

- (1) The lights shall be turned off on time during the noon break from 12:30 to 13:30. If need to deal with time-sensitive official duties, employees shall only use the lighting of their own office seats.
- (2) Save energy, turn off switch power supplies and sockets when leaving; review lighting needs, improve lighting performance, reduce the number of redundant lamps, and choose energy-saving lamps.
- (3) Usually, employees who work overtime only turn on the lighting in their seats, and the file storage rooms of each unit also turn off the lights at any time.
- (4) Before leaving the office meeting, turn off all lighting and air-conditioning equipment in the meeting room.
- (5) Regularly clean and maintain the air-conditioning filters of the Head Office, branches, and liaison offices (windows, box-type machines) to maintain air-conditioning efficiency and reduce power consumption.
- (6) Turn off all personal computer mainframes, printers, photocopiers, air conditioners and other equipment used by all units after work.
- (7) Purchase equipment with [Environmental Protection Mark], [Energy Saving Mark], [Water Saving Mark] and high EER value.
- (8) Employees do not use paper cups for internal meetings, bring their own portable cups, environmentally-friendly chopsticks, handkerchiefs and shopping bags; drink less bottled water; use less disposable products; adjust the water output of the toilet tap to save water.
- (9) Paper is the most important raw material in the insurance service industry. However, for a sustainable environment, when considering the confidentiality of the Company or customer data, the Company advocates the reuse of obsolete photocopying paper or blank backing paper that does not contain customer data, and the use of e-mail or electronic files instead of paper, and give a priority to environmentally friendly toner cartridges.

### **(II) Annual emissions of CO2 or other greenhouse gases for the past two years**

The Company's energy resource consumption is mainly derived from the power used by the Head Office, each branch and liaison office. The Company continued to advocate various power-saving measures to achieve the goal of further power-saving.

1. The Company consumed a total of 1,206,063 Kwh of electricity during 2020, and the average person consumed a total of 1,066 Kwh of electricity in 2020. After conversion from Taiwan's electricity carbon emission factor (0.521 Kg CO<sub>2</sub>e/kWh) announced by the Bureau of Energy in 2019, the total emissions were about 628,359 Kg CO<sub>2</sub>e (carbon dioxide equivalent).
2. The Company consumed a total of 1,241,835 Kwh of electricity during 2019, and the average person consumed a total of 1,133 Kwh of electricity in 2019. After conversion from Taiwan's electricity carbon emission factor (0.521 Kg CO<sub>2</sub>e/kWh) announced by the Bureau of Energy in 2018, the total emissions were about 646,996 Kg CO<sub>2</sub>e (carbon dioxide equivalent).
3. The Company continued to strengthen advocacy for energy conservation and carbon reduction, greenhouse gas reduction, and water reduction projects to reduce the impact of its operations on climate change.

### **(III) No loss arising from environmental penalties; and future countermeasures**

The Company is a financial insurance company. Our statistics over the past five years do not indicate any loss arising from environmental penalties, such as compensation to others, or fines inflicted by a government environmental protection agency as a consequence of an inspection. In the future, we will strive to reduce carbon emission and join the world to create a zero-carbon emission environment.

### **(IV) Has the Company obtained ISO14001 or similar environmental management system certification?**

The Company is an insurance company and does not cause major pollutions. This item is therefore inapplicable.

## **V. Labor relations**

### **(I) The Company's various employee welfare measures, continuing education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures**

Since its establishment, the Company has given full respect and care to its employees, and has continuously planned various employee benefits to pursue a perfect working environment. Therefore, the labor relation is very harmonious. The welfare measures and implementation status are as follows:

#### 1. Employee Benefits.

The Company has established the "Employee Welfare Committee" in accordance with the "Employee Welfare Regulations", and held regular meetings to discuss how to improve the Company's welfare measures, in an effort to enhance the welfare of the Company's employees. Each employee is entitled to labor insurance, health insurance and labor rebate payment in accordance with the Labor Standards Act, relevant laws and regulations. The welfare measures coordinated by the Company's Welfare Committee, the General Affairs Department and the Human Resource Department include:

- (1) Various types of gift money/subsidies: Year-end bonus, gift money for three Chinese festivals, birthday gift money, wedding gift money, injury and illness condolences and funeral condolences.
- (2) Activity subsidies: Domestic employee travel, company and association subsidies, employee education and training, and year-end party.
- (3) Other benefits: Discounts for employee shopping, health check-ups and group insurance. A total of 153 employees and family members have applied for insurance benefits with the amount of approximately NT\$3,875 thousand as of December 31, 2020.

#### 2. Employee continuing education and training

In the era of knowledge economy, the quality of human resources is an important key to determining the effectiveness of business operations. In order to enable employees to give full play to their functions and continue to improve their knowledge and skills, the Company specially set up a Training Office under the Human Resource Department to take charge of education and training related matters.

## **(1) Employee continuing education**

The Company's education and training system is divided into five major systems:

**A. Education and trainings for new recruits:** Education and trainings organized to enable new recruits to understand the Company's profile, system, benefits, work knowledge and skills. Trainings for new recruits are divided into two categories: General education courses and professional courses:

**a. General education courses-**Sponsored by the Training Office of the Human Resource Department, centered in "Company Profile", "Laws and Regulations" and "Knowing the Environment".

**b. Professional courses-**Sponsored by the unit directly affiliated to the new recruits, responsible for detailed introduction and explanation of the unit's business-related matters.

**B. Functional education and trainings:** The trainings for the job target can be divided into underwriting, claim settlement, business, reinsurance, management, etc., emphasizing the cultivation and strengthening of professional knowledge of property insurance and related work capabilities.

**C. Level education and trainings:** Trainings for positions can be divided into senior executive trainings, mid-level executive trainings, grassroots cadre trainings and general employee trainings, including training to prepare for promotion, emphasizing management skills and administration induction and promotion of general handling ability.

**D. Project-based education and trainings:** In order to meet the relevant government laws and regulations or the special needs of the Company, the Training Office arranges employees and supervisors in specific fields to conduct project-based education and trainings, including internal auditor training, department and branch supervisor audit training, actuarial staff training, product signing staff training, internal lecturer training, computer training or irregular lectures, etc.

**E. Self-inspired education and trainings:** that is, knowledge sharing. All the data related to education and training within the Company are electronically carried out through the knowledge management information system (Knowledge Management, referred to as KM), and through the computer system management, the learning atmosphere is shaped, so that all employees can learn actively to improve their working ability and create added value for the Company.

## **(2) Education training goals**

The development goals of the Company's education and training are divided into short-term goals, medium-term goals, and long-term goals according to the employees' length of service.

### **A. Short-term target -**

1. Guide employees to get acquainted with the Company's culture in order to gather centripetal force.
2. Inherit practical experience and cultivate work intelligence to improve employee behavior and increase willingness to work spontaneously.
3. Establish a correct working concept, learn a positive working attitude, and maintain a good interactive relationship with employees.

### **B. Medium-term target -**

1. Strengthen personal communication management skills and problem-solving skills, so as to create the Company's overall operational combat effectiveness.
2. Deepen insurance professionalism and improve the quality of the Company's human resources.
3. Plan the employees' personal learning map, induce and stimulate the management ability, and connect the Company from generation to generation.

### **C. Long-term target**

1. Strengthen the lineup of the management team and establish the Company's professional image and reputation in the insurance industry.
2. Assist in expanding and exploring different areas of professional knowledge, inject new business concepts into the insurance industry from a diversified perspective, and create sustainable value for the Company.
- (3) Talent is an important asset of the Company and a key factor in determining the Company's competitiveness. Therefore, the Company spares no effort to develop the capabilities of employees, provide training programs for new recruits, so that they can familiarize themselves with the work content, understand the Company's culture and enrich their professional knowledge in the shortest possible time. In terms of senior employees, the Company is more committed to deepening their professional knowledge, and also encourages employees to continue to learn and grow, and increase their diversified capabilities. In the future, the Company will continue to uphold the concept of lifelong learning and provide employees with hardware and software facilities for learning to achieve the goal of whole-person education.
- (4) The internal and external trainings in 2020 amounted to an average of 24.2 hours per person per year with a total of 29,016 training hours in 283 courses with more than 19,060 participants and NT\$1,195 thousand in training expenditures.

### **Statistics of internal trainings, external trainings and on-the-job trainings for the top ten attendees in 2020:**

Category		Course Name	Number of Persons	Total Hours
Internal trainings	1	Financial Consumer Protection Act and response simulation training	1163	3489
	2	The Convention on the Rights of Persons with Disabilities and related consumer rights and interests	1157	1157
	2	Principles for Fair Treatment of Customers	1157	1157
	2	Whistleblower protection and the Company's reporting of illegal acts and its acceptance methods	1157	1157
	3	Discussion on financial technology and insurance information security issues	1154	3462
	4	Insurance industry solicitation and underwriting operation control self-discipline norms	1150	575
	5	Annual risk management education and training	1140	570
	6	Understanding and advocacy of the Personal Data Protection Act	981	981
	7	Implementation focus of anti-money laundering and counter-terrorist financing in the insurance industry	554	1108
	8	Introduction of internal regulations associated with anti-money laundering and counter-terrorist financing	342	684
External trainings	1	Anti-money laundering and counter-terrorist financing personnel on-the-job training seminar	34	204
	2	Education and training of compulsory motor liability insurance and compensation cases	16	102
	3	Residential earthquake building damage evaluation personnel repeated training central district Phase 88	14	98
	4	Signatory common subjects-property insurance, injury and health insurance series	13	39
	5	Property Insurance Underwriting and Claims Product Signatory Personnel Professional Training Course Phase 2	10	150
	5	Analysis of principles for fair treatment of customers	10	30
	6	Property Insurance Underwriting and Claims Product Signatory Personnel Professional Training Course Phase 1	9	135
	6	Accident and health insurance underwriting and claiming	9	135



Category	Course Name	Number of Persons	Total Hours	
	commodities signatory training course			
6	Marine insurance symposium	9	27	
7	Analysis of causes of traffic accidents and identification of liability (southern district)	8	16	
On-the-job trainings	1	Financial Consumer Protection Act and review case introduction	147	441
	2	New employers' accident liability insurance trade fair	144	288
	3	Understanding and advocacy of personal capital law and personal capital management system	138	138
	4	2020 motor insurance claim settlement skills improvement education training	100	350
	5	Personal asset management system and cognition advocacy	85	127.5
	6	Public information security protection insurance-product presentation	66	99
	7	Explanation of the third party liability insurance clauses for business vehicles and taxi special vehicles	51	102
	8	IFRS17 insurance contract education and training	43	129
	9	IFRS17 basic education training (reinsurance)	41	123
9	Engineering insurance education and training	41	82	

### 3. Retirement system and implementation status

- (1) The Company complies with the retirement regulations of the Labor Standards Law and the Labor Pension Regulations, provides the labor retirement reserve and retirement pension monthly in accordance with laws and regulations, appoints actuaries to evaluate and calculate the labor retirement reserve and submit actuarial reports in order to fully safeguard the rights and interests of employees in retirement.
- (2) The Company appropriated a total of NT\$58,176 thousand to the Department of Trusts of the Bank of Taiwan in 2020 as labor pension preparatory fund under the old system. The cumulative account balance of the labor pension preparatory fund at the end of the year was NT\$350,402 thousand. The Company also regularly appropriates 6% of the employees' monthly salaries to the personal pension account of employees under the new labor pension system. We appropriated NT\$31,948 thousand in labor pension under the new system in 2020 to fully protect employees' rights and interest after retirement.

### 4. Protective measures for work environment and employees' personal safety:

- (1) The Company's offices are equipped with a monitoring system and access control facilities to strictly control personnel access to ensure the personal safety of employees.
- (2) In terms of office environment, specially-assigned person are designated to maintain the office environment every day, disinfect the office regularly, and refurbish and update the equipment in real time.
- (3) For the employees themselves, in addition to the labor and health insurance prescribed by the government, the Company insures the employees for group injury medical insurance to supplement the deficiencies of social insurance.

### 5. Employee Code of Conduct or Ethics

- (1) In 2017, the Company separately formulated the "Regulations on the Prohibition of Drink-Driving for Employees" to protect the lives and social safety of employees and establish a culture of no drink-driving.
- (2) The Company's employee behavior or ethics code is clearly set in the Company's work rules, and it is also simultaneously disclosed on the Company's internal webpage, which is described as follows:
  - A. All employees of the Company shall be selected and qualified before being hired, and the Company will assign them to work according to business needs.
  - B. The Company's employees shall be voluntarily loyal and diligent, abide by all applicable laws and regulations of the Company, obey the reasonable command and supervision of supervisors at all levels, and shall not engage in acts that violate positivity or perfunctory responsibilities.
  - C. Supervisors at all levels shall be cordial and instructive to employees.
  - D. With regard to data associated with the Company's business, property, information, etc.,

employees, regardless of whether they are in charge of matters, strictly observe the secrets and do not disclose them to the outside world.

- E. Employees are forbidden to seek personal gain by taking advantage of their positions.
- F. The Company's employees shall work hard internally, cherish public property, reduce wastage, and improve quality, and externally shall keep confidential business or position.
- G. In the event of a major business negligence at all levels of the Company's power and responsibility units, the direct supervisor shall be punished jointly and severally, and major achievements shall be jointly rewarded.
- H. Employees are not allowed to lead people who are not involved in official business to stay in the office.
- I. Employees are not allowed to bring prohibited flammable, explosive and lethal weapons into the office, and they are not allowed to carry public property for their own use without approval.
- J. Employees are not allowed to leave their duties without reason during office hours, and they are required to report to their supervisor if they go out temporarily for some reason. Otherwise, once they are found, they will be regarded as "absenteeism" based on the actual number of absentee hours, and the punishment will be discussed based on the severity of the circumstances.
- K. The Company's employees shall not concurrently hold positions or jobs outside of the Company during normal working hours during their tenure.
- L. Persons who exercise management rights on behalf of the Company or handle employee affairs on behalf of the Company shall not use their power, opportunities or methods at work to sexually harass employees, nor may they condone other people's sexual harassment of employees or job applicants.

6. Related certifications obtained from the relevant competent authorities by personnel associated with the transparency of financial information as of the publication date of the Annual Report are as follows:

Type of license	Training Institution	Number of shareholders
Fellow of Actuarial Institute of Chinese Taipei	Actuarial Institute of Chinese Taipei	1
Associate of Actuarial Institute of Chinese Taipei	Actuarial Institute of Chinese Taipei	1
Securities Specialist Qualification	Taiwan Securities Association	7
Trust Professionals Qualification	Trust Association of R.O.C.	18
Securities Investment Trust and Consulting Professionals	Securities and Investment Trust and Consulting Association of the R.O.C.	2
Bank Internal Control Qualification	Taiwan Academy of Banking and Finance	12
Financial Planner	Taiwan Academy of Banking and Finance	4
FRM (Financial Risk Manager)	Risk Management Society of Taiwan	1
Property and Insurance Broker	Examination Yuan	3
Property Insurance Agent	Examination Yuan	3
Personal Insurance Broker	Examination Yuan	1
General Insurance Notary	Examination Yuan	1
Earthquake Building Damage Assessor	Taiwan Residential Earthquake Insurance Fund	91
Property Insurance Underwriter Qualification	The Non-Life Underwriters of Society of the Republic of China	69
Claim Adjuster for Property Insurance	The Non-Life Underwriters of Society of the Republic of China	49
Property Insurance Specialist Qualification	The Non-Life Insurance Association of the Republic of China	1100

Type of license	Training Institution	Number of shareholders
Personal Insurance Specialist Qualification	The Life Insurance Association of the Republic of China	261
Investment-Orientated Insurance Product Representative	Taiwan Insurance Institute	15
Property Insurance Policyholder Service Certification	Taiwan Insurance Institute	14
Level B Technician in Labor Safety and Health Management	Workforce Development Agency, MOL	1
Level B Technician for Automotive Mechanic	Workforce Development Agency, MOL	1
Personal Insurance Underwriter Qualification	Life Insurance Management Institute of the Republic of China (LIMI-ROC)	3
Claim Adjuster for Personal Insurance	Life Insurance Management Institute of the Republic of China (LIMI-ROC)	2
Qualifications for Personal Insurance Salesperson Selling Non-investment-linked Insurance Products Denominated in Foreign Currency	The Life Insurance Association of the Republic of China	21
Structured Product Salesperson	Taiwan Academy of Banking and Finance	1
Project Management Assistant Qualification	National Project Management Association	1
Registered Nurse Certificate	Department of Health, Executive Yuan	1
CPA Certificate	Examination Yuan	1

#### 7. Labor relation agreement

In accordance with the provisions of the Labor Standards Law, the Company has formulated work rules for compliance by employer and employees. The communication channels between employer and employees are smooth, fully communicating and coordinating with each other, and the labor relations have always been harmonious.

#### (II) Losses arising from labor disputes in the most recent year up to the publication date of this Annual Report and disclosure of potential current and future losses and countermeasures therefrom

In accordance with the Letter No. Fu-Lao-Jian-1090224604 dated September 9, 2020, the Company was imposed a fine of NT\$20 thousand for violating the provisions of Item 1, Article 24 of the Labor Standards Law. The Company made improvements immediately after the ruling.

### VI. Major Agreements

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Reinsurance contract	All the reinsurers participating in the contract, among which the chief reinsurers are: Central Reinsurance Corporation Chaucer Syndicate 1084 Swiss Reinsurance Company Transatlantic Reinsurance Company Canopus Asia Pte. Ltd. HCC International Insurance Company	2020/01/01 ~ 2020/12/31	In accordance with proportional and non-proportional reinsurance contracts, various insurance direct signing businesses underwritten by the Company are reinsurance to ensure stable operations.	Some contracts include exclusion clauses

## Chapter 6 Financial Overview

### I. Condensed Balance Sheet and Comprehensive Income Statement (Consolidated and Parent Company Only) for the Most Recent Five Years (I) Condensed Balance Sheets and Statements of Comprehensive Income (Consolidated)

Unit: NT\$ Thousand

Item	Year	Financial Summary for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		13,622,956	14,511,587	15,497,761	15,578,199	15,705,622
Property and equipment (Note 2)		838,814	817,865	1,038,298	1,127,260	1,165,781
Intangible assets, net		101,790	75,045	134,610	133,831	136,982
Deferred income tax assets		1,700	1,196	554	-	-
Other Assets		853,360	882,810	722,892	745,329	736,347
Total Assets		15,418,620	16,288,503	17,394,115	17,584,619	17,744,732
Current liabilities	Before distribution	1,156,895	1,179,206	1,239,130	1,313,465	1,256,750
	After distribution	1,156,895	1,179,206	1,430,794	1,313,465	(Note 4)
Non-current liabilities		9,742,592	10,566,235	11,293,788	10,829,751	10,640,789
Total Liabilities	Before distribution	11,787,693	11,949,293	12,532,918	12,143,216	11,897,539
	After distribution	11,787,693	12,098,365	12,724,582	12,330,621	(Note 4)
Share capital		2,129,600	2,129,600	2,129,600	2,129,600	2,236,080
Capital surplus		-	-	-	-	-
Retained earnings	Before distribution	1,523,643	2,171,062	2,652,316	3,164,913	3,552,655
	After distribution	1,523,643	2,021,990	2,460,652	3,164,913	(Note 4)
Other equity interest		(47,600)	13,744	55,892	123,328	58,458
Treasury Stock		-	-	-	-	-
Non-controlling interest		25,284	24,804	23,389	23,562	-
Total Equity	Before distribution	3,630,927	4,339,210	4,861,197	5,441,403	5,847,193
	After distribution	3,630,927	4,190,138	4,669,533	5,253,998	(Note 4)

Note 1: All have been audited and attested by CPAs.

Note 2: There is no asset revaluation in this period.

Note 3: All have been reviewed and attested by CPAs.

Note 4: Distribution of earnings for 2020 is pending the resolution by the Shareholders' Meeting.

Note 5: On May 8, 2015, the Company acquired the subsidiary in Thai and consolidated such a subsidiary into the consolidated financial statements.

### Condensed Consolidated Income Statement (Consolidated)-Adopting International Financial Reporting Standards (IFRS)

Unit: NT\$ Thousand

Item	Year	Financial Summary for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Sales Revenue		6,306,297	7,240,493	7,707,676	8,081,941	8,237,782
Gross Profit		1,899,932	2,504,862	2,544,069	2,729,989	2,728,079
Operating Income		186,317	658,671	590,985	686,326	673,890
Non-operating income and expenses		31,235	5,129	34,110	13,928	32,162
Profit before income tax		217,552	663,800	625,095	700,254	706,052
Income from Continuing Operations		217,552	663,800	625,095	700,254	700,254
Loss from Discontinued Operations		-	-	-	-	-
Net Income (Loss)		216,110	663,026	603,282	702,577	702,097
Other comprehensive income or loss for the period (Net amount after tax)		(87,067)	45,257	56,680	69,293	(82,387)
Total comprehensive income for the year		129,043	708,283	659,962	771,870	619,710
Net Income Attributable to Shareholders of the Parent		218,479	663,458	605,620	703,782	702,097
Net Income Attributable to Non-controlling Interests		(2,369)	(432)	(2,338)	(1,205)	-
Comprehensive Income Attributable to Owners of the Parent		133,000	708,763	661,377	771,697	619,710
Comprehensive Income Attributable to Non-controlling Interests		(3,957)	(480)	(1,415)	173	-
Earnings per share		1.03	3.12	2.84	3.15	3.14

Note 1: All have been audited and attested by CPAs.

Note 2: All have been reviewed and attested by CPAs.

Note 3: On May 8, 2015, the Company acquired the subsidiary in Thai and consolidated such a subsidiary into the consolidated financial statements.

**(II) Condensed Balance Sheet and Comprehensive Income Statement  
(Parent Company Only)  
Condensed Balance Sheet (Parent Company Only)-Adopting International Financial  
Reporting Standards (IFRS)**

Unit: NT\$ Thousand

Item	Year	Financial Summary for the Most Recent Five Years (Note 1)					As of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		13,568,194	14,450,545	15,460,607	15,507,907	15,705,622	17,111,156
Property and equipment (Note 2)		836,937	816,841	1,037,396	1,127,260	1,165,781	1,156,258
Intangible assets, net		101,609	74,893	134,484	133,831	136,982	137,144
Other products (Note 2)		844,344	880,406	708,472	764,990	736,347	728,948
<b>Total Assets</b>		<b>15,351,084</b>	<b>16,222,685</b>	<b>17,340,959</b>	<b>17,533,988</b>	<b>17,744,732</b>	<b>19,133,506</b>
Current liabilities	Before distribution	1,179,206	1,254,165	1,209,944	1,283,230	1,256,750	1,355,970
	After distribution	1,179,206	1,403,237	1,209,944	1,283,230	(Note 5)	(Note 4)
Non-current liabilities		10,566,235	10,654,114	11,293,207	10,832,917	10,640,789	11,696,727
Total Liabilities	Before distribution	11,745,441	11,908,279	12,503,151	12,116,147	11,897,539	13,052,697
	After distribution	11,745,441	12,057,351	12,694,815	12,303,552	(Note 5)	(Note 4)
Equity attributable to owners of parent		-	-	-	-	-	-
Share capital		2,129,600	2,129,600	2,129,600	2,129,600	2,236,080	2,236,080
Capital surplus		-	-	-	-	-	-
Retained earnings	Before distribution	1,523,643	2,171,062	2,652,316	3,164,913	3,552,655	3,764,174
	After distribution	1,523,643	2,021,990	2,460,652	2,871,028	(Note 5)	(Note 4)
Other Equity		(47,600)	13,744	55,892	123,328	58,458	80,555
Total Equity	Before distribution	3,605,643	4,314,406	4,837,808	5,417,841	5,847,193	6,080,809
	After distribution	3,605,643	4,165,334	4,646,144	5,230,436	(Note 5)	(Note 4)

Note 1: All have been audited and attested by CPAs.

Note 2: There is no asset revaluation in this period.

Note 3: All have been reviewed and attested by CPAs.

Note 4: Not applicable to the first quarter of 2021.

Note 5: Distribution of earnings for 2020 is pending the resolution by the Shareholders' Meeting.

**Condensed Parent Company Only Comprehensive Income Statement (Parent Company  
Only)-Adopting International Financial Reporting Standards (IFRS)**

Unit: NT\$ Thousand

Item	Year	Financial Summary for the Most Recent Five Years (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Sales Revenue		6,280,565	7,220,409	7,695,690	8,065,998	8,237,782	2,234,992
Gross Profit		1,885,660	2,493,231	2,535,396	2,719,968	2,728,079	755,166
Operating Income		187,330	658,355	592,677	687,421	673,890	235,403
Non-operating income and expenses		30,836	5,103	34,069	13,930	32,162	3,181
Profit before income tax		218,166	663,458	626,746	701,351	706,052	238,584
Income from Continuing Operations		218,479	663,458	605,620	703,782	700,254	212,008
Loss from Discontinued Operations		-	-	-	-	-	-
Net Income (Loss)		218,479	663,458	605,620	703,782	702,097	212,008
Other comprehensive income or loss for the period (Net amount after tax)		(85,479)	45,305	55,757	67,915	(82,387)	21,608

Total comprehensive income for the year	133,000	708,763	661,377	771,697	619,710	233,616
Net Income Attributable to Shareholders of the Parent	-	-	-	-	-	-
Net Income Attributable to Non-controlling Interests	-	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	-	-	-	-	-	-
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	-
Earnings per share	1.03	3.12	2.84	3.15	3.14	0.95

Note 1: All have been audited and attested by CPAs.

Note 2: All have been reviewed and attested by CPAs.

### (III) Names of CPAs and their opinions in the most recent five years

Year	Name of CPAs		Auditing opinions of CPAs
2020	CPA Li Feng-Hui	CPA Chung Dan-Dan	Unmodified opinion
2019	CPA Li Feng-Hui	CPA Chung Dan-Dan	Unmodified opinion
2018	CPA Li Feng-Hui	CPA Chung Dan-Dan	Unmodified opinion
2017	CPA Li Feng-Hui	CPA Chung Dan-Dan	Unmodified opinion
2016	CPA Li Feng-Hui	CPA Chung Dan-Dan	Unmodified opinion

## II. Financial analysis for the most recent five years (consolidated and parent company only)

### Financial analysis and key performance indicators KPI (consolidated)

Unit: %

Analysis Item	Year	Financial summary for the most recent five years (Note 1)				
		2016	2017	2018	2019	2020
Business indicators	Rate of change in premium revenue	3.85	7.14	8.06	0.12	3.96
	Changes in reinsurance claims paid	8.26	10.83	-3.40	15.58	(1.38)
	Changes in Retention Premiums	8.68	15.44	5.22	-0.25	5.45
	Ratio of net worth	23.55	26.64	27.95	30.94	32.95
Profitability Indicator	Return of Assets	1.45	4.18	3.58	4.02	3.99
	Owner's equity rate of change	6.04	16.64	13.11	13.64	12.47
	Net Earnings Rate of Fund Utilization	0.83	2.19	1.18	2.48	2.93
	Return on Investment	0.75	1.97	1.06	2.24	2.65
	Retention Combined Ratio	98.22	93.00	92.98	96.25	96.03
	Retention Expenses Ratio	40.87	40.59	40.44	42.35	42.17
	Retention Loss Ratio	57.36	52.41	52.54	53.90	53.86
Overall operating indicators	Retention Premiums on Equity	159.29	153.87	144.52	128.78	126.27
	Gross Premiums on Equity	250.37	223.20	211.08	188.57	182.00
	Net Reinsurance Commission on Equity	17.53	11.00	10.22	8.78	7.85
	Reserves to owners' equity ratio	282.93	237.01	224.48	191.21	176.61
	Owner's equity rate of change	3.06	19.51	12.03	11.94	7.92
	Expense rate	34.00	34.09	33.75	34.73	34.70

Note 1: On May 8, 2015, the Company acquired the subsidiary in Thai and consolidated such a subsidiary into the consolidated financial statements.

Note 2: This indicator is a Key Performance Indicator (KPI) specific to the property insurance industry.

## Financial analysis and KPI (Parent Company Only)

Unit: %

Analysis Item	Year	Financial summary for the most recent five years (Note 1)					As of March 31, 2021
		2016	2017	2018	2019	2020	
Business indicators	Rate of change in premium revenue	3.74	7.21	8.12	0.08	3.96	4.32
	Changes in reinsurance claims paid	8.12	10.92	(3.47)	15.65	(1.38)	(13.25)
	Changes in Retention Premiums	8.65	15.58	5.21	(0.28)	5.45	7.89
	Ratio of net worth	23.49	26.59	27.90	30.90	32.95	31.78
Profitability Indicator	Return of Assets	1.47	4.21	3.62	4.05	3.99	4.62
	Owner's equity rate of change	6.15	16.75	13.23	13.72	12.47	14.22
	Net Earnings Rate of Fund Utilization	0.80	2.18	1.36	2.78	2.93	6.23
	Return on Investment	0.72	1.96	1.23	2.52	2.65	5.66
	Retention Combined Ratio	98.41	93.21	93.39	96.83	96.03	96.87
	Retention Expenses Ratio	40.99	40.79	40.80	42.90	42.17	40.09
	Retention Loss Ratio	57.42	52.42	52.59	53.93	53.86	56.78
Overall operating indicators	Retention Premiums on Equity	160.14	154.68	145.13	129.24	126.27	132.39
	Gross Premiums on Equity	251.19	223.90	211.63	188.89	182.00	194.23
	Net Reinsurance Commission on Equity	17.35	10.85	10.11	8.69	7.85	8.06
	Reserves to owners' equity ratio	284.37	238.37	225.29	192.04	176.61	186.53
	Owner's equity rate of change	3.20	19.66	12.13	11.99	7.92	4.00
	Expense rate	34.04	34.19	33.97	35.08	34.70	32.57

Reasons for financial ratio changes are stated below, as well as items having material changes:

(I) Changes in direct claims paid: decreased due to that claims for major fire losses had been settled last year.

(II) Changes in premium retained: increased due to benefits from premiums of written car insurance policy generated both from the promotion activities of the various car brands, and from the government's incentive package to subsidize replacement of an old car with a new one.

(III) Return on fund utilization and return on investment: increased due to slight growth of profit before tax generated both from the increase in gains on financial assets at fair value through profit or loss, and from better investment performance.

Note 1: The financial data for the most recent five years has been audited by CPAs.

Note 2: This indicator is a Key Performance Indicator (KPI) specific to the product insurance industry.

### **Note 2: The calculation formulas for the analysis items are as follows:**

#### **1. Business indicators**

- (1) Rate of change in direct premium revenue = (Cumulative amount of direct premium revenue in the current period - Cumulative amount of direct premium revenue in the same period last year)/Cumulative amount of direct premium revenue in the same period last year  
 ["Direct Insurance Premium Revenue" refers to the insurance premium revenue obtained by insurance companies directly issuing insurance policies to the insured. ]
- (2) Rate of change in direct indemnity paid = (Cumulative amount of direct indemnity paid in the current period - Cumulative amount of direct indemnity paid in the same period last year) / Cumulative amount of direct indemnity paid in the same period last year  
 ["Direct Indemnity Paid" refers to the indemnity paid by the insurance company that directly issues the insurance policy to the insured person due to insured accidents. ]
- (3) Rate of change in retained premiums = (Cumulative retained premiums for the current period - Cumulative retained premiums for the same period last year) / Cumulative retained premiums for the same period last year  
 [Retained premiums = Direct premium revenue + Reinsurance premium revenue - Reinsurance premium expenditures]
- (4) Net value ratio = Owner's equity/total assets in separate account excluding investment-linked insurance

#### **2. Profitability index**

- (1) Return on assets = [Net profit after tax + Interest expenses×(1 - Tax rate)]/Average total assets  
 [Average total assets = (Assets at the beginning of the period + Assets at the end of the period)/2]
- (2) Return on equity = Pre-tax (after) profit and loss/Average equity  
 [Average equity = (current year equity + previous year equity)/2]
- (3) Net earning rate of fund utilization = Current net investment revenue / (Available funds at the beginning of the period + Available funds at the end - Net investment revenue for the current period)/2

- [Net investment revenue for the current period = Interest income + Financial asset interest measured at fair value through profit and loss + Realized interest of financial assets available for sale + Conversion interest + Investment real estate gains and losses + Investment impairment losses and reversal benefits]
- (4) Return on investment = Net investment revenue for the current period / [(Assets at the beginning of the period + Assets at the end of the period - Net investment revenue for the current period) / 2]  
 [Net investment revenue for the current period = Interest income + Financial asset interest measured at fair value through profit and loss + Realized interest of financial assets available for sale + Conversion interest + Investment real estate gains and losses + Investment impairment losses and reversal benefits]
- (5) Retained combined ratio = Retained expense ratio + retained endowment loss rate
- (6) Retained expense ratio = Retained expense / Retained premium  
 [Retained premiums = Direct premium revenue + Reinsurance premium revenue - Reinsurance premium expenditures]  
 [Retained expenses = Commission and underwriting expenses (including stability fund expenses) + Reinsurance commission expenses - Reinsurance commission income + Business expenses + Management expenses + Self-use real estate depreciation and amortization]
- (7) Retained endowment loss ratio = Retained insurance claims / retained endowment premiums  
 [Retained insurance claims = Insurance claims and payments - Amortized reinsurance claims + Net change in claim reserve]  
 [Retained endowment premiums = Direct premium revenue + Reinsurance premium revenue - Reinsurance premium expenditure - Net change in unearned premium reserves]

### 3. Overall operating indicators

- (1) Retained premiums to equity ratio = Retained premiums / equity
- (2) Gross premiums to equity ratio = (Direct premium revenue + Reinsurance premium revenue) / Equity
- (3) Impact rate of net reinsurance commission on equity = (Unexpired premium reserve / Retained premium) \* Reinsurance commission income / Equity
- (4) The ratio of various reserves to equity = Various insurance liabilities / equity  
 [Various insurance liabilities = Special reserve + Indemnity reserve + Unexpired liability reserve + Other various reserves]
- (5) Rate of change in equity = (Current year's equity - Last year's equity) / absolute value of last year's equity
- (6) Expense ratio = Expense / (Direct premium revenue + Reinsurance premium revenue)  
 [Expenses = Commission and underwriting expenses + Operating expenses + Management expenses + Self-use real estate depreciation and amortization + Reinsurance commission expenses]



### **III. Audit Committee's report for the most recent year's financial statements**

#### **Union Insurance Company**

##### **2020 Audit Committee's Review Report**

The Board of Directors has submitted the Company's 2020 consolidated and individual financial statements that have been audited by CPA Li Feng-Hui and CPA Chung Dan-Dan of KPMG to the Audit Committee for review. It has been reviewed by the Audit Committee and it is considered that there is no disagreement. Therefore, the Audit Committee has prepared the report pursuant to Article 219 of the Company Act.

Sincerely

Union Insurance Company

Convener of the Audit Committee

March 26, 2021

## **IV. Consolidated Financial Statements for the Most Recent Fiscal Year, Certified by CPAs**

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Union Insurance Co., LTD. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Union Insurance Co., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Union Insurance Co., LTD.  
Chairman: HUNG, CHI-HSIUNG  
Date: March 26, 2021



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Union Insurance Co., LTD. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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



#### Assessment of insurance liability

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

#### Description of key audit matter:

The Group 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.

#### **Other Matter**

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group 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 Group’s financial reporting process.



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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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 LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)

March 26, 2021

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11000	Cash and cash equivalents (note 6(a))	\$ 2,386,542	13	2,117,261	12	21000	Accounts payable (note 6(b) and (e))	\$ 1,256,750	7	1,283,228	7
12000	Receivables (note 6(b))	667,810	4	858,220	5	21700	Current tax liabilities	180	-	3,166	-
12600	Current tax assets	302	-	77	-	22000	Liabilities related to assets classified as held-for-sale (note 6(g))	-	-	27,071	-
13000	Assets classified as held-for-sale (note 6(g))	-	-	89,711	-	24000	Insurance liabilities (note 6(p))	10,326,662	58	10,404,545	59
14110	Financial assets at fair value through profit or loss (note 6(f))	1,966,543	11	1,619,258	9	27000	Provisions (note 6(n))	214,043	2	233,432	1
14190	Financial assets at fair value through other comprehensive income (note 6(f))	2,356,484	13	1,860,294	11	23800	Lease liabilities (note 6(l))	7,863	-	19,679	-
14145	Financial assets at amortized cost (note 6(f))	1,493,894	8	1,437,951	8	28000	Deferred tax liabilities (note 6(q))	63,920	-	63,920	1
14180	Other financial assets, net (note 6(f))	2,121,637	12	2,587,570	15	25000	Other liabilities	28,121	-	108,175	1
16700	Right-of-use assets (note 6(k))	7,810	-	19,584	-		<b>Total liabilities</b>	<u>11,897,539</u>	<u>67</u>	<u>12,143,216</u>	<u>69</u>
14200	Investment property (note 6(i))	791,880	5	839,087	5		<b>Equity</b>				
15000	Reinsurance assets (note 6(c))	3,920,832	22	4,149,186	24	31100	Ordinary share (note 6(r))	2,236,080	13	2,129,600	12
16000	Property and equipment (note 6(j))	1,165,781	7	1,127,260	6	33100	Legal reserve (note 6(r))	718,040	4	577,284	3
17000	Intangible assets	136,982	1	133,831	1	33200	Special reserve (note 6(p) and (r))	2,235,431	13	2,038,341	12
18000	Other assets	728,235	4	745,329	4	33300	Unappropriated retained earnings (note 6(r))	599,184	3	549,288	3
						34210	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	58,458	-	120,375	1
						34700	Equity related to assets(or disposal groups) classified as held for sale (note 6(g))	-	-	2,953	-
							<b>Total equity attributable to owners of parent:</b>	<u>5,847,193</u>	<u>33</u>	<u>5,417,841</u>	<u>31</u>
						36000	Non-controlling interests	-	-	23,562	-
							<b>Total equity</b>	<u>5,847,193</u>	<u>33</u>	<u>5,441,403</u>	<u>31</u>
<b>Total assets</b>		<u>\$ 17,744,732</u>	<u>100</u>	<u>17,584,619</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 17,744,732</u>	<u>100</u>	<u>17,584,619</u>	<u>100</u>

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019		Change
	Amount	%	Amount	%	
41000	<b>Operating revenue:</b>				
41110	\$ 10,222,889	124	9,860,309	122	4
41120	419,272	5	400,657	5	5
41100	10,642,161	129	10,260,966	127	
51100	3,259,029	39	3,253,567	40	-
51310	238,756	3	(31,813)	-	850
41130	7,144,376	87	7,039,212	87	
41300	579,520	7	595,712	7	(3)
41500					
41510	78,337	1	90,082	1	(13)
41521	264,405	3	252,503	3	5
41527	67,954	1	48,037	1	41
41550	(657)	-	(827)	-	21
41570	51,825	1	45,924	1	13
41585	76	-	(288)	-	126
41590	38,855	-	-	-	-
41800	13,091	-	11,586	-	13
	<b>8,237,782</b>	<b>100</b>	<b>8,081,941</b>	<b>100</b>	
51000	<b>Operating costs:</b>				
51200	5,926,033	72	6,016,939	74	(2)
41200	2,136,153	26	2,117,717	26	1
51260	3,789,880	46	3,899,222	48	
51300					
51320	58,378	1	(105,068)	(1)	156
51340	(5,066)	-	(23,009)	-	78
51350	-	-	(4,360)	-	100
51500	1,618,526	20	1,543,544	19	5
51800	45,501	-	39,455	-	15
51700	2,484	-	2,168	-	15
	<b>5,509,703</b>	<b>67</b>	<b>5,351,952</b>	<b>66</b>	
58000	<b>Operating expenses:</b>				
58100	1,611,241	20	1,575,351	19	2
58200	434,332	5	421,030	5	3
58300	1,195	-	4,010	-	(70)
58400	7,421	-	43,272	1	(83)
	<b>2,054,189</b>	<b>25</b>	<b>2,043,663</b>	<b>25</b>	
	<b>673,890</b>	<b>8</b>	<b>686,326</b>	<b>9</b>	<b>(2)</b>
59000	<b>Non-operating income and expenses:</b>				
59100	2,141	-	-	-	-
59400	-	-	(5)	-	100
59900	30,021	1	13,933	-	115
	<b>32,162</b>	<b>1</b>	<b>13,928</b>	<b>-</b>	
62000	706,052	9	700,254	9	
63000	3,955	-	(2,323)	-	
	<b>702,097</b>	<b>9</b>	<b>702,577</b>	<b>9</b>	<b>-</b>
83000	<b>Other comprehensive income:</b>				
83100	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
83110	(29,815)	-	(19,579)	-	(52)
83190	(52,572)	(1)	85,209	1	(162)
	<b>(82,387)</b>	<b>(1)</b>	<b>65,630</b>	<b>1</b>	<b>(226)</b>
83200	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
83210	-	-	710	-	(100)
83260	-	-	2,953	-	(100)
	<b>(82,387)</b>	<b>(1)</b>	<b>69,293</b>	<b>1</b>	<b>(219)</b>
83000	<b>(82,387)</b>	<b>(1)</b>	<b>69,293</b>	<b>1</b>	<b>(219)</b>
	<b>\$ 619,710</b>	<b>8</b>	<b>771,870</b>	<b>10</b>	<b>(20)</b>
	<b>Profit, attributable to:</b>				
	\$ 702,097	9	703,782	9	-
	-	-	(1,205)	-	100
	<b>\$ 702,097</b>	<b>9</b>	<b>702,577</b>	<b>9</b>	
	<b>Comprehensive income attributable to:</b>				
	\$ 619,710	8	771,697	10	(20)
	-	-	173	-	(100)
	<b>\$ 619,710</b>	<b>8</b>	<b>771,870</b>	<b>10</b>	
97500	<b>\$ 3.14</b>		<b>\$ 3.15</b>		
98500	<b>\$ 3.12</b>		<b>\$ 3.13</b>		

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

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

	Equity attributable to owners of parent									
	Share capital	Retained earnings			Other 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	Equity related to assets (or disposal groups) classified as held-for-sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2019</b>	\$ 2,129,600	456,160	1,764,966	431,190	668	55,224	-	4,837,808	23,389	4,861,197
Net income	-	-	-	703,782	-	-	-	703,782	(1,205)	702,577
Other comprehensive income	-	-	-	(19,579)	(668)	85,209	-	67,915	1,378	69,293
Total comprehensive income	-	-	-	684,203	(668)	85,209	2,953	771,697	173	771,870
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	121,124	-	(121,124)	-	-	-	-	-	-
Special reserve appropriated-net change in special claim reserved	-	-	270,875	(270,875)	-	-	-	-	-	-
Special reserve appropriated-employee training and transferring plan	-	-	2,500	(2,500)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(191,664)	-	-	-	(191,664)	-	(191,664)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	20,058	-	(20,058)	-	-	-	-
Balance at December 31, 2019	2,129,600	577,284	2,038,341	549,288	-	120,375	2,953	5,417,841	23,562	5,441,403
Net income	-	-	-	702,097	-	-	-	702,097	-	702,097
Other comprehensive income	-	-	-	(29,815)	-	(52,572)	-	(82,387)	-	(82,387)
Total comprehensive income	-	-	-	672,282	-	(52,572)	-	619,710	-	619,710
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	140,756	-	(140,756)	-	-	-	-	-	-
Special reserve appropriated-net change in special claim reserved	-	-	200,110	(200,110)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(187,405)	-	-	-	(187,405)	-	(187,405)
Stock dividends of ordinary share	106,480	-	-	(106,480)	-	-	-	-	-	-
Special reserve reversal-employee training and transferring plan	-	-	(3,020)	3,020	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	(2,953)	(2,953)	(23,562)	(26,515)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	9,345	-	(9,345)	-	-	-	-
<b>Balance at December 31, 2020</b>	\$ 2,236,080	718,040	2,235,431	599,184	-	58,458	-	5,847,193	-	5,847,193

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

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Net income before income tax</b>	\$ 706,052	700,254
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	53,997	55,715
Amortization expense	17,301	16,532
Net profit on financial assets or liabilities at fair value through profit or loss	(240,451)	(236,750)
Interest expense	2,484	2,168
Interest revenue	(78,337)	(90,082)
Dividend revenue	(91,908)	(63,790)
Net change in insurance liabilities	(69,823)	(484,100)
Net change in other provisions	(49,204)	(61,807)
Expected credit loss (Reversal of credit loss) of investments	(76)	288
Expected credit loss of non-investments	7,421	43,272
Loss (gain) on disposal of property and equipment	(2,141)	5
Gain on disposal of investment properties	(9,947)	-
Gain on disposal of intangible assets	(3,189)	-
Gain on disposal of subsidiaries	(38,855)	-
Others	(15)	-
<b>Total adjustments to reconcile profit (loss)</b>	(502,743)	(818,549)
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	(16,689)	45,179
Decrease in premiums receivable	224,866	11,297
Increase in other receivable	(25,108)	(26,799)
Increase in financial assets at fair value through profit or loss	(106,834)	(727,425)
Increase in financial assets at fair value through other comprehensive income	(548,762)	(787,965)
Increase in financial assets at amortized cost	(72,991)	(199,454)
Decrease in other financial assets	465,933	1,415,656
Decrease in reinsurance assets	228,338	328,591
Decrease (increase) in other assets	12,091	(31,055)
<b>Total changes in operating assets</b>	160,844	28,025
<b>Changes in operating liabilities:</b>		
Increase (decrease) in other payable	(26,478)	71,536
Increase (decrease) in other liabilities	(80,054)	67,543
<b>Total changes in operating liabilities</b>	(106,532)	139,079
Cash inflow generated from operations	257,621	48,809
Interest received	78,686	88,574
Dividends received	92,163	61,987
Interest paid	(2,484)	(2,168)
Income taxes paid	(7,166)	(2,999)
<b>Net cash flows used from operating activities</b>	418,820	194,203
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of subsidiaries	69,873	-
Acquisition of property and equipment	(56,714)	(120,837)
Proceeds from disposal of property and equipment	3,980	-
Acquisition of intangible assets	(14,364)	(18,738)
Proceeds from disposal of intangible assets	10,500	-
Acquisition of investment properties	(2,251)	-
Proceeds from disposal of investment properties	38,000	-
<b>Net cash flows from (used in) investing activities</b>	49,024	(139,575)
<b>Cash flows from (used in) financing activities:</b>		
Decrease in lease payable	(16,265)	(16,448)
Cash dividends paid	(187,405)	(191,664)
<b>Net cash flows used in financing activities</b>	(203,670)	(208,112)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	3,550
<b>Net increase (decrease) in cash and cash equivalents</b>	264,174	(149,934)
<b>Cash and cash equivalents at beginning of period (including cash and cash equivalents from assets classified as held-for-sale)</b>	2,122,368	2,272,302
<b>Cash and cash equivalents at end of period</b>	\$ 2,386,542	2,122,368
<b>Components of cash and cash equivalents</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 2,386,542	2,117,261
Reclassification to assets held-for-sale	-	5,107
<b>Cash and cash equivalents at end of period</b>	\$ 2,386,542	2,122,368

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
(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 and the subsidiary (the “Group”) 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 consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2021.

**(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> <li>- the beginning of the coverage period of the group of contracts ;</li> <li>- the date when the first payment from a policyholder in the group because due ; and</li> <li>- for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group.</li> </ul> </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>	January 1, 2023

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> <li>● reduce costs by simplifying some requirements in the Standard ;</li> <li>● make financial performance easier to explain; and</li> <li>● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.</li> </ul>	January 1, 2023

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Companies and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC).

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) FVTPL are measured at fair value.
- 2) FVOCI 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 and insurance liability 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) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Group and the subsidiary.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its

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

subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
The Company	China Insurance (Thai)Public Company Limited	Insurance	-	62.39 %	The Company controlled the subsidiary on May 8, 2015 by accessing 62.39% of its shares. On December 30, 2019, the Board of Directors of the Company approved to sell China Insurance (THAI) Public Company Ltd., the subsidiary of the Company. All shares would be transferred in January 2020.

(d) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control 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 Group disposes of only 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 non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

- (e) 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.

- (f) 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.

- (g) 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.

- (h) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- (i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

- 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

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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 Group 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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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. On initial recognition, the Group 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group 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.

The Group 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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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 Group is exposed to credit risk.

At each reporting date, the Group 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 asset 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. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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(ii) Financial liabilities

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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished 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

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(i) Assets classified as held-for-sale

Investments of subsidiary accounted for using equity method that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held-for-sale. Immediately before classification as held-for-sale, these investments are remeasured in accordance with the Group's accounting policies. Thereafter, generally, these investments are measured at the lower of their carrying amount and fair value less costs to sell.

(j) 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.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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.

(k) 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 Group 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 Group 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.

(l) Reinsurance contract assets

The Group’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 reinsurers 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.

The Group 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 Group 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 Group will receive from the reinsurer. If the Group’s reinsurance reserve assets are impaired, the Group 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 Group 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 Group 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 Group 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 Consolidated Financial Statements.

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

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassifies the property to investment property

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

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

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 and adjusted if appropriate.

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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(n) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and nonlease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short term leases of machinery and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease income.

(o) Intangible assets

(i) Recognition and measurement

Intangible assets, including computer software and golf membership, that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) 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.

(iii) 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 estimated useful lives for current and comparative periods are as follows:

- 1) Computer software 3-10 years
- 2) Golf membership 10-20 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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(q) Insurance liability

The Group 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 Group 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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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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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 Group 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.

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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 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 Group writes off and reclaims it via special reserve under equity account with the amount deducted by income tax.

(iv) Premium deficiency reserve

The Group 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 Group 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.

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(r) Provisions

A provision is recognized if, as a result of a past event, the Group 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. The unwinding of the discount is recognized as finance cost.

(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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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Group 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 Group 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 plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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.

(w) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(Continued)

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

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(x) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group 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 Group 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 Group 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.

(Continued)



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

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

The preparation of the Consolidated 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 the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs endorsed by the FSC. 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

The Group 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 Group's policies such as insurance rate and claim management.

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”.

(Continued)

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

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

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 500	500
Petty cash	12,400	11,000
Cash in bank	1,803,141	1,872,668
Bonds purchased under resale agreements	570,501	233,093
Total	<b><u>\$ 2,386,542</u></b>	<b><u>2,117,261</u></b>

(b) Receivables and Payables

(i) Receivables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 236,368	219,728
Premiums receivable	273,893	498,898
Other receivables	157,549	139,594
Total	<b><u>\$ 667,810</u></b>	<b><u>858,220</u></b>

(ii) Payables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Commission payable	\$ 172,896	169,185
Due to ceding companies	60,797	67,563
Reinsurance premium payable	599,748	632,328
Reinsurance commission payable	1,712	1,628
Insurance claim payable	2,753	30,178
Other payables	418,844	382,346
Total	<b><u>\$ 1,256,750</u></b>	<b><u>1,283,228</u></b>

(iii) Receivables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 237,986	221,298
Less : Loss allowance	(1,618)	(1,570)
Total	<b><u>\$ 236,368</u></b>	<b><u>219,728</u></b>

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

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Premiums receivable		
Fire insurance	\$ 64,814	165,306
Marine insurance	28,507	64,214
Hull and fishing vessel insurance	9,199	8,633
Other accident insurance	97,190	104,004
Compulsory pure premium	10,230	13,302
Voluntary automobile insurance	17,859	88,981
Compulsory automobile liability insurance	4,772	6,154
Overdue receivables	<u>46,257</u>	<u>53,100</u>
Subtotal	278,828	503,694
Less : Loss allowance	<u>(4,935)</u>	<u>(4,796)</u>
Total	<u><b>\$ 273,893</b></u>	<u><b>498,898</b></u>

(iv) Other receivables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables	\$ 187,153	161,980
Less : Loss allowance	<u>(29,604)</u>	<u>(22,386)</u>
Total	<u><b>\$ 157,549</b></u>	<u><b>139,594</b></u>

As of December 31, 2020 and 2019, the overdue receivables in notes receivable, premiums receivable and other receivables were \$77,484 and \$80,473, which provisioned the loss allowance \$36,157 and \$28,752, respectively. The movements of the loss allowance for receivables were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 28,752	24,999
Loss recognized	7,405	5,375
Amounts written off	<u>-</u>	<u>(1,622)</u>
Ending balance	<u><b>\$ 36,157</b></u>	<u><b>28,752</b></u>

The Group's Board of Directors has decided to write off \$32 of notes receivable and \$1,590 of premiums receivable which are impossible to recover on December 30, 2019.

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

The Group's aging analysis of receivables was determined as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Under 90 days	\$ 646,679	829,843
90~270 days	30,726	37,012
More than 271 days	26,562	20,117

The estimate of expected credit losses of the Group's receivables please refer to Note 6(w).

(v) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Commission Payable	<u>\$ 172,896</u>	<u>169,185</u>

(c) Reinsurance assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Claims recovered from reinsurers (Note 6(d))	\$ 354,660	347,461
Due from reinsurers and ceding companies – net (Note 6(e))	346,272	220,015
Reinsurance reserve assets (Note 6(p))		
Ceded unearned premiums reserve	1,907,983	1,913,563
Ceded claim reserve	<u>1,311,917</u>	<u>1,668,147</u>
Total	<u>\$ 3,920,832</u>	<u>4,149,186</u>

(d) Claims recovered from reinsurers

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Fire insurance	\$ 7,990	8,524
Marine insurance	95	836
Land and air Insurance	98	43
Liability insurance	78,633	73,591
Surety insurance	-	2,491
Other property insurance	156,371	146,760
Accident insurance	40,611	40,592
Health insurance	706	495
Compulsory automobile liability insurance	70,141	72,750
Overdue receivables	15	1,379
Less : Loss allowance	<u>-</u>	<u>-</u>
Total	<u>\$ 354,660</u>	<u>347,461</u>

(Continued)

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

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

(i) Receivables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due from ceding companies	\$ 215,149	78,042
Reinsurance premium receivable	62,081	59,585
Reinsurance commission receivable	61,381	81,396
Overdue receivable	45,574	38,808
Subtotal	384,185	257,831
Less : Loss allowance	(37,913)	(37,816)
Total	<b><u>\$ 346,272</u></b>	<b><u>220,015</u></b>

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 37,816	-
Loss recognized	97	37,816
Ending balance	<b><u>\$ 37,913</u></b>	<b><u>37,816</u></b>

(ii) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due to ceding companies	\$ 60,797	67,563
Reinsurance premium payable	599,748	632,328
Reinsurance commission payable	1,712	1,628
Total	<b><u>\$ 662,257</u></b>	<b><u>701,519</u></b>

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

(f) Financial assets

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificate	\$ 52,666	71,711
Real estate investment trust beneficiary certificate	353,825	334,724
Domestic listed stocks and OTC stocks	1,560,052	1,212,823
Total	<b>\$ 1,966,543</b>	<b>1,619,258</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 2020 and 2019 will increase \$19,665 and \$16,193, 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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks and OTC stocks	\$ 2,342,540	1,846,770
Domestic unlisted stocks	13,944	13,524
Total	<b>\$ 2,356,484</b>	<b>1,860,294</b>

The Group 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 Group intends to hold not for trading purposes.

During the years ended December 31, 2020 and 2019, the dividends of \$67,954 and \$48,037, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized; the dividends of \$0 and \$13,596, respectively, related to the investments derecognized during the years ended December 31, 2020 and 2019, were recognized.

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

The Group disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and rearranging portfolio. The disposed shares, during the years ended December 31, 2020 and 2019, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Fair value	\$ <b>466,560</b>	<b>363,271</b>
Accumulate gains by disposing	\$ <b>9,345</b>	<b>20,058</b>

The accumulate gains by disposing above have been transferred from other equity to retained earning.

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 impacts on comprehensive income for 2020 and 2019 will increase \$23,565 and \$18,603, 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.

(iii) Financial assets at amortized cost

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Government bonds	\$ 610,619	538,296
Financial bonds	300,000	300,000
Corporate bonds	950,000	950,000
Subtotal	1,860,619	1,788,296
Less: Securities serving as deposits paid	(365,852)	(349,396)
Loss allowance	(873)	(949)
Total	\$ <b>1,493,894</b>	<b>1,437,951</b>

- 1) The Group 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.
- 2) Please refer to Note 6(w) for further information of credit risk and the movement in the loss allowance of financial assets measured at amortized cost.
- 3) the Group's financial assets measured at amortized cost had been pledged partially, please refer to Note 8.

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

- 4) The Group assessed the impairment of financial asset on December 31, 2020 and 2019, the amounts of the expected credit loss recognized (reversal of credit loss) were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 949	661
Loss recognized	(76)	288
Ending balance	<u><u>\$ 873</u></u>	<u><u>949</u></u>

- (iv) Other financial asset:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Time deposits – initial maturity date over than three months	\$ 2,288,637	2,772,892
Less: Securities serving as deposits paid	(167,000)	(185,322)
Total	<u><u>\$ 2,121,637</u></u>	<u><u>2,587,570</u></u>

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

- (v) Capital outsourcing information

As of December 31, 2020 and 2019, the Group has outsourced to Securities Investment Trust to manage investment project and capital amount. Further information were as follows:

<b>Investment Trust Company</b>	<b>Investment</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
		<b>Amount</b>	<b>Amount</b>
Nomura Asset Management	Domestic listed stocks and OTC stocks, bonds purchased under resale agreements, short term bills, etc.	\$ 500,000	400,000
Fuh Hwa Securities Investment Trust	"	500,000	400,000
CTBC Investments	"	-	200,000
Capital Investment Trust Corporation	"	500,000	200,000
		<u><u>\$ 1,500,000</u></u>	<u><u>1,200,000</u></u>

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
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The investment project was mentioned above, and the carry amounts as of December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 499,330	426,457
Financial assets at fair value through profit or loss - stocks	<u>1,243,321</u>	<u>859,443</u>
	<b><u>\$ 1,742,651</u></b>	<b><u>1,285,900</u></b>

(g) Assets classified as held-for-sale

On December 30, 2019, the Board of Directors of the Company approved to sell China Insurance (THAI) Public Company Ltd., the subsidiary of the Company, at the disposal amount of \$74,980. All shares were transferred in January 2020. Thus, the investments accounted for using equity method were reclassified from assets to held-for-sale. The assets classified as held-for-sale, liabilities, and equity of the Group for the year ended December 31, 2019 were as follows:

	<b>December 31, 2019</b>
Assets classified as held-for-sale	
Cash and cash equivalents	\$ 5,107
Financial assets at fair value through profit or loss	7,435
Other financial assets - net	60,588
Reinsurance assets	9,239
Other assets	<u>7,342</u>
Total	<b><u>\$ 89,711</u></b>
Liabilities related to assets classified as held-for-sale	
Accounts payable	\$ 13,523
Insurance liabilities	12,440
Other liabilities	<u>1,108</u>
Total	<b><u>\$ 27,071</u></b>
Equity related to assets classified as held-for-sale	<b><u>\$ 2,953</u></b>

For the explanation of the loss of control of a subsidiary, please refer to Note 6(h).

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

(h) Loss of control of a subsidiary

The Group has completed the disposal of 62.39% ownership of China Insurance (THAI) Public Company Ltd. and lost control of it on January 7, 2020. The disposal price was \$74,980, and the disposal benefit of \$38,855 has been reported under the consolidated statements of comprehensive income item "Other net income (loss) from investments". The details of the carrying amounts of assets and liabilities of China Insurance (THAI) Public Company Ltd. on the date of loss of control were as follows:

Cash and cash equivalents	\$	5,107
Financial assets at fair value through profit or loss		7,435
Other financial assets - net		60,588
Reinsurance assets		9,239
Other assets		7,342
Accounts payable		(13,523)
Insurance liabilities		(12,440)
Other liabilities		(1,108)
Carrying amount of net assets	<b>\$</b>	<b><u>62,640</u></b>

(i) Investment property

The cost, depreciation, and impairment of the investment property of the Group for the years ended December 31, 2020 and 2019, 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, 2020</b>	\$ 714,171	204,027	918,198
Additions	-	2,251	2,251
Disposal	(22,640)	(7,400)	(30,040)
Reclassification to property, plant and equipment	(10,006)	(11,242)	(21,248)
<b>Balance at December 31, 2020</b>	<b><u>\$ 681,525</u></b>	<b><u>187,636</u></b>	<b><u>869,161</u></b>
<b>Balance at January 1, 2019</b>	\$ 715,774	218,790	934,564
Reclassification from property, plant and equipment	2,444	1,162	3,606
Reclassification to property, plant and equipment	(3,654)	(3,761)	(7,415)
Effect of changes in foreign exchange rates	23	526	549
Reclassification to assets classified as held-for-sale	(416)	(12,690)	(13,106)
<b>Balance at December 31, 2019</b>	<b><u>\$ 714,171</u></b>	<b><u>204,027</u></b>	<b><u>918,198</u></b>

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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, 2020</b>	\$ 2,359	76,752	79,111
Depreciation	-	4,262	4,262
Disposal	-	(1,987)	(1,987)
Reclassification to property, plant and equipment	-	(4,105)	(4,105)
<b>Balance at December 31, 2020</b>	<u>\$ 2,359</u>	<u>74,922</u>	<u>77,281</u>
<b>Balance at January 1, 2019</b>	\$ 2,359	85,005	87,364
Depreciation	-	4,366	4,366
Reclassification from property, plant and equipment	-	444	444
Reclassification to property, plant and equipment	-	(899)	(899)
Effect of changes in foreign exchange rates	-	526	526
Reclassification to assets classified as held-for-sale	-	(12,690)	(12,690)
<b>Balance at December 31, 2019</b>	<u>\$ 2,359</u>	<u>76,752</u>	<u>79,111</u>
<b>Carrying amount:</b>			
December 31, 2020	<u>\$ 679,166</u>	<u>112,714</u>	<u>791,880</u>
December 31, 2019	<u>\$ 711,812</u>	<u>127,275</u>	<u>839,087</u>
<b>Fair value :</b>			
December 31, 2020		<u>\$ 1,695,676</u>	
December 31, 2019		<u>\$ 1,529,595</u>	

On December 31, 2020 and 2019, the assessment of fair value of investment property mainly referred to the market trade.

As of December 31, 2020 and 2019, the Group's investment property has not been pledged as collateral.

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

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings and Constructions	Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Total
<b>Cost:</b>							
<b>Balance at January 1, 2020</b>	\$ 802,214	441,007	182,043	579	47,893	7,216	1,480,952
Additions	14,580	30,243	5,632	-	6,060	199	56,714
Reclassification from investment property	10,006	11,242	-	-	-	-	21,248
Disposal	(854)	(2,296)	-	-	-	-	(3,150)
Scrap	-	-	(4,074)	-	(2,154)	(5,411)	(11,639)
<b>Balance at December 31, 2020</b>	<u>825,946</u>	<u>480,196</u>	<u>183,601</u>	<u>579</u>	<u>51,799</u>	<u>2,004</u>	<u>1,544,125</u>
<b>Balance at January 1, 2019</b>	736,285	426,700	158,638	2,104	51,771	12,930	1,388,428
Additions	65,207	26,300	24,222	-	3,689	1,419	120,837
Reclassification from investment property	3,654	3,761	-	-	-	-	7,415
Reclassification to investment property	(2,444)	(1,162)	-	-	-	-	(3,606)
Scrap	-	-	(817)	-	(1,190)	(7,133)	(9,140)
Reclassification to assets classified as held-for-sale	(517)	(15,222)	-	(1,616)	(6,758)	-	(24,113)
Effect of changes in foreign exchange rates	29	630	-	91	381	-	1,131
<b>Balance at December 31, 2019</b>	<u>802,214</u>	<u>441,007</u>	<u>182,043</u>	<u>579</u>	<u>47,893</u>	<u>7,216</u>	<u>1,480,952</u>
<b>Depreciation and impairment loss:</b>							
<b>Balance at January 1, 2020</b>	15,196	148,303	143,477	467	40,455	5,794	353,692
Depreciation	-	12,834	16,351	97	3,740	475	33,497
Reclassification from investment property	-	4,105	-	-	-	-	4,105
Disposal	-	(1,311)	-	-	-	-	(1,311)
Scrap	-	-	(4,074)	-	(2,154)	(5,411)	(11,639)
<b>Balance at December 31, 2020</b>	<u>15,196</u>	<u>163,931</u>	<u>155,754</u>	<u>564</u>	<u>42,041</u>	<u>858</u>	<u>378,344</u>
<b>Balance at January 1, 2019</b>	15,196	151,901	124,540	1,895	44,725	11,873	350,130
Depreciation	-	10,538	19,754	97	3,040	1,054	34,483
Reclassification from investment property	-	899	-	-	-	-	899
Reclassification to investment property	-	(444)	-	-	-	-	(444)
Scrap	-	-	(817)	-	(1,185)	(7,133)	(9,135)
Reclassification to assets classified as held-for-sale	-	(15,221)	-	(1,616)	(6,483)	-	(23,320)
Effect of changes in foreign exchange rates	-	630	-	91	358	-	1,079
<b>Balance at December 31, 2019</b>	<u>15,196</u>	<u>148,303</u>	<u>143,477</u>	<u>467</u>	<u>40,455</u>	<u>5,794</u>	<u>353,692</u>
<b>Carrying amount:</b>							
December 31, 2020	<u>\$ 810,750</u>	<u>316,265</u>	<u>27,847</u>	<u>15</u>	<u>9,758</u>	<u>1,146</u>	<u>1,165,781</u>
December 31, 2019	<u>\$ 787,018</u>	<u>292,704</u>	<u>38,566</u>	<u>112</u>	<u>7,438</u>	<u>1,422</u>	<u>1,127,260</u>

As of December 31, 2020 and 2019, the Group's property, plant and equipment have not been pledged as collateral.

(Continued)

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

(k) Right-of-use assets

The changes in the Group's costs and depreciation of leasing buildings, constructions, and transportation equipment were as follows:

	<u>Buildings and Constructions</u>	<u>Transportation Equipment</u>	<u>Total</u>
Costs of right-of-use assets:			
January 1, 2020	\$ 27,052	5,434	32,486
Additions	5,345	-	5,345
Derecognition	(5,235)	-	(5,235)
December 31, 2020	<u>\$ 27,162</u>	<u>5,434</u>	<u>32,596</u>
January 1, 2019	\$ -	-	-
Effects of retrospective application IFRS16	24,118	5,730	29,848
Additions	6,214	2,904	9,118
Derecognition	(3,280)	(3,200)	(6,480)
December 31, 2019	<u>\$ 27,052</u>	<u>5,434</u>	<u>32,486</u>
Depreciation of right-of-use assets:			
January 1, 2020	\$ 11,391	1,511	12,902
Depreciation	13,798	2,440	16,238
Derecognition	(4,354)	-	(4,354)
December 31, 2020	<u>\$ 20,835</u>	<u>3,951</u>	<u>24,786</u>
January 1, 2019	\$ -	-	-
Effects of retrospective application IFRS16	-	-	-
Depreciation	14,422	2,444	16,866
Derecognition	(3,031)	(933)	(3,964)
December 31, 2019	<u>\$ 11,391</u>	<u>1,511</u>	<u>12,902</u>
Carrying amounts:			
December 31, 2020	<u>\$ 6,327</u>	<u>1,483</u>	<u>7,810</u>
December 31, 2019	<u>\$ 15,661</u>	<u>3,923</u>	<u>19,584</u>

(Continued)

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

(l) Lease liabilities

The Group's lease liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Within a year	\$ 6,526	15,257
One to five years	1,337	4,422
Total	<u>\$ 7,863</u>	<u>19,679</u>

The maturity analysis please refer to note 6(x) financial instruments.

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<u>\$ 278</u>	<u>477</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<u>\$ 16,543</u>	<u>16,925</u>

(i) Leases of buildings and constructions

The Group leases buildings and constructions for its office space. The leases of office space typically run for 1 to 3 years.

(ii) Other leases

The Group leases transportation equipment with contract terms of 1 to 3 years.

(m) Operating lease

(i) Leases as lessor

The Group leases out its investment properties (please refer to Note 6(i)). The future minimum lease payments under non-cancellable leases are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Within a year	\$ 22,514	47,760
One to five years	43,556	136,942
More than five years	11,242	278,138
	<u>\$ 77,312</u>	<u>462,840</u>

Rental incomes from investment properties were \$46,140 and \$50,290 for 2020 and 2019, respectively.

(Continued)

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

(n) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of the defined benefit obligations	\$ (564,445)	(540,267)
Fair value of plan assets	<u>350,402</u>	<u>306,835</u>
Net defined benefit (liabilities) assets	<u><b>\$ (214,043)</b></u>	<u><b>(233,432)</b></u>

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 \$350,402 and \$306,835 as of December 31, 2020 and 2019, 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>2020</b>	<b>2019</b>
Defined benefit obligation at January 1	\$ 540,267	532,833
Current serviced costs and interest cost	11,079	12,531
Past service cost	486	-
Remeasurements of net defined benefit liabilities		
— Actuarial gains or losses arising from changes of demographic assumptions	1,616	462
— Actuarial gains or losses arising from changes of financial assumptions	41,557	21,201
— Actuarial gains or losses arising from experience adjustments	(3,118)	7,990
Benefits paid by the plan	<u>(27,442)</u>	<u>(34,750)</u>
Defined benefit obligation at December 31	<u><b>\$ 564,445</b></u>	<u><b>540,267</b></u>

(Continued)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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>2020</b>	<b>2019</b>
Fair value of plan assets at January 1	\$ 306,835	257,184
Interest revenue	2,025	2,238
Remeasurements of net defined benefit liabilities		
— Expected return on plan assets (excluding current interest)	10,240	10,074
Contribution made to the plan	58,744	72,089
Benefit paid by the plan	(27,442)	(34,750)
Fair value of plan assets at December 31	<b>\$ 350,402</b>	<b>306,835</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>2020</b>	<b>2019</b>
Current service cost	\$ 7,513	7,895
Net interest of net liabilities for defined benefit obligations	1,541	2,398
Past service cost	486	-
	<b>\$ 9,540</b>	<b>10,293</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, 2020 and 2019, was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accumulated amount at January 1	\$ 195,159	175,580
Recognized during the period	29,815	19,579
Accumulated amount at December 31	<b>\$ 224,974</b>	<b>195,159</b>

(Continued)



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

6) Actuarial assumptions

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.39 %	0.66 %
Expected return on planned assets	0.39 %	0.66 %
Future salary increases	1.50 %	1.00 %

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 \$8,019. The weighted average lifetime of the defined benefits plans is 12 years.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group 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.

For the years ended December 31, 2020 and 2019, 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, 2020		
Discount rate (change 0.5%)	\$ 36,294	33,370
Future salary increases(change 0.5%)	35,699	33,195
December 31, 2019		
Discount rate (change 0.5%)	27,803	15,216
Future salary increases (change 0.5%)	27,492	15,239

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 2020 and 2019.

(Continued)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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 \$31,948 and \$31,613 for the years ended December 31, 2020 and 2019, respectively.

(iii) The pension costs of the overseas subsidiary were \$0 and \$217 which are following to local regulation for the years ended December 31, 2020 and 2019, respectively.

(o) 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, 2020 and 2019, the Company estimated its employee remuneration amounting to \$28,500 and \$28,000, respectively, and directors' remuneration amounting to \$6,500 and \$6,000, 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 2020 and 2019. If the actual amounts were subsequently decided after the approval and the issuance date of the Consolidated 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 2019 and 2018 were \$28,000 and \$6,000, \$9,000 and \$6,000, respectively. There is no difference in the actual distribution situation. Relevant information can be obtained from the Market Observation Post System.

(p) Insurance liability

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unearned premium reserve	\$ 5,847,692	5,622,576
Claims reserve	3,325,019	3,622,952
Special reserve	1,153,951	1,159,017
Total	<b>\$ 10,326,662</b>	<b>10,404,545</b>

(Continued)

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

(i) Unearned premium reserve

1) Unearned premium reserve and ceded reinsurance unearned premiums reserve

<b>December 31, 2020</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	\$ 732,273	35,118	388,904		378,487
Marine insurance	69,509	1,122	62,285		8,346
Land and air Insurance	46,222	1,026	32,715		14,533
Liability insurance	1,510,914	223,871	415,550		1,319,235
Surety insurance	11,492	362	6,331		5,523
Other property insurance	2,244,480	37,288	734,876		1,546,892
Accident insurance	384,605	1,909	41,534		344,980
Health insurance	10,921	-	1,986		8,935
Compulsory automobile liability insurance	372,987	163,593	223,802		312,778
<b>Total</b>	<b>\$ 5,383,403</b>	<b>464,289</b>	<b>1,907,983</b>		<b>3,939,709</b>

<b>December 31, 2019</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	\$ 768,183	29,901	415,777		382,307
Marine insurance	66,708	1,285	57,720		10,273
Land and air insurance	41,503	483	33,525		8,461
Liability insurance	1,364,268	327,926	459,556		1,232,638
Surety insurance	11,939	362	6,469		5,832
Other property insurance	2,054,694	35,553	672,854		1,417,393
Accident insurance	374,146	2,071	42,451		333,766
Health insurance	6,891	-	1,110		5,781
Compulsory automobile liability insurance	373,487	163,176	224,101		312,562
<b>Total</b>	<b>\$ 5,061,819</b>	<b>560,757</b>	<b>1,913,563</b>		<b>3,709,013</b>

(Continued)

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

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

For the years ended December 31, 2020													
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	Recovery	Provision	Recovery		Provision	Recovery		
Compulsory insurance	\$ 975,122	293,622	412,365	856,379	372,987	373,487	163,593	163,176	(83)	223,802	224,101	(299)	856,163
Non-compulsory insurance	9,247,767	125,650	2,846,664	6,526,753	5,010,416	4,680,272	300,696	397,581	233,259	1,684,181	1,689,462	(5,281)	6,288,213
<b>Total</b>	<b>\$ 10,222,889</b>	<b>419,272</b>	<b>3,259,029</b>	<b>7,383,132</b>	<b>5,383,403</b>	<b>5,053,759</b>	<b>464,289</b>	<b>560,757</b>	<b>233,176</b>	<b>1,907,983</b>	<b>1,913,563</b>	<b>(5,580)</b>	<b>7,144,376</b>

For the years ended December 31, 2019													
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	Recovery	Provision	Recovery		Provision	Recovery		
Compulsory insurance	\$ 967,336	290,532	406,885	850,983	373,487	373,024	163,176	163,691	(52)	224,101	223,821	280	851,315
Non-compulsory insurance	8,865,969	109,849	2,825,032	6,150,786	4,688,332	4,575,652	397,581	479,453	30,808	1,689,462	1,626,133	63,329	6,183,307
Overseas subsidiary	27,004	276	21,650	5,630	11,457	10,249	1	2	1,207	8,771	9,878	167	4,590
<b>Total</b>	<b>\$ 9,860,309</b>	<b>400,657</b>	<b>3,253,567</b>	<b>7,007,399</b>	<b>5,073,276</b>	<b>4,958,925</b>	<b>560,758</b>	<b>643,146</b>	<b>31,963</b>	<b>1,922,334</b>	<b>1,858,558</b>	<b>63,776</b>	<b>7,039,212</b>

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

Item	For the years ended December 31, 2020	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,622,576	1,913,563
Provision	5,847,692	1,907,983
Recovery	(5,622,576)	(1,913,563)
Ending balance	<u>\$ 5,847,692</u>	<u>1,907,983</u>

Item	For the years ended December 31, 2019	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,613,035	1,858,148
Provision	5,634,034	1,922,334
Recovery	(5,613,523)	(1,858,558)
Liabilities related to assets classified as held-for-sale	(11,561)	-
Assets classified as held-for-sale	-	(8,849)
Effect of changes in exchange rates	591	488
Ending balance	<u>\$ 5,622,576</u>	<u>1,913,563</u>

(Continued)

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

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.

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, 2020 and 2019, the undertook unearned premium reserve has recovered \$11,565 and \$16,452, respectively. According to relevant measurements, the intangible asset has reduced \$8,060 and \$11,452 as recovery deduction of unearned premium reserve, respectively. The amount of \$3,505 and \$5,000 were net recovered unearned premium reserve, respectively. As of December 31, 2020 and 2019, the relevant unearned premium reserve and intangible assets were \$25,643, \$17,974 and \$37,208, \$26,034, 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.

(Continued)

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

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.
- 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.

(Continued)

## UNION INSURANCE CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

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,	
	2020	2019
Beginning balance	\$ -	17,944
Provision	35,350	-
Recovery	(35,350)	(17,944)
Ending balance	\$ -	-

#### Special reserve – Non-compulsory automobile liability insurance

Item	For the years ended December 31, 2020					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Catastrophic risk	Contingency risk	Total
Beginning balance	\$ 116,676	1,038,185	1,154,861	624,342	1,396,038	2,020,380
Provision	-	-	-	79,442	193,200	272,642
Recovery	(5,066)	-	(5,066)	-	(72,532)	(72,532)
Ending balance	\$ <b>111,610</b>	<b>1,038,185</b>	<b>1,149,795</b>	<b>703,784</b>	<b>1,516,706</b>	<b>2,220,490</b>

Item	For the years ended December 31, 2019					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Catastrophic risk	Contingency risk	Total
Beginning balance	\$ 121,741	1,038,185	1,159,926	547,980	1,201,525	1,749,505
Provision	-	-	-	76,362	206,653	283,015
Recovery	(5,065)	-	(5,065)	-	(12,140)	(12,140)
Ending balance	\$ <b>116,676</b>	<b>1,038,185</b>	<b>1,154,861</b>	<b>624,342</b>	<b>1,396,038</b>	<b>2,020,380</b>

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.10002509161 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, 2020 and 2019.

(Continued)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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, 2020			
	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ -	325,150	30,219	355,369
Marine insurance	-	105,686	34,749	140,435
Land and air insurance	-	69,185	8,167	77,352
Liability insurance	392	751,959	211,272	963,231
Surety insurance	1	17,362	7,685	25,047
Other property insurance	1,730	541,193	40,491	581,684
Accident insurance	536	93,143	226,200	319,343
Health insurance	36	1,971	5,352	7,323
Compulsory automobile liability insurance	58	171,796	683,439	855,235
<b>Total</b>	<b>\$ 2,753</b>	<b>2,077,445</b>	<b>1,247,574</b>	<b>3,325,019</b>

(Continued)



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

December 31, 2019				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ 2,829	503,164	66,957	570,121
Marine insurance	32	108,298	50,121	158,419
Land and air Insurance	-	113,096	12,643	125,739
Liability insurance	8,582	804,639	122,269	926,908
Surety insurance	1	16,854	7,661	24,515
Other property insurance	9,445	603,476	59,950	663,426
Accident insurance	6,425	40,210	249,257	289,467
Health insurance	28	1,034	2,752	3,786
Compulsory automobile liability insurance	2,836	155,574	704,997	860,571
Total	<b>\$ 30,178</b>	<b>2,346,345</b>	<b>1,276,607</b>	<b>3,622,952</b>

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

December 31, 2020			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 166,373	6,566	172,939
Marine insurance	95,164	20,622	115,786
Land and air insurance	61,569	2,565	64,134
Liability insurance	138,376	37,215	175,591
Surety insurance	8,059	2,872	10,931
Other property insurance	250,247	8,037	258,284
Accident insurance	52,406	85,918	138,324
Health insurance	54	911	965
Compulsory automobile liability insurance	68,837	306,126	374,963
Total	<b>\$ 841,085</b>	<b>470,832</b>	<b>1,311,917</b>

(Continued)

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

**December 31, 2019**

<b>Item</b>	<b>Reported but unpaid</b>	<b>IBNR</b>	<b>Total</b>
Fire insurance	\$ 362,112	34,682	396,794
Marine insurance	93,530	33,666	127,196
Land and air insurance	111,125	4,805	115,930
Liability insurance	154,923	59,299	214,222
Surety insurance	7,880	2,710	10,590
Other property insurance	269,677	26,533	296,210
Accident insurance	14,493	112,335	126,828
Health insurance	32	694	726
Compulsory automobile liability insurance	59,761	319,971	379,732
Less: Accumulated impairment	(81)	-	(81)
<b>Total</b>	<b>\$ 1,073,452</b>	<b>594,695</b>	<b>1,668,147</b>

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

<b>Item</b>	<b>For the years ended December 31, 2020</b>							
	<b>Direct underwrite business</b>		<b>Reinsurance ceded-in</b>		<b>The net change in claim reserve</b>	<b>Reinsurance ceded-out</b>		<b>The net change in ceded claim reserve</b>
	<b>Provision</b>	<b>Recovery</b>	<b>Provision</b>	<b>Recovery</b>		<b>Provision</b>	<b>Recovery</b>	
Fire insurance	\$ 351,230	554,720	4,139	15,401	(214,752)	172,939	396,794	(223,855)
Marine insurance	132,881	151,355	7,554	7,064	(17,984)	115,786	127,196	(11,410)
Land and air Insurance	75,598	123,308	1,754	2,431	(48,387)	64,134	115,930	(51,796)
Liability insurance	951,224	918,225	12,007	8,683	36,323	175,591	214,222	(38,631)
Surety insurance	23,283	23,994	1,764	521	532	10,931	10,590	341
Other property insurance	578,526	656,817	3,158	6,609	(81,742)	258,284	296,210	(37,926)
Accident insurance	316,489	284,371	2,854	5,096	29,876	138,324	126,828	11,496
Health insurance	7,065	3,389	258	397	3,537	965	726	239
Compulsory automobile liability insurance	625,276	633,326	229,959	227,245	(5,336)	374,963	379,732	(4,769)
<b>Total</b>	<b>\$ 3,061,572</b>	<b>3,349,505</b>	<b>263,447</b>	<b>273,447</b>	<b>(297,933)</b>	<b>1,311,917</b>	<b>1,668,228</b>	<b>(356,311)</b>

(Continued)

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

For the years ended December 31, 2019

Item	Direct underwrite business		Reinsurance ceded-in		The net change in claim reserve	Reinsurance ceded-out		The net change in ceded claim reserve
	Provision	Recovery	Provision	Recovery		Provision	Recovery	
Fire insurance	\$ 554,720	1,024,308	15,401	14,150	(468,337)	396,794	755,310	(358,516)
Marine insurance	151,355	192,252	7,064	8,281	(42,114)	127,196	158,039	(30,843)
Land and air insurance	123,308	144,974	2,431	3,018	(22,253)	115,930	136,010	(20,080)
Liability insurance	918,225	916,395	8,683	11,200	(687)	214,222	232,410	(18,188)
Surety insurance	23,994	27,016	521	685	(3,186)	10,590	13,122	(2,532)
Other property insurance	656,817	584,252	6,609	8,652	70,522	296,210	217,242	78,968
Accident insurance	284,371	260,453	5,096	4,816	24,198	126,828	118,262	8,566
Health insurance	3,389	3,993	397	474	(681)	726	759	(33)
Compulsory automobile liability insurance	633,326	632,089	227,245	231,782	(3,300)	379,732	378,159	1,573
Overseas subsidiary	561	1,748	311	502	(1,378)	387	1,450	(1,063)
Total	<u>\$ 3,350,066</u>	<u>3,787,480</u>	<u>273,758</u>	<u>283,560</u>	<u>(447,216)</u>	<u>1,668,615</u>	<u>2,010,763</u>	<u>(342,148)</u>

4) Movements in claim reserve and ceded claim reserve

For the years ended December 31,

Item	2020		2019	
	Claims reserve	Ceded claim reserve	Claims reserve	Ceded claim reserve
Beginning balance	\$ 3,622,952	1,668,147	4,070,933	2,010,694
Provision	3,325,019	1,311,917	3,623,824	1,668,615
Recovery	(3,622,952)	(1,668,228)	(4,071,040)	(2,010,763)
Impairment loss recognized	-	81	-	(81)
Liabilities related to assets classified as held-for-sale	-	-	(879)	-
Assets classified as held-for-sale	-	-	-	(390)
Effect of changes in exchange rates	-	-	114	72
Ending balance	<u>\$ 3,325,019</u>	<u>1,311,917</u>	<u>3,622,952</u>	<u>1,668,147</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 Group 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.

(Continued)

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

(iv) Premium deficiency reserve

- 1) Premium deficiency reserve and ceded premium deficiency reserve
- 2) The net change of premium deficiency reserve and ceded premium deficiency reserve

For the years ended December 31, 2019									
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	Recovery	Provision	Recovery		Provision	Recovery		
Fire insurance	\$ -	44,342	-	642	(44,984)	-	40,670	(40,670)	(4,314)
Overseas subsidiary	-	1,638	-	-	(1,638)	-	1,592	(1,592)	(46)
Total	\$ -	45,980	-	642	(46,622)	-	42,262	(42,262)	(4,360)

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

Item	December 31, 2019	
	Premium deficiency reserve	Ceding premium deficiency reserve
Beginning balance	\$ 46,544	42,186
Recovery	(46,622)	(42,262)
Effect of changes in exchange rates	78	76
Ending balance	\$ -	-

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.10102503930.

(q) Income tax

- (i) The components of the Group's income tax in the years 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Current income tax expenses (benefits)	\$ 3,955	(2,431)
Deferred income tax expenses		
Origination and reversal of temporary differences	-	108
	\$ 3,955	(2,323)

(Continued)

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

Reconciliation of income tax and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Income before income tax	\$ 706,052	700,254
Income tax using the Company's domestic tax rate	141,211	140,270
Adjustment items:		
Tax-free income	(32,698)	(29,693)
Change in unrecognized temporary differences	(9,601)	(3,113)
Permanent differences	3,856	7,480
Decrease of offset taxable income	(102,768)	(114,944)
Undistributed earnings additional tax	-	2,420
Prior income tax expense (over) under estimated	(3,659)	(13,802)
Income basic tax	7,614	8,951
Overseas subsidiary	-	108
Income tax expenses (benefits)	<u>\$ 3,955</u>	<u>(2,323)</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
The carryforward of unused tax losses	\$ 17,329	566,321
Actuarial losses of defined benefit plans	44,995	39,031
Unrecognized deferred tax assets	<u>\$ 62,324</u>	<u>605,352</u>

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

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, 2020, the information of the Company's losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2010 (Assessed)	\$ 74,055	2020
2011 (Assessed)	12,590	2021
	<u>\$ 86,645</u>	

(Continued)

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

- 2) Recognized deferred income tax liabilities:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land value-added tax	<b>\$ 63,920</b>	<b>63,920</b>

- (r) Capital and other equity

(i) Share capital

The Company's transfer \$106,480 from retained earnings to common stocks distributed to shareholders was approved by the resolution of the shareholders' meeting held on June 24, 2020; therefore, total of 10,648 thousand shares were issued. This issuance of shares was approved by the Financial Supervisory Commission, R.O.C. (Taiwan) on August 14, 2020. The committee approved the declaration to take effect. The base date for the capital increase was set on September 18, 2020. The relevant statutory registration procedures have been completed.

As of December 31, 2020 and 2019, 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 223,608 and 212,960 thousand shares of common stock, respectively.

(ii) Retained earnings

- 1) Legal reserve

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, 2012, 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.

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.

(Continued)

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

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 24, 2020 and June 18, 2019 for the years ended December 31, 2019 and 2018, respectively. The information were as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Dividends distributed to ordinary shareholders		
Cash	\$ 187,405	191,664
Shares	106,480	-
Total	<b>\$ 293,885</b>	<b>(191,664)</b>

On March 26, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follow:

	<b>For the years ended December 31, 2020</b>
Dividends distributed to ordinary shareholders	
Cash	<b>\$ 178,886</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. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) 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>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Net income attributable to ordinary shareholders of the Company	\$ <u>702,097</u>	<u>703,782</u>
Weighted average number of ordinary shares (thousands shares)	<u>223,608</u>	<u>223,608</u>
<b>Basic earnings per share (in dollars)</b>	\$ <u>3.14</u>	<u>3.15</u>
<b>Diluted earnings per share</b>		
Net income attributable to ordinary shareholders of the Company	\$ <u>702,097</u>	<u>703,782</u>
Weighted average number of ordinary shares (thousands shares)	223,608	223,608
Employee share options	<u>1,732</u>	<u>1,236</u>
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	<u>225,340</u>	<u>224,844</u>
<b>Diluted earnings per share (in dollars)</b>	\$ <u>3.12</u>	<u>3.13</u>

(Continued)



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

(t) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

For the years ended December 31, 2020						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 119,591	-	-	5,165	-	124,756
Marine insurance	20,654	-	-	629	-	21,283
Land and air insurance	13,166	-	-	384	-	13,550
Liability insurance	516,729	-	-	244	-	516,973
Surety insurance	2,732	-	-	13	-	2,745
Other property insurance	600,910	-	-	9,204	-	610,114
Accident insurance	190,335	-	-	93	-	190,428
Health insurance	6,025	-	-	-	-	6,025
Compulsory automobile liability insurance	132,652	-	-	-	-	132,652
<b>Total</b>	<b>\$ 1,602,794</b>	<b>-</b>	<b>-</b>	<b>15,732</b>	<b>-</b>	<b>1,618,526</b>
For the years ended December 31, 2019						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 109,179	-	-	5,364	-	114,543
Marine insurance	21,274	-	-	674	-	21,948
Land and air insurance	2,289	-	-	195	-	2,484
Liability insurance	474,565	-	-	127	-	474,692
Surety insurance	2,773	-	-	2	-	2,775
Other property insurance	589,724	-	-	8,255	-	597,979
Accident insurance	185,339	-	-	66	-	185,405
Health insurance	7,344	-	-	-	-	7,344
Compulsory automobile liability insurance	130,537	-	-	-	-	130,537
Overseas subsidiary	5,769	-	-	68	-	5,837
<b>Total</b>	<b>\$ 1,528,793</b>	<b>-</b>	<b>-</b>	<b>14,751</b>	<b>-</b>	<b>1,543,544</b>

(Continued)

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

(u) Disclosure of insurance cost benefit analysis

(i) Direct written business cost benefit analysis

For the years ended December 31, 2020						
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	\$ 1,272,828	(27,861)	119,591	458,216	(203,490)	926,372
Marine insurance	241,233	2,801	20,654	53,268	(18,474)	182,984
Land and air insurance	100,710	4,719	13,166	91,447	(47,710)	39,088
Liability insurance	2,934,833	146,657	516,729	1,632,461	32,999	605,987
Surety insurance	19,445	(447)	2,732	44	(711)	17,827
Other property insurance	3,650,001	189,786	600,910	1,977,531	(78,291)	960,065
Personal accident insurance	1,001,610	10,459	190,335	598,697	32,118	170,001
Health insurance	27,107	4,030	6,025	14,540	3,676	(1,164)
Compulsory automobile liability insurance	975,122	(500)	132,652	718,341	(8,050)	132,679
Total	<u>\$ 10,222,889</u>	<u>329,644</u>	<u>1,602,794</u>	<u>5,544,545</u>	<u>(287,933)</u>	<u>3,033,839</u>
For the years ended December 31, 2019						
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	\$ 1,225,645	(34,644)	109,179	688,417	(469,588)	932,281
Marine insurance	231,602	6,373	21,274	134,091	(40,897)	110,761
Land and air insurance	89,284	(656)	2,289	4,386	(21,666)	104,931
Liability insurance	2,723,858	75,613	474,565	1,449,560	1,830	722,290
Surety insurance	20,310	998	2,773	3,943	(3,022)	15,618
Other property insurance	3,500,383	92,091	589,724	1,922,989	72,565	823,014
Accident insurance	1,026,823	(27,161)	185,339	573,595	23,918	271,132
Health insurance	48,064	66	7,344	11,544	(604)	29,714
Compulsory automobile liability insurance	967,336	463	130,537	833,338	1,237	1,761
Overseas subsidiary	27,004	1,208	5,769	2,141	(1,187)	19,073
Total	<u>\$ 9,860,309</u>	<u>114,351</u>	<u>1,528,793</u>	<u>5,624,004</u>	<u>(437,414)</u>	<u>3,030,575</u>

(Continued)

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

(ii) Reinsurance cost-benefit analysis

For the years ended December 31, 2020						
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	\$ 69,748	5,217	5,165	8,520	(11,262)	62,108
Marine insurance	5,792	(163)	629	809	490	4,027
Land and air insurance	2,230	543	384	798	(677)	1,182
Liability insurance	2,001	(104,055)	244	86,227	3,324	16,261
Surety insurance	1,107	-	13	92	1,243	(241)
Other property insurance	38,466	1,735	9,204	14,140	(3,451)	16,838
Accident insurance	6,306	(162)	93	902	(2,242)	7,715
Health insurance	-	-	-	-	(139)	139
Compulsory automobile liability insurance	293,622	417	-	270,000	2,714	20,491
<b>Total</b>	<b>\$ 419,272</b>	<b>(96,468)</b>	<b>15,732</b>	<b>381,488</b>	<b>(10,000)</b>	<b>128,520</b>
For the years ended December 31, 2019						
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	\$ 57,939	6,797	5,364	545	1,251	43,982
Marine insurance	7,861	460	674	4,794	(1,217)	3,150
Land and air insurance	1,156	483	195	(596)	(587)	1,661
Liability insurance	1,517	(95,229)	127	71,224	(2,517)	27,912
Surety insurance	1,126	(7)	2	600	(164)	695
Other property insurance	34,076	5,523	8,255	10,056	(2,043)	12,285
Accident insurance	6,174	101	66	403	280	5,324
Health insurance	-	-	-	-	(77)	77
Compulsory automobile liability insurance	290,532	(515)	-	305,711	(4,537)	(10,127)
Overseas subsidiary	276	(1)	68	198	(191)	202
<b>Total</b>	<b>\$ 400,657</b>	<b>(82,388)</b>	<b>14,751</b>	<b>392,935</b>	<b>(9,802)</b>	<b>85,161</b>

(Continued)

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

(iii) Gain/Loss on reinsurance contracts

<b>For the years ended December 31, 2020</b>						
<b>Item</b>	<b>Reinsurance expense</b>	<b>The net change in unearned premium reserve</b>	<b>Reinsurance commission received</b>	<b>Claims recovered from reinsurers</b>	<b>The net change in ceded claim reserve</b>	<b>Ceded out gain/Loss</b>
Fire insurance	\$ (803,613)	(26,873)	124,197	372,035	(223,855)	(558,109)
Marine insurance	(166,393)	4,565	10,778	37,717	(11,410)	(124,743)
Land and air insurance	(74,961)	(810)	1,772	89,284	(51,796)	(36,511)
Liability insurance	(511,956)	(44,006)	145,433	362,679	(38,631)	(86,481)
Surety insurance	(8,557)	(138)	1,790	33	341	(6,531)
Other property insurance	(974,190)	62,022	236,650	587,160	(37,926)	(126,284)
Accident insurance	(302,893)	(917)	57,624	257,947	11,496	23,257
Health insurance	(4,101)	876	1,276	2,535	239	825
Compulsory automobile liability insurance	(412,365)	(299)	-	426,763	(4,769)	9,330
<b>Total</b>	<b>\$ (3,259,029)</b>	<b>(5,580)</b>	<b>579,520</b>	<b>2,136,153</b>	<b>(356,311)</b>	<b>(905,247)</b>
<b>For the years ended December 31, 2019</b>						
<b>Item</b>	<b>Reinsurance expense</b>	<b>The net change in unearned premium reserve</b>	<b>Reinsurance commission received</b>	<b>Claims recovered from reinsurers</b>	<b>The net change in ceded claim reserve</b>	<b>Ceded out gain/Loss</b>
Fire insurance	\$ (863,405)	28,925	93,206	478,022	(358,516)	(621,768)
Marine insurance	(153,096)	5,406	9,932	110,529	(30,843)	(58,072)
Land and air insurance	(74,145)	4,543	7,641	565	(20,080)	(81,476)
Liability insurance	(462,021)	(66,133)	146,108	323,964	(18,188)	(76,270)
Surety insurance	(9,763)	1,709	2,076	2,791	(2,532)	(5,719)
Other property insurance	(951,519)	94,835	243,185	526,229	78,968	(8,302)
Accident insurance	(308,714)	(6,150)	83,726	186,745	8,566	(35,827)
Health insurance	(2,369)	194	575	2,284	(33)	651
Compulsory automobile liability insurance	(406,885)	280	-	484,653	1,573	79,621
Overseas subsidiary	(21,650)	167	9,263	1,935	(1,063)	(11,348)
<b>Total</b>	<b>\$ (3,253,567)</b>	<b>63,776</b>	<b>595,712</b>	<b>2,117,717</b>	<b>(342,148)</b>	<b>(818,510)</b>

(Continued)

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

(v) 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 units 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.
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.

(Continued)

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

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 of 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.
  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.

(Continued)

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

- 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 for decision making by the operating level.

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.

(Continued)

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

For the years ended December 31, 2020 and 2019, 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, 2020</u>	<u>December 31, 2019</u>
Fire insurance	\$ 350,000	300,000
Hull insurance	100,000	100,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	200,000	200,000
Marine cargo insurance	300,000	150,000
Accident insurance	200,000	200,000
Engineering insurance	300,000	300,000
Casualty insurance	360,000	360,000
Vehicle insurance	30,000	30,000
Automobile liability insurance	120,000	120,000
Other property insurance	300,000	300,000
Health insurance	4,000	4,000
Accident insurance -travel insurance	240,000	240,000

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 Group will be prohibited from appropriating its earnings. Moreover, the authorities will restrict the Company's operations and use of capital.

(Continued)



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

(ii) Insurance risk information

1) Sensitivity analysis of insurance risk

Item	For the years ended December 31, 2020				
	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	
The Company					
Fire insurance	\$ 1,342,576	66.79 %	13,733	5,428	
Marine insurance	247,025	63.55 %	2,444	826	
Land and air insurance	102,940	69.66 %	977	219	
Liability insurance	2,936,834	66.07 %	28,942	23,383	
Surety insurance	20,552	72.40 %	210	123	
Other property insurance	3,688,467	64.77 %	34,969	25,848	
Accident insurance	1,007,916	75.60 %	9,976	6,938	
Health insurance	27,107	81.60 %	231	199	
Compulsory automobile liability insurance	1,268,744	No applicable	No applicable	No applicable	

(Continued)

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

<u>Item</u>	<u>For the years ended December 31, 2019</u>				
	<u>Written premium</u>	<u>Expected rate of loss</u>	<u>Impact on the Income Statement of a One Percent Change in Rate of Expected Loss</u>		
			<u>Before reinsurance</u>	<u>After reinsurance</u>	
<b>The Company</b>					
Fire insurance	\$ 1,283,584	66.94 %	13,229	4,884	
Marine insurance	239,463	62.95 %	2,326	849	
Land and air insurance	90,440	70.18 %	906	210	
Liability insurance	2,725,375	66.44 %	27,451	22,169	
Surety insurance	21,436	72.60 %	204	124	
Other property insurance	3,534,459	64.90 %	34,368	25,802	
Accident insurance	1,032,997	75.10 %	10,601	7,452	
Health insurance	48,064	81.30 %	480	458	
Compulsory automobile liability insurance	1,257,868	No applicable	No applicable	No applicable	
<b>Overseas Subsidiary</b>					
Fire insurance	21,211	62.62 %	192	36	
Marine insurance	2,928	60.50 %	29	6	
Other property insurance	2,552	65.30 %	33	3	
Personal accident insurance	589	75.59 %	6	-	

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.

(Continued)

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

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

The insurance contracts which the Group underwrites are separated in various types of insurances, and not concentrated in any single type of insurance. As of December 31, 2020 and 2019, 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 53.83% and 51.81% for 2020 and 2019, 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.

The premium proportion of underwriting insurance and ceded in reinsurance:

<u>Type</u>	<u>For the years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Fire insurance	\$ 628,648	5.91 %	619,196	6.03 %
Marine cargo insurance	176,782	1.66 %	184,607	1.80 %
Hull, fishing vessel and aviation insurance	169,467	1.59 %	141,120	1.37 %
Voluntary automobile insurance	5,728,134	53.83 %	5,316,539	51.81 %
Compulsory automobile liability insurance	1,268,744	11.92 %	1,257,868	12.26 %
Liability insurance	336,375	3.16 %	383,984	3.74 %
Engineering and nuclear insurance	486,219	4.57 %	450,764	4.39 %
Surety and credit insurance	20,515	0.19 %	22,289	0.22 %
Other property insurance	42,850	0.40 %	39,962	0.39 %
Accident insurance	1,007,916	9.47 %	1,032,997	10.07 %
Typhoon, flood and earthquake insurance	709,421	6.67 %	659,962	6.43 %
Personal and commercial all-risk insurance	31,487	0.30 %	67,364	0.66 %
Health insurance	27,107	0.25 %	48,064	0.47 %
Overseas ceded-in reinsurance	8,496	0.08 %	8,970	0.09 %
Overseas subsidiaries	-	-	27,280	0.27 %
<b>Total</b>	<b><u>\$ 10,642,161</u></b>	<b><u>100.00 %</u></b>	<b><u>10,260,966</u></b>	<b><u>100.00 %</u></b>

(Continued)

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

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 63.53% and 61.59% for 2020 and 2019, respectively. The Group 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 Group has bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

The percentage of retained premium was as follows:

Type	<b>For the years ended December 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Fire insurance	\$ 339,970	4.61 %	273,913	3.91 %
Marine Cargo insurance	94,500	1.28 %	93,191	1.33 %
Hull, fishing vessel and aviation insurance	12,982	0.18 %	8,689	0.12 %
Voluntary automobile insurance	4,690,764	63.53 %	4,315,668	61.59 %
Compulsory automobile liability insurance	856,379	11.60 %	850,983	12.14 %
Liability insurance	217,775	2.95 %	285,104	4.07 %
Engineering and nuclear insurance	166,830	2.26 %	150,010	2.14 %
Surety and credit insurance	11,993	0.16 %	11,663	0.17 %
Other property insurance	32,810	0.44 %	28,683	0.41 %
Accident insurance	705,023	9.55 %	724,283	10.34 %
Typhoon, flood and earthquake insurance	194,486	2.63 %	141,840	2.02 %
Personal and commercial all-risk insurance	30,705	0.42 %	66,471	0.95 %
Health insurance	23,006	0.31 %	45,695	0.65 %
Overseas ceded-in reinsurance	5,909	0.08 %	5,576	0.08 %
Overseas subsidiary	-	-	5,630	0.08 %
<b>Total</b>	<b>\$ 7,383,132</b>	<b>100.00 %</b>	<b>7,007,399</b>	<b>100.00 %</b>

(Continued)

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

c) Claims trend

For the year ended December 31, 2020

Occurrence year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	31,856,311	3,422,196	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623	4,201,280	4,053,992
2	32,046,002	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	4,843,061	
3	31,766,189	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815	4,730,282		
4	31,723,641	3,646,063	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187	3,964,421			
5	31,676,632	3,633,221	2,908,274	2,835,816	3,151,839	3,505,206	4,320,542				
6	31,663,979	3,618,015	2,881,191	2,830,761	3,130,980	3,500,447					
7	31,661,765	3,613,200	2,880,642	2,834,001	3,129,167						
8	31,637,957	3,612,072	2,875,661	2,834,283							
9	31,621,070	3,611,620	2,877,806								
10	31,608,145	3,582,469									
11	31,608,398										
Estimates	31,608,398	3,582,469	2,877,806	2,834,283	3,129,167	3,500,447	4,320,542	3,964,421	4,730,282	4,843,061	4,053,992
Actual	31,593,052	3,578,711	2,849,059	2,829,528	3,118,932	3,493,254	4,293,122	3,903,485	4,541,350	4,447,550	2,901,504
Subtotal	15,346	3,758	28,747	4,755	10,235	7,193	27,420	60,936	188,932	395,511	1,152,488
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	15,346	3,758	28,747	4,755	10,235	7,193	27,420	60,936	188,932	395,511	1,152,488

For the year ended December 31, 2019

Occurrence year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	27,710,777	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	4,201,280
2	28,486,653	3,483,032	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	
3	28,562,970	3,322,498	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815		
4	28,443,691	3,293,671	3,646,063	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187			
5	28,429,970	3,296,180	3,633,221	2,908,274	2,835,816	3,151,839	3,505,206				
6	28,380,452	3,286,198	3,618,015	2,881,191	2,830,761	3,130,980					
7	28,377,781	3,284,263	3,613,200	2,880,642	2,834,001						
8	28,377,502	3,282,971	3,612,072	2,875,661							
9	28,354,986	3,285,710	3,611,620								
10	28,335,360	3,284,263									
11	28,323,882										
Estimates	28,323,882	3,284,263	3,611,620	2,875,661	2,834,001	3,130,980	3,505,206	4,331,187	3,989,815	4,804,267	4,201,280
Actual	28,317,268	3,275,531	3,557,862	2,846,880	2,829,786	3,118,753	3,490,860	4,279,122	3,802,860	4,359,680	2,844,750
Subtotal	6,614	8,732	53,758	28,781	4,215	12,227	14,346	52,065	186,955	444,587	1,356,530
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	6,614	8,732	53,758	28,781	4,215	12,227	14,346	52,065	186,955	444,587	1,356,530

(Continued)

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

Overseas subsidiary

Occurrence year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	-	-	-	-	-	50,496	2,249	4,073	4,789	1,397	1,178
2	-	-	-	-	-	50,460	1,906	3,987	675	2,208	
3	-	-	-	-	-	50,425	1,906	4,035	675		
4	-	-	-	-	-	50,751	1,906	4,035			
5	-	-	-	-	-	50,715	1,906				
6	-	-	-	-	-	50,715					
8	-	-	-	-	-						
9	-	-	-	-	-						
10	-	-	-	-	-						
11	-	-	-	-	-						
Estimates	-	-	-	-	-	50,715	1,906	4,035	675	2,208	1,178
Actual	-	-	-	-	-	50,715	1,906	4,035	675	2,208	825
Subtotal	-	-	-	-	-	-	-	-	-	-	353
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	-	-	-	-	-	-	-	-	-	-	353

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 Consolidated 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.

(Continued)

## UNION INSURANCE CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

As of December 31, 2020

<b>Company</b>	<b>Annotation</b>
Asia Capital Reinsurance Group Pte Ltd.	Facultative reinsurance of each kind of insurance
Asia Capital Reinsurance Group Pte Ltd. (Hong Kong Branch)	Treaty and 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
Tugu Insurance Company Limited, HK	Facultative reinsurance of marine insurance
Mugatlal Bhagwandas Boda & Company	Treaty reinsurance of engineering insurance

As of December 31, 2019

<b>Company</b>	<b>Annotation</b>
Arab Insurance Group (B.S.C.) (ARIG) in Bahrain	Facultative reinsurance of commercial fire insurance
Asia Capital Reinsurance Group Pte Ltd.	Facultative reinsurance of each kind of insurance
Asia Capital Reinsurance Group Pte Ltd. (Hong Kong Branch)	Treaty and 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
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re, Labuan	Facultative reinsurance of commercial fire insurance
Tugu Insurance Company Limited, HK	Facultative reinsurance of marine insurance

- iii) For the years ended December 31, 2020 and 2019, the reinsurance premium expenses (recovery) for unauthorized reinsurance in the Company amounted to \$(908) and \$31,826, respectively.

(Continued)

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

- iv) The principle summary of amounts and component items of unauthorized reinsurance reserve in the Company was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unearned premium reserve	\$ 3	5,235
Claims recoverable from reinsurers of paid claims overdue in nine month	13	109
Claims recoverable from reinsurers reported but unpaid	4,520	17,338
The unauthorized reinsurance reserves- Total	<b>\$ 4,536</b>	<b>22,682</b>

- b) Liquidity risk

The Group'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 Group 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 Group 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 Group 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.

(Continued)



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

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

Maximum credit risk exposure were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 2,386,542	2,117,261
Receivables	667,810	858,220
Assets classified as held-for-sale	-	21,781
Financial assets measured at fair value through profit or loss	1,966,543	1,619,258
Financial assets at fair value through other comprehensive income	2,356,484	1,860,294
Financial assets measured at amortized cost	1,493,894	1,437,951
Other financial assets	2,121,637	2,587,570
Reinsurance Contract Assets	3,920,832	4,149,186
Other assets	<u>637,804</u>	<u>699,250</u>
Total	<b><u>\$ 15,551,546</u></b>	<b><u>15,350,771</u></b>

The Group 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.

(Continued)



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

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

For the year ended December 31, 2020						
	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	Total
Beginning balance	\$ 949	-	-	949	-	949
Changes	(76)	-	-	(76)	-	(76)
Ending balance	<u>\$ 873</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>-</u>	<u>873</u>

For the year ended December 31, 2019						
	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	Total
Beginning balance	\$ 661	-	-	661	-	661
Changes	288	-	-	288	-	288
Ending balance	<u>\$ 949</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>-</u>	<u>949</u>

- b) The information of credit quality

December 31, 2020											
stage1				stage2							
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	<u>\$ 1,860,619</u>	<u>-</u>	<u>-</u>	<u>1,860,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>1,859,746</u>

December 31, 2019											
stage1				stage2							
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	<u>\$ 1,788,296</u>	<u>-</u>	<u>-</u>	<u>1,788,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>1,787,347</u>

(Continued)

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

(ii) Liquidity risk

The following table shows the maturity date of financial liabilities. The Group 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, 2020					
		Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Non-derivative financial liabilities:</b>							
Payables							
Claims payable	\$	2,753	2,753	723	1,170	16	844
Commissions payable		172,896	172,896	172,896	-	-	-
Due to ceding companies		662,257	662,257	631,236	24,567	-	6,454
Other payables		418,844	418,844	382,531	35,524	159	630
Lease liabilities		7,863	7,950	2,638	3,225	735	1,352
Other liabilities							
Guarantee deposits received		4,814	4,814	-	1,565	1	3,248
Reinsurance liability reserve deposits		11,963	11,963	11,963	-	-	-
<b>Total</b>	<b>\$</b>	<b><u>1,281,390</u></b>	<b><u>1,281,477</u></b>	<b><u>1,201,987</u></b>	<b><u>66,051</u></b>	<b><u>911</u></b>	<b><u>12,528</u></b>
		December 31, 2019					
		Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Non-derivative financial liabilities:</b>							
Payables							
Claims payable	\$	30,178	30,178	28,133	65	85	1,895
Commissions payable		169,185	169,185	169,185	-	-	-
Due to ceding companies		701,519	701,519	698,486	-	3,033	-
Other payables		382,346	382,346	344,884	35,227	639	1,596
Liabilities related to assets classified as held-for-sale - Accounts payable		13,523	13,523	13,523	-	-	-
Lease liabilities		19,679	19,957	4,246	7,850	3,402	4,459
Other liability							
Guarantee deposits received		7,695	7,695	129	197	112	7,257
Reinsurance liability reserve received		18,443	18,443	18,443	-	-	-
<b>Total</b>	<b>\$</b>	<b><u>1,342,568</u></b>	<b><u>1,342,846</u></b>	<b><u>1,277,029</u></b>	<b><u>43,339</u></b>	<b><u>7,271</u></b>	<b><u>15,207</u></b>

(Continued)

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

(iii) Foreign currency risk

1) Exposure about foreign currency risk

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b><u>Financial assets</u></b>		
<b><u>Monetary items</u></b>		
USD	\$ 4,641	10,820
EUR	59	113
JPY	26	30
HKD	383	391
KRW	54	60
CNY	-	67
GBP	20	23
THB	1,811	1,926
<b><u>Financial liability</u></b>		
<b><u>Monetary items</u></b>		
USD	2,777	2,155
EUR	-	14
KRW	117	546
THB	-	3

Important rate:

	<u>Rates</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
USD	\$ 28.48	29.98
EUR	35.02	33.59
JPY	0.2763	0.2760
HKD	3.67	3.85
KRW	0.0264	0.0262
CNY	4.38	4.31
GBP	38.90	39.36
THB	0.9556	1.0098

(Continued)

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

2) Sensitivity analysis

As of December 31, 2020 and 2019, with all other variable factors that remain constant, when NTD increases 1% compared to other currency, the amount of the Group's comprehensive income will increase as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
USD(increases 1%)	\$ 531	2,598
EUR(increases 1%)	21	33
HKD(increases 1%)	14	15
CNY(increases 1%)	-	3
GBP(increases 1%)	8	9
THB(increases 1%)	17	19

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, 2020 and 2019.

(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, 2020</u>	<u>December 31, 2019</u>
Variable interest rate instrument:		
Term deposit	\$ <u>1,568,125</u>	<u>1,480,125</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 Group's net income will increase or decrease as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Increase 10 basis points	\$ 1,568	1,480
Decrease 10 basis points	(1,568)	(1,480)

(Continued)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group 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.

(Continued)

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

2) Based on fair value measurement

a) Hierarchy information of fair value

The Group'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:

<u>Assets and liabilities</u>		<b>December 31, 2020</b>			
		<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Repeatable fair value measurement</u></b>					
<u>Non-derivative financial assets</u>					
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 52,666	52,666	-	-	
Real estate investment trust beneficiary certificates	353,825	353,825	-	-	
Stocks	1,560,052	1,560,052	-	-	
Financial assets at fair value through other comprehensive income					
Stocks	2,356,484	2,342,540	-	13,944	
		<b>December 31, 2019</b>			
<u>Assets and liabilities</u>		<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Repeatable fair value measurement</u></b>					
<u>Non-derivative financial assets</u>					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 71,711	71,711	-	-	-
Real estate investment trust beneficiary certificates	334,724	334,724	-	-	-
Stocks	1,212,823	1,212,823	-	-	-
Financial assets at fair value through other comprehensive income					
Stocks	1,860,294	1,846,770	-	-	13,524
Assets classified as held-for-sale					
Beneficiary certificate	390	390	-	-	-
Stocks	7,045	7,045	-	-	-

(Continued)



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

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, 2020 and 2019.

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

Name	For the year ended December 31, 2020							Balance at the end of the year
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transferred from Level 3	Sale, disposal or settlement	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,524	-	420	-	-	-	-	13,944

Name	For the year ended December 31, 2019							Balance at the end of the year
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transferred from Level 3	Sale, disposal or settlement	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,650	-	(126)	-	-	-	-	13,524

(Continued)

## UNION INSURANCE CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

The Group'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 Group 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, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u><u>139</u></u>	<u><u>(139)</u></u>
<b>December 31, 2019</b>		
Financial assets fair value through other comprehensive income	\$ <u><u>135</u></u>	<u><u>(135)</u></u>

(Continued)

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

Favorable and unfavorable movements of the Group 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.

(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 Group does not disclose the fair value, except for below items:

<u>Item</u>	<u>Carrying amount</u>	<u>Fair value</u>
<b>December 31, 2020</b>		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	\$ 1,859,746	1,893,480
Investment Property	791,880	1,695,676
<b>December 31, 2019</b>		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	1,787,347	1,824,509
Investment Property	839,087	1,529,595

2) Fair value information

<u>Item</u>	<u>December 31, 2020</u>			
	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Financial assets at amortized cost (included statutory deposits)	\$ 1,893,480	-	1,893,480	-
Investment Property	1,695,676	-	-	1,695,676

(Continued)

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

<b>Item</b>	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Financial assets at amortized cost (included statutory deposits)	\$ 1,824,509	-	1,824,509	-
Investment Property	1,529,595	-	-	1,529,595

3) Valuation techniques

The valuation assumption and methods of financial instruments not measured at fair value is used by the Group were 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 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.
- c) 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.
- d) The fair value of investment property is assessed by the market practices.

4) Transfer between Level 1 and Level 2

There was no transfer in 2020 and 2019.

(x) Financial risk management

(i) Overview

1) Credit risk

Credit risk is the risk of borrowers' credit ratings declining, borrowers failing to make payments, and counterparties failing or rejecting to perform their obligation of the contract.

(Continued)

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

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)(v)(i)1).

(iii) Credit risk

The company only deals with counterparties whose credit rating is above a certain level. The company evaluates the credit ratings and estimates the recovery situation of payments regularly during the trading period to set different investment limits. So far, there is no loan business. Policyholders and reinsurers and ceding companies are scattered. Therefore, there is no concentration of credit risk.

1) The financial assets are classification of credit risk quantity as an assessment of loss. The Group' 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.
- 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.

(Continued)

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

- 2) Determining the credit risk has increased significantly since initial recognition
  - a) At each reporting date, the Group 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 Group 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 Group 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 Group shall measure the allowance for impairment using the lifetime expected credit losses.
    - In order to measure expected credit losses, the Group 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 Group are based on the default rate and loss given default rate published by Moody's.
    - The Group measures the Exposure at default based on the amortized cost of financial instruments plus accrued interest.
- 4) Consideration of forward-looking information

The Group 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 Group is based on the information which already includes forward-looking general economic information published by Moody's.

(Continued)

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

(iv) Liquidity risk

The Group'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 Group 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 Group conducts stress tests and sensitivity analysis for exchange rate and interest rate risk to ensure that the maximum loss does not endanger the Group's operations.

(y) 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, 2020, the method of capital management of the Company remains the same.

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

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

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

(ii) The carrying amount of the assets related to the structured entities recognized by the Group but not yet included in the consolidated financial statements on December 31, 2020 and 2019, is as follows:

<u>December 31, 2020</u>	<u>Asset securitization products-REITS</u>
<b>Assets possessed by the Group</b>	
– Financial assets at fair value through profit or loss	\$ <u>353,825</u>
Total assets possessed by the Group	\$ <u><u>353,825</u></u>

(Continued)

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

December 31, 2019	Asset securitization products-REITS
<b>Assets possessed by the Group</b>	
– Financial assets at fair value through profit or loss	\$ 334,724
Total assets possessed by the Group	<u>\$ 334,724</u>

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

- (iii) The Group did not provide any financial support for the asset securitization products not included in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

- (a) Final controller

Mr. Tsai Yan Ming is the Group final controller.

- (b) Names and relationship of related parties

Name of Related Party	Relationship with the Group
Want Want Co., Ltd.	Material related party
Want Chia Enterprises Co., Ltd.	Material related party
H.Y. Tsai Co., Ltd.	Material related party
Tsai Ho Want Enterprises Co., Ltd.	Material related party
Want Want Constructions Co., Ltd.	Material related party
Digital Commercial Times Inc.	Material related party
Cti Television Incorporation Co., Ltd.	Material related party
China Times Culture Co., Ltd.	Material related party
China Times Travel Service Co., Ltd.	Material related party
China Television Company Co., Ltd.	Material related party
China Times Weekly Co., Ltd.	Material related party
Infotimes Corporation	Material related party
Touche Innovative Media Co., Ltd.	Material related party
China Times Study Services Co., Ltd.	Material related party
Media Sphere Communications Ltd.	Material related party
CTV Charities Aid Foundation	Material related party
Commercial Culture Co., Ltd.	Material related party
Cnplus Production, Inc.	Material related party
Want Tai Media Co., Ltd.	Material related party
I Lan Foods Ind. Co., Ltd.	Material related party
Top Want Electronic Co., Ltd.	Material related party

(Continued)



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

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
First Family Enterprise Co., Ltd.	Material related party
Want Pu Constructions Co., Ltd.	Material related party
Want Pu Trading Limited, Taiwan Branch (B.V.I)	Material related party
Newwing Limited, Taiwan Branch (B.V.I)	Material related party
Twitcher Taiwan Limited, Taiwan Branch (B.V.I)	Material related party
San Want Hotel Co., Ltd.	Material related party
Powerful Media Inc.	Material related party
Shao Yuan Co., Ltd.	Material related party
Jia Peng Development Co., Ltd.	Material related party
Want Want China Holdings Limited	Material related party
Ho Yuan Want Co., Ltd.	Material related party
Eelin Entertainment Co., Ltd.	Material related party
Taiwan Marketing Logistics Co., Ltd.	Material related party
Hao Want Co., Ltd.	Material related party
Wulai Tourism Co., Ltd.	Material related party
Ren Want Co.,Ltd.	Material related party
Apollo Marketing Research Co.,Ltd. (Previous Company Name: Apollo Survey & Research Co., Ltd. )	Material related party
Earth Want Co., Ltd.	Material related party
HongKong Da Want Aquaculture Holdings Limite, Taiwan Branch	Material related party
IBF Securities Co., Ltd.	Material related party
International Bills Finance Corp.	Material related party
JKO Asset Management Co., Ltd.	Material related party
All directors, supervisors, managers, chairman of the board, general managers are the Group's related parties.	

(c) Compensation of key management personnel

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 46,487	41,408
Short-term employee benefits-paid leave	626	740
Post-employment benefits	821	744
Total	<b>\$ 47,934</b>	<b>42,892</b>

(Continued)

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

(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, account receivables, and prepaid expenses were as follows:

1) Written premium

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Written premium		
Other related parties	\$ 17,111	17,958
Key management personnel	818	717
Total	<b>\$ 17,929</b>	<b>18,675</b>

2) Account receivables

	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Premiums receivable:		
Other related parties	\$ 516	441
Key management personnel	-	2
Total	<b>\$ 516</b>	<b>443</b>

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

3) Prepaid expenses

	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Prepaid expenses:		
Other related parties	<b>\$ 4,003</b>	<b>200</b>

(ii) General expense:

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Other related parties	<b>\$ 3,965</b>	<b>10,791</b>

(Continued)

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

**(8) Pledged assets:**

As of December 31, 2020 and 2019, the assets pledged or guarantee were as follows:

<u>Pledged Assets</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Purpose of pledge</u>
Assets classified as held-for-sale - Other financial assets	\$ -	16,532	Guarantee for the insurance business and overseas subsidiary insurance business
Other financial assets - Time deposit	167,000	185,322	Guarantee for the insurance business
Financial assets at amortized cost	365,852	349,396	Guarantee for operating business and suit
<b>Total</b>	<b>\$ <u>532,852</u></b>	<b><u>551,250</u></b>	

**(9) Commitments and contingencies:**

- (a) The Company had several significant insurance lawsuits and was required to pay indemnities of \$43,213, of which approximately \$29,854 were reinsured. The remain had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2020.
- (b) In order to improve computer equipments and IT systems, the Company is in contract with several IT companies. As of December 31, 2020, there is \$52,279 unpaid.

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

**(11) Subsequent Events:None.**

**(12) Other:**

- (a) A summary of employee benefits, depreciation, and amortization:

Function	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Personal expenses:						
Salary expense	361,667	779,705	1,141,372	345,009	735,807	1,080,816
Labor and health insurance expense	-	77,988	77,988	-	75,784	75,784
Pension expense	-	41,488	41,488	-	42,123	42,123
Director's remuneration	-	23,122	23,122	-	19,994	19,994
Others	-	44,905	44,905	-	43,231	43,231
Depreciation expense	4,262	49,735	53,997	4,366	51,349	55,715
Amortization expense	-	17,301	17,301	-	16,532	16,532

(Continued)

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

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

For the year ended December 31, 2020						
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	\$ 975,122	293,622	412,365	856,379	216	856,163
Non-Compulsory insurance	9,247,767	125,650	2,846,664	6,526,753	238,540	6,288,213
Total	<u>\$ 10,222,889</u>	<u>419,272</u>	<u>3,259,029</u>	<u>7,383,132</u>	<u>238,756</u>	<u>7,144,376</u>

For the year ended December 31, 2019						
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	\$ 967,336	290,532	406,885	850,983	(332)	851,315
Non-Compulsory insurance	8,865,969	109,849	2,825,032	6,150,786	(32,521)	6,183,307
Overseas subsidiary	27,004	276	21,650	5,630	1,040	4,590
Total	<u>\$ 9,860,309</u>	<u>400,657</u>	<u>3,253,567</u>	<u>7,007,399</u>	<u>(31,813)</u>	<u>7,039,212</u>

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

For the year ended December 31, 2020				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 718,341	270,000	426,763	561,578
Non-Compulsory insurance	4,826,204	111,488	1,709,390	3,228,302
Total	<u>\$ 5,544,545</u>	<u>381,488</u>	<u>2,136,153</u>	<u>3,789,880</u>

For the year ended December 31, 2019				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 833,338	305,711	484,653	654,396
Non-Compulsory insurance	4,788,525	87,026	1,631,129	3,244,422
Overseas subsidiary	2,141	198	1,935	404
Total	<u>\$ 5,624,004</u>	<u>392,935</u>	<u>2,117,717</u>	<u>3,899,222</u>

(Continued)

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

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

For the years ended December 31, 2020

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 381,506	394,655	381,506	394,655	
Compulsory motorcycle liability insurance	155,157	141,925	155,157	141,925	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(329,245)	35,350	6,716	(300,611)	
Compulsory motorcycle liability insurance	329,245	-	28,634	300,611	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	663,646	667,234	663,646	667,234	
Compulsory motorcycle liability insurance	196,925	188,001	196,925	188,001	
<b>Total</b>	<b>\$ 1,397,234</b>	<b>1,427,165</b>	<b>1,432,584</b>	<b>1,391,815</b>	

(Continued)

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

For the years ended December 31, 2019

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 368,856	381,506	368,856	381,506	
Compulsory motorcycle liability insurance	167,859	155,157	167,859	155,157	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(358,655)	-	(29,410)	(329,245)	
Compulsory motorcycle liability insurance	376,599	-	47,354	329,245	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	671,600	663,646	671,600	663,646	
Compulsory motorcycle liability insurance	192,271	196,925	192,271	196,925	
<b>Total</b>	<b>\$ 1,418,530</b>	<b>1,397,234</b>	<b>1,418,530</b>	<b>1,397,234</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, 2020	December 31, 2019		December 31, 2020	December 31, 2019
<u>Asset</u>			<u>Liabilities</u>		
Cash and bank deposit	\$ 727,228	727,556	Claims payable	\$ 58	2,836
Notes receivable	7,876	5,193	Reinsurance indemnity payable	71,546	71,116
Premiums receivable	10,230	13,302	Unearned premium reserves	536,580	536,663
Claim recoverable from reinsures	70,141	72,750	Claims reserves	855,235	860,571
Due from reinsurers and ceding companies	48,867	48,445	Special reserves	-	-
Reserve - ceded unearned premiums	223,802	224,101			
Reserve - ceded claim	374,963	379,732			
Temporary payments	312	107			
<b>Total assets</b>	<b>\$ 1,463,419</b>	<b>1,471,186</b>	<b>Total liabilities</b>	<b>\$ 1,463,419</b>	<b>1,471,186</b>

(Continued)

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

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

Item	For the years ended December 31,	
	2020	2019
Operating revenue	567,727	562,289
Direct insurance premium	687,257	678,124
Reinsurance premium	293,622	290,532
Premium	980,879	968,656
Less: Reinsurance premium	(412,365)	(406,885)
Net change in unearned premium reserve	(216)	332
Retained earned premium	568,298	562,103
Interest income	(571)	186
Operating costs	567,727	562,289
Insurance claim payment	718,341	833,338
Reinsurance claims incurred	270,000	305,711
Less: Claim recovered from reinsurers	(426,763)	(484,653)
Retained claim payment	561,578	654,396
Net change in claim reserve	(567)	(4,873)
Net change in special reserve	6,716	(87,234)

(Continued)

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

- (f) The amounts of the Group expecting to recover (paid) within (over) 12 months of the balance sheet date were as follows:

<u>Assets</u>	<b>December 31, 2020</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,386,542	-	2,386,542
Receivables	667,810	-	667,810
Current tax assets	302	-	302
Financial assets at fair value through profit or loss	1,966,543	-	1,966,543
Financial assets at fair value through other comprehensive income	-	2,356,484	2,356,484
Financial assets at amortized cost	-	1,493,894	1,493,894
Other financial assets	2,121,637	-	2,121,637
Right-of-use assets	-	7,810	7,810
Investment property	-	791,880	791,880
Reinsurance assets	3,515,764	405,068	3,920,832
Property and equipment	-	1,165,781	1,165,781
Intangible assets	-	136,982	136,982
Other assets	-	728,235	728,235
<b>Total assets</b>	<b>\$ 10,658,598</b>	<b>7,086,134</b>	<b>17,744,732</b>

<u>Liabilities</u>	<b>December 31, 2020</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,248,822	7,928	1,256,750
Current tax liabilities	180	-	180
Insurance liabilities	9,610,980	715,682	10,326,662
Provisions	-	214,043	214,043
Lease liabilities	6,526	1,337	7,863
Deferred tax liabilities	-	63,920	63,920
Other liabilities	24,873	3,248	28,121
<b>Total liabilities</b>	<b>\$ 10,891,381</b>	<b>1,006,158</b>	<b>11,897,539</b>

(Continued)



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

<u>Assets</u>	<b>December 31, 2019</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,117,261	-	2,117,261
Receivables	858,220	-	858,220
Current tax assets	77	-	77
Assets classified as held-for-sale	89,711	-	89,711
Financial assets at fair value through profit or loss	1,619,258	-	1,619,258
Financial assets at fair value through other comprehensive income	-	1,860,294	1,860,294
Financial assets at amortized cost	-	1,437,951	1,437,951
Other financial assets - net	2,587,570	-	2,587,570
Right-of-use assets	-	19,584	19,584
Investment property	-	839,087	839,087
Reinsurance assets	3,665,690	483,496	4,149,186
Property and equipment	-	1,127,260	1,127,260
Intangible assets	-	133,831	133,831
Other assets	-	745,329	745,329
<b>Total assets</b>	<b>\$ <u>10,937,787</u></b>	<b><u>6,646,832</u></b>	<b><u>17,584,619</u></b>

<u>Liabilities</u>	<b>December 31, 2019</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,279,737	3,491	1,283,228
Current tax liabilities	3,166	-	3,166
Liabilities related to assets classified as held for sale	27,071	-	27,071
Insurance liabilities	9,556,818	847,727	10,404,545
Provisions	-	233,432	233,432
Lease liabilities	15,257	4,422	19,679
Deferred tax liabilities	-	63,920	63,920
Other liabilities	100,918	7,257	108,175
<b>Total liabilities</b>	<b>\$ <u>10,982,967</u></b>	<b><u>1,160,249</u></b>	<b><u>12,143,216</u></b>

(Continued)

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

- (g) 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.
- (h) 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, 2020 and 2019, the influence for not applying the notification on net income before tax, liabilities, and equity of the Group resulted in an increase of \$116,212, an increase of \$108,992, a decrease of \$116,212, a increase of \$108,992, an increase of \$82,221, an decrease of \$108,992, respectively. The influence on the Group for not applying the notification resulted in an increase in the EPS by \$0.52 and \$0.49, respectively.

(Continued)

**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group:

- (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.
- (vi) Business relationships and significant intercompany transactions: None.

(b) Information on investees: None.

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tsai Ho Want Enterprises Co., Ltd.		49,961,671	22.34 %
Want Chia Enterprises Co., Ltd.		48,480,873	21.68 %
Want Want Co., Ltd.		46,689,943	20.88 %

Notes: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

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

**(14) Segment information:**

(a) General information

The Group run their insurance business and provide insurance contract product in accordance with local insurance laws. They distinguish their reporting sectors by areas, including Taiwan and Thailand, which are the main operating regions of the Group. The operating sectors of the Group report their profit or loss based on the net income after tax, the value of which is the foundation of performance evaluation and consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as significant accounting policies summary in note 4.

(b) Segment information

Since 2020, the Company has been a only major business segment, and the main decision-making is based on company-wide reports as the basis for performance appraisal and resource allocation, therefore, segment-by-segment disclosure of financial information is not required. In addition, the departmental information for 2019 was as follows:

	<b>For the year ended December 31, 2019</b>			
	<b>Taiwan area</b>	<b>Thailand area</b>	<b>Adjustment and reversal (Note)</b>	<b>Totals</b>
Segment revenues	\$ <b>8,065,998</b>	<b>13,967</b>	<b>1,976</b>	<b>8,081,941</b>
Segment income (loss)	\$ <b>703,782</b>	<b>(3,204)</b>	<b>1,999</b>	<b>702,577</b>

Note 1: Adjustment and eliminate the entries of intra-companies deal of the preparation of consolidated financial statement

Note 2: The decision-makers do not reference the operating assets and liabilities, thus, do not disclosure the assets and liabilities of operating segment.

(c) Important client information

The Group does not receive premium revenue from any single customer which exceeds 10% of the direct written premiums received and there is no need to disclose major customer information.

## V. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by CPAs



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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, 2020 and 2019, 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, 2020 and 2019, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### 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 have determined the matters described below to be the key audit matters to be communicated in our report.

##### Assessment of insurance liability

Please refer to Note 4(p) "Insurance liabilities" for the related accounting policy, Note 5(a) for accounting assumptions and estimation uncertainty of insurance liability, and Note 6(q) for details of 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 LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)

March 26, 2021

#### **Notes to Readers**

The accompanying financial statements are intended only to present the 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' audit 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' audit 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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11000	Cash and cash equivalents (note 6(a))	\$ 2,386,542	13	2,117,261	12	21000	Accounts payable (note 6(b) and (e))	\$ 1,256,750	7	1,283,230	7
12000	Receivables (note 6(b))	667,810	4	858,220	5	21700	Current tax liabilities	180	-	3,166	-
12600	Current tax assets	302	-	77	-	24000	Insurance liabilities (note 6(q))	10,326,662	58	10,404,545	59
13000	Assets classified as held-for-sale (note 6(h))	-	-	39,080	-	27000	Provisions (note 6(o))	214,043	2	233,432	1
14110	Financial assets at fair value through profit or loss (note 6(f))	1,966,543	11	1,619,258	9	23800	Lease liabilities (note 6(m))	7,863	-	19,679	-
14190	Financial assets at fair value through other comprehensive income (note 6(f))	2,356,484	13	1,860,294	11	28000	Deferred tax liabilities (note 6(r))	63,920	-	63,920	-
14145	Financial assets at amortized cost (note 6(f))	1,493,894	8	1,437,951	8	25000	Other liabilities	28,121	-	108,175	2
14180	Other financial assets, net (note 6(f))	2,121,637	12	2,587,570	15		<b>Total liabilities</b>	<u>11,897,539</u>	<u>67</u>	<u>12,116,147</u>	<u>69</u>
16700	Right-of-use assets (note 6(l))	7,810	-	19,584	-		<b>Equity</b>				
14200	Investment property (note 6(j))	791,880	5	839,087	5	31100	Ordinary share (note 6(s))	2,236,080	13	2,129,600	12
15000	Reinsurance assets (note 6(c))	3,920,832	22	4,149,186	24	33100	Legal reserve (note 6(s))	718,040	4	577,284	3
16000	Property and equipment (note 6(k))	1,165,781	7	1,127,260	6	33200	Special reserve (note 6(q) and (s))	2,235,431	13	2,038,341	12
17000	Intangible assets	136,982	1	133,831	1	33300	Unappropriated retained earnings (note 6(s))	599,184	3	549,288	3
18000	Other assets	728,235	4	745,329	4	34210	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	58,458	-	120,375	1
						34700	Equity related to assets (or disposal groups) classified as held for sale (note 6(h))	-	-	2,953	-
							<b>Total equity</b>	<u>5,847,193</u>	<u>33</u>	<u>5,417,841</u>	<u>31</u>
<b>Total assets</b>		<u>\$ 17,744,732</u>	<u>100</u>	<u>17,533,988</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 17,744,732</u>	<u>100</u>	<u>17,533,988</u>	<u>100</u>



(English Translation of Financial Statements Originally Issued in Chinese)

UNION INSURANCE CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019		Change	
	Amount	%	Amount	%	%	
41000	<b>Operating revenue:</b>					
41110	Written premium	\$ 10,222,889	124	9,833,305	122	4
41120	Reinsurance premium	419,272	5	400,459	5	5
41100	Premium	10,642,161	129	10,233,764	127	
51100	Less: Reinsurance expense	3,259,029	39	3,231,917	40	1
51310	Net change in unearned premiums reserve	238,756	3	(32,853)	-	827
41130	Retained earned premium	7,144,376	87	7,034,700	87	
41300	Reinsurance commission received	579,520	7	586,449	7	(1)
41500	Net income(loss) from investments					
41510	Interest income	78,337	1	89,255	1	(12)
41521	Gains on financial assets or liabilities at fair value through profit or loss	264,405	3	253,965	3	4
41527	Realized gains (losses) on financial assets at fair value through other comprehensive income	67,954	1	48,037	1	41
41540	Share of loss of associates and joint ventures accounted for using equity method (note 6(g))	-	-	(1,999)	-	100
41550	Foreign exchange gains (losses), investments	(657)	-	(827)	-	21
41570	Gains (losses) on investment property	51,825	1	45,120	1	15
41585	Expected credit losses or reversal of expected credit losses of investments (note 6(f))	76	-	(288)	-	126
41590	Other net income (loss) from investments (note 6(i))	38,855	-	-	-	-
41800	Other operating income	13,091	-	11,586	-	13
	<b>Total operating revenue</b>	<b>8,237,782</b>	<b>100</b>	<b>8,065,998</b>	<b>100</b>	
51000	<b>Operating costs:</b>					
51200	Insurance claim payment	5,926,033	72	6,014,604	75	(1)
41200	Less: Claims recovered from reinsurers	2,136,153	26	2,115,782	26	1
51260	Retained claim payment	3,789,880	46	3,898,822	49	
51300	Net change in other insurance liability (note6(q))					
51320	Net change in claim reserve	58,378	1	(104,753)	(1)	156
51340	Net change in special claim reserve	(5,066)	-	(23,009)	1	78
51350	Net change in premium deficiency reserve	-	-	(4,314)	-	100
51500	Commission expense	1,618,526	20	1,537,730	19	5
51800	Other operating costs	45,501	-	39,386	-	16
51700	Finance costs	2,484	-	2,168	-	15
	<b>Total operating costs</b>	<b>5,509,703</b>	<b>67</b>	<b>5,346,030</b>	<b>68</b>	
58000	<b>Operating expenses:</b>					
58100	General expenses	1,611,241	20	1,575,227	20	2
58200	Administrative expenses	434,332	5	410,054	5	6
58300	Staff training expenses	1,195	-	3,994	-	(70)
58400	Expected credit losses or reversal of expected credit losses of non-investments	7,421	-	43,272	1	(83)
	<b>Total operating expenses</b>	<b>2,054,189</b>	<b>25</b>	<b>2,032,547</b>	<b>26</b>	
	<b>Net operating income</b>	<b>673,890</b>	<b>8</b>	<b>687,421</b>	<b>6</b>	<b>(2)</b>
59000	<b>Non-operating income and expenses:</b>					
59100	Gains (losses) on disposals of property and equipment	2,141	-	-	-	-
59900	Other non-operating income and expenses, net	30,021	1	13,930	-	116
	<b>Total non-operating income and expenses</b>	<b>32,162</b>	<b>1</b>	<b>13,930</b>	<b>-</b>	
62000	<b>Net income before income tax</b>	<b>706,052</b>	<b>9</b>	<b>701,351</b>	<b>6</b>	
63000	Less: Income tax expenses (benefits) (note6(r))	3,955	-	(2,431)	-	
	<b>Net income</b>	<b>702,097</b>	<b>9</b>	<b>703,782</b>	<b>6</b>	<b>-</b>
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 (note 6(o))	(29,815)	-	(19,579)	-	(52)
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(52,572)	(1)	85,209	1	(162)
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>(82,387)</b>	<b>(1)</b>	<b>65,630</b>	<b>1</b>	<b>(226)</b>
83200	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
83210	Exchange differences on translation of foreign financial statements	-	-	(668)	-	100
83260	Equity related to assets (or disposal groups) classified as held-for-sale	-	-	2,953	-	(100)
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>2,285</b>	<b>-</b>	<b>(100)</b>
83000	<b>Other comprehensive income (after tax)</b>	<b>(82,387)</b>	<b>(1)</b>	<b>67,915</b>	<b>1</b>	<b>(221)</b>
	<b>Total comprehensive income</b>	<b>\$ 619,710</b>	<b>8</b>	<b>771,697</b>	<b>7</b>	<b>(20)</b>
97500	<b>Basic earnings per share (note 6(t))</b>	<b>\$ 3.14</b>		<b>3.15</b>		
98500	<b>Diluted earnings per share (note 6(t))</b>	<b>\$ 3.12</b>		<b>3.13</b>		

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings		Exchange differences on translation of foreign financial statements	Other equity		Equity related to current assets (or disposal groups) classified as held for sale	Total equity
	Ordinary shares	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance at January 1, 2019</b>	\$ 2,129,600	456,160	1,764,966	431,190	668	55,224	-	4,837,808	
Net income	-	-	-	703,782	-	-	-	703,782	
Other comprehensive income	-	-	-	(19,579)	(668)	85,209	2,953	67,915	
Total comprehensive income	-	-	-	684,203	(668)	85,209	2,953	771,697	
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	121,124	-	(121,124)	-	-	-	-	
Special reserve appropriated-net change in special claim reserve	-	-	270,875	(270,875)	-	-	-	-	
Special reserve appropriated-employee training and transferring plan	-	-	2,500	(2,500)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(191,664)	-	-	-	(191,664)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	20,058	-	(20,058)	-	-	
Balance at December 31, 2019	2,129,600	577,284	2,038,341	549,288	-	120,375	2,953	5,417,841	
Net income	-	-	-	702,097	-	-	-	702,097	
Other comprehensive income	-	-	-	(29,815)	-	(52,572)	-	(82,387)	
Total comprehensive income	-	-	-	672,282	-	(52,572)	-	619,710	
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	140,756	-	(140,756)	-	-	-	-	
Special reserve appropriated-net change in special claim reserve	-	-	200,110	(200,110)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(187,405)	-	-	-	(187,405)	
Stock dividends of ordinary share	106,480	-	-	(106,480)	-	-	-	-	
Special reserve reversal-employee training and transferring plan	-	-	(3,020)	3,020	-	-	-	-	
Disposal of subsidiaries	-	-	-	-	-	-	(2,953)	(2,953)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	9,345	-	(9,345)	-	-	
<b>Balance at December 31, 2020</b>	\$ 2,236,080	718,040	2,235,431	599,184	-	58,458	-	5,847,193	

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Net income before income tax	\$ 706,052	701,351
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	53,997	55,523
Amortization expense	17,301	16,498
Net profit on financial assets or liabilities at fair value through profit or loss	(240,451)	(238,212)
Interest expense	2,484	2,168
Interest revenue	(78,337)	(89,255)
Dividend revenue	(91,908)	(63,790)
Net change in insurance liabilities	(69,823)	(483,076)
Net change in other provisions	(49,204)	(61,796)
Expected credit loss (Reversal of credit loss) of investments	(76)	288
Expected credit loss of non-investments	7,421	43,272
Share of loss of subsidiaries accounted for using equity method	-	1,999
Gain on disposal of property and equipment	(2,141)	-
Gain on disposal of investment properties	(9,947)	-
Gain on disposal of intangible assets	(3,189)	-
Gain on disposal of subsidiaries	(38,855)	-
Others	(15)	-
<b>Total adjustments to reconcile profit (loss)</b>	(502,743)	(816,381)
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	(16,689)	45,160
Decrease in premiums receivable	224,866	10,433
Increase in other receivables	(25,108)	(27,812)
Increase in financial assets at fair value through profit or loss	(106,834)	(727,072)
Increase in financial assets at fair value through other comprehensive income	(548,762)	(787,965)
Increase in financial assets at amortized cost	(72,991)	(200,000)
Decrease in other financial assets	465,933	1,439,464
Decrease in reinsurance assets	228,338	323,785
Decrease (increase) in other assets	12,091	(50,574)
<b>Total changes in operating assets</b>	160,844	25,419
<b>Changes in operating liabilities:</b>		
Increase (decrease) in other payable	(26,478)	73,286
Increase (decrease) in other liabilities	(80,054)	67,523
<b>Total changes in operating liabilities</b>	(106,532)	140,809
Cash inflow generated from operations	257,621	51,198
Interest received	78,686	88,765
Dividends received	92,163	61,987
Interest paid	(2,484)	(2,168)
Income taxes paid	(7,166)	(2,999)
<b>Net Cash flows from operating activities</b>	418,820	196,783
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of subsidiaries	74,980	-
Acquisition of property and equipment	(56,714)	(120,801)
Proceeds from disposal of property and equipment	3,980	-
Acquisition of intangible assets	(14,364)	(18,738)
Proceeds from disposal of intangible assets	10,500	-
Acquisition of investment properties	(2,251)	-
Proceeds from disposal of investment properties	38,000	-
<b>Net cash flows from (used in) investing activities</b>	54,131	(139,539)
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(16,265)	(16,448)
Cash dividends paid	(187,405)	(191,664)
<b>Net cash flows used in financing activities</b>	(203,670)	(208,112)
<b>Net increase (decrease) in cash and cash equivalents</b>	269,281	(150,868)
<b>Cash and cash equivalents at beginning of period</b>	2,117,261	2,268,129
<b>Cash and cash equivalents at end of period</b>	\$ 2,386,542	2,117,261

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, 2020 and 2019**

**(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 26, 2021.

**(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> <li>- the beginning of the coverage period of the group of contracts ;</li> <li>- the date when the first payment from a policyholder in the group because due ; and</li> <li>- for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group.</li> </ul> </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>	January 1, 2023

(Continued)

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> <li>● reduce costs by simplifying some requirements in the Standard ;</li> <li>● make financial performance easier to explain; and</li> <li>● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.</li> </ul>	January 1, 2023

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(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.

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

(b) Basis of preparation

(i) Basis of measure

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) FVTPL are measured at fair value.
- 2) FVOCI 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 and insurance liability 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

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control 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 only 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 non controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(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

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)



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

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(Continued)

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

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. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend 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.

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.

(Continued)

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

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

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.

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.

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. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written 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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

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 obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished 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

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Assets classified as held-for-sale

Investments of subsidiary accounted for using equity method that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held-for-sale. Immediately before classification as held-for-sale, these investments are remeasured in accordance with the Company's accounting policies. Thereafter, generally, these investments are measured at the lower of their carrying amount and fair value less costs to sell.

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

(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.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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 reinsurers 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.

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.

(Continued)

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

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

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(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 if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

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 and adjusted if appropriate.

(Continued)

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

(m) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)



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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease income.

(n) Intangible assets

(i) Recognition and measurement

Intangible assets, including computer software and golf membership, that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) 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.

(iii) 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 estimated useful lives for current and comparative periods are as follows:

- |                       |             |
|-----------------------|-------------|
| (1) Computer software | 3-10 years  |
| (2) Golf membership   | 10-20 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

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

(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.

(Continued)

**UNION INSURANCE CO., LTD.**  
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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.

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**UNION INSURANCE CO., LTD.**  
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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 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.

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

(q) 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. The unwinding of the discount is recognized as finance cost.

(r) 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.

(s) 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.

(Continued)

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

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.

- (t) 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.

- (u) 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

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

(v) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(Continued)

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

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(w) 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.

(x) 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.

(y) 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.

(Continued)



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

**(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

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.

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”.

(Continued)

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

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

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 500	500
Petty cash	12,400	11,000
Cash in bank	1,803,141	1,872,668
Bonds purchased under resale agreements	570,501	233,093
Total	<b>\$ 2,386,542</b>	<b>2,117,261</b>

(b) Receivables and Payables

(i) Receivables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 236,368	219,728
Premiums receivable	273,893	498,898
Other receivables	157,549	139,594
Total	<b>\$ 667,810</b>	<b>858,220</b>

(ii) Payables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Commission payable	\$ 172,896	169,185
Due to ceding companies	60,797	67,565
Reinsurance premium payable	599,748	632,328
Reinsurance commission payable	1,712	1,628
Insurance claim payable	2,753	30,178
Other payables	418,844	382,346
Total	<b>\$ 1,256,750</b>	<b>1,283,230</b>

(iii) Receivables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 237,986	221,298
Less : Loss allowance	(1,618)	(1,570)
Total	<b>\$ 236,368</b>	<b>219,728</b>

(Continued)

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

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Premiums receivable		
Fire insurance	\$ 64,814	165,306
Marine insurance	28,507	64,214
Hull and fishing vessel insurance	9,199	8,633
Other accident insurance	97,190	104,004
Compulsory pure premium	10,230	13,302
Voluntary automobile insurance	17,859	88,981
Compulsory automobile liability insurance	4,772	6,154
Overdue receivables	<u>46,257</u>	<u>53,100</u>
Subtotal	278,828	503,694
Less : Loss allowance	<u>(4,935)</u>	<u>(4,796)</u>
Total	<u><b>\$ 273,893</b></u>	<u><b>498,898</b></u>

(iv) Other receivables

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables	\$ 187,153	161,980
Less : Loss allowance	<u>(29,604)</u>	<u>(22,386)</u>
Total	<u><b>\$ 157,549</b></u>	<u><b>139,594</b></u>

As of December 31, 2020 and 2019, the overdue receivables in notes receivable, premiums receivable and other receivable were \$77,484 and \$80,473, which provisioned the loss allowance \$36,157 and \$28,752, respectively. The movements of the loss allowance for receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 28,752	24,999
Loss recognized	7,405	5,375
Amounts write-off	<u>-</u>	<u>(1,622)</u>
Ending balance	<u><b>\$ 36,157</b></u>	<u><b>28,752</b></u>

The Company's Board of Directors has decided to write off \$32 of notes receivable and \$1,590 of premiums receivable which are impossible to recover on December 30, 2019.

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Under 90 days	\$ 646,679	829,843
90~270 days	30,726	37,012
More than 271 days	26,562	20,117

The estimate of expected credit losses of the Company's receivable please refer to Note 6(x).

(v) Payables of insurance contracts

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commission payable	<u>\$ 172,896</u>	<u>169,185</u>

(c) Reinsurance assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Claims recovered from reinsurers (Note 6(d))	\$ 354,660	347,461
Due from reinsurers and ceding companies – net (Note 6(e))	346,272	220,015
Reinsurance reserve assets (Note 6(q))		
Ceded unearned premiums reserve	1,907,983	1,913,563
Ceded claim reserve	<u>1,311,917</u>	<u>1,668,147</u>
Total	<u>\$ 3,920,832</u>	<u>4,149,186</u>

(d) Claims recovered from reinsurers

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fire insurance	\$ 7,990	8,524
Marine insurance	95	836
Land and air insurance	98	43
Liability insurance	78,633	73,591
Surety insurance	-	2,491
Other property insurance	156,371	146,760
Accident insurance	40,611	40,592
Health insurance	706	495
Compulsory automobile liability insurance	70,141	72,750
Overdue receivables	15	1,379
Less : Loss allowance	<u>-</u>	<u>-</u>
Total	<u>\$ 354,660</u>	<u>347,461</u>

(Continued)

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

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

(i) Receivables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due from ceding companies	\$ 215,149	78,042
Reinsurance premium receivable	62,081	59,585
Reinsurance commission receivable	61,381	81,396
Overdue receivable	45,574	38,808
Subtotal	384,185	257,831
Less : Loss allowance	(37,913)	(37,816)
Total	<b>\$ 346,272</b>	<b>220,015</b>

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 37,816	-
Loss recognized	97	37,816
Ending balance	<b>\$ 37,913</b>	<b>37,816</b>

(ii) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due to ceding companies	\$ 60,797	67,565
Reinsurance premium payable	599,748	632,328
Reinsurance commission payable	1,712	1,628
Total	<b>\$ 662,257</b>	<b>701,521</b>

(Continued)

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

(f) Financial assets

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificate	\$ 52,666	71,711
Real estate investment trust beneficiary certificate	353,825	334,724
Domestic listed stocks and OTC stocks	1,560,052	1,212,823
<b>Total</b>	<b>\$ 1,966,543</b>	<b>1,619,258</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 2020 and 2019 will increase \$19,665 and \$16,193, 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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks and OTC stocks	\$ 2,342,540	1,846,770
Domestic unlisted stocks	13,944	13,524
<b>Total</b>	<b>\$ 2,356,484</b>	<b>1,860,294</b>

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold not for trading purposes.

During the years ended December 31, 2020 and 2019, the dividends of \$67,954 and \$48,037, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized; the dividend of \$0 and \$13,596, respectively, related to the investments derecognized during the year ended December 31, 2020 and 2019 were recognized.

(Continued)

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

The Company disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and rearranging portfolio. The disposed shares, during the December 31, 2020 and 2019, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Fair value	\$ <b>466,560</b>	<b>363,271</b>
Accumulate gains by disposing	\$ <b>9,345</b>	<b>20,058</b>

The accumulate gains by disposing above have been transferred from other equity to retained earning.

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 2020 and 2019 will increase \$23,565 and \$18,603, 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.

(iii) Financial assets at amortized cost

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Government bonds	\$ 610,619	538,296
Financial bonds	300,000	300,000
Corporate bonds	950,000	950,000
Subtotal	1,860,619	1,788,296
Less: Securities serving as deposits paid	(365,852)	(349,396)
Loss allowance	(873)	(949)
Total	\$ <b>1,493,894</b>	<b>1,437,951</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.
- 2) Please refer to Note 6(x) 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.

(Continued)

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

- 4) The Company assessed the impairment of financial asset on December 31, 2020 and 2019, the amounts of the expected credit loss recognized (reversal of credit loss) were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 949	661
Loss recognized	(76)	288
Ending balance	<u><u>\$ 873</u></u>	<u><u>949</u></u>

- (iv) Other financial asset:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Time deposits – initial maturity date over than three months	\$ 2,288,637	2,772,892
Less: Securities serving as deposits paid	(167,000)	(185,322)
Total	<u><u>\$ 2,121,637</u></u>	<u><u>2,587,570</u></u>

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

- (v) Capital outsourcing information

As of December 31, 2020 and 2019, the Company has outsourced to Securities Investment Trust to manage investment project and capital amount. Further information were as follows:

<b>Investment Trust Company</b>	<b>Investment</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
		<b>Amount</b>	<b>Amount</b>
Nomura Asset Management	Domestic listed stocks and OTC stocks, bonds purchased under resale agreements, short term bills, etc.	\$ 500,000	400,000
Fuh Hwa Securities Investment Trust	"	500,000	400,000
CTBC Investments	"	-	200,000
Capital Investment Trust Corporation	"	500,000	200,000
		<u><u>\$ 1,500,000</u></u>	<u><u>1,200,000</u></u>

(Continued)



**UNION INSURANCE CO., LTD.**  
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The investment project was mentioned above, and the carry amounts as of December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 499,330	426,457
Financial assets at fair value through profit or loss - stocks	1,243,321	859,443
	<b>\$ 1,742,651</b>	<b>1,285,900</b>

(g) Investment under equity method

On December 30, 2019, the Board of Directors of the Company approved to sell China Insurance (THAI) Public Company Ltd., the subsidiary of the Company. All shares were transferred in January 2020. Thus, the investments accounted for using equity method were reclassified from assets to held-for-sale. Please refer to Note 6(h).

For the years ended December 31, 2020 and 2019, the Company's shares of gains or losses of its subsidiary, which was audited by the certified public accountants, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Audited by the certified public accountants	\$ -	(1,999)

(h) Assets classified as held-for-sale

On December 30, 2019, the Board of Directors of the Company approved to sell China Insurance (THAI) Public Company Ltd., the subsidiary of the Company, at the disposal amount of \$74,980. All shares were transferred in January 2020. Thus, the investments accounted for using equity method were reclassified from assets to held-for-sale. On December 31, 2019, the assets classified as held-for-sale and the other related comprehensive income amounted to \$39,080 and \$2,953, respectively. For the explanation of the loss of control of a subsidiary, please refer to Note 6(i).

(i) Loss of control of a subsidiary

The Company has completed the disposal of 62.39% ownership of China Insurance (THAI) Public Company Ltd. and lost control of it on January 7, 2020. The disposal price was \$74,980, and the disposal benefit of \$38,855 has been reported under the consolidated statements of comprehensive income item "Other net income (loss) from investments". The details of the carrying amounts of assets and liabilities of China Insurance (THAI) Public Company Ltd. on the date of loss of control were as follows:

(Continued)

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

Cash and cash equivalents	\$	5,107
Financial assets at fair value through profit or loss		7,435
Other financial assets - net		60,588
Reinsurance assets		9,239
Other assets		7,342
Accounts payable		(13,523)
Insurance liabilities		(12,440)
Other liabilities		(1,108)
Carrying amounts of net assets	<b>\$</b>	<b><u>62,640</u></b>

(j) Investment property

The cost, depreciation, and impairment of the investment property of the Company for the years ended December 31, 2020 and 2019, 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, 2020</b>	\$ 714,171	204,027	918,198
Additions	-	2,251	2,251
Disposal	(22,640)	(7,400)	(30,040)
Reclassification to property, plant and equipment	(10,006)	(11,242)	(21,248)
<b>Balance at December 31, 2020</b>	<b><u>\$ 681,525</u></b>	<b><u>187,636</u></b>	<b><u>869,161</u></b>
<b>Balance at January 1, 2019</b>	\$ 715,381	206,626	922,007
Reclassification from property, plant and equipment	2,444	1,162	3,606
Reclassification to property, plant and equipment	(3,654)	(3,761)	(7,415)
<b>Balance at December 31, 2019</b>	<b><u>\$ 714,171</u></b>	<b><u>204,027</u></b>	<b><u>918,198</u></b>
<b>Accumulated depreciation and impairments</b>			
<b>Balance at January 1, 2020</b>	\$ 2,359	76,752	79,111
Depreciation	-	4,262	4,262
Disposal	-	(1,987)	(1,987)
Reclassification from property, plant and equipment	-	(4,105)	(4,105)
<b>Balance at December 31, 2020</b>	<b><u>\$ 2,359</u></b>	<b><u>74,922</u></b>	<b><u>77,281</u></b>

(Continued)

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

	<u>Land and Improvement</u>	<u>Buildings and constructions</u>	<u>Total</u>
<b>Balance at January 1, 2019</b>	\$ 2,359	72,841	75,200
Depreciation	-	4,366	4,366
Reclassification from property, plant and equipment	-	444	444
Reclassification to property, plant and equipment	-	(899)	(899)
<b>Balance at December 31, 2019</b>	<u>\$ 2,359</u>	<u>76,752</u>	<u>79,111</u>
<b>Carrying amount:</b>			
December 31, 2020	<u>\$ 679,166</u>	<u>112,714</u>	<u>791,880</u>
December 31, 2019	<u>\$ 711,812</u>	<u>127,275</u>	<u>839,087</u>
<b>Fair value :</b>			
December 31, 2020			<u>\$ 1,695,676</u>
December 31, 2019			<u>\$ 1,529,595</u>

On December 31, 2020 and 2019, the assessment of fair value of investment property mainly referred to the market trade.

As of December 31, 2020 and 2019, the Company's investment property has not been pledged as collateral.

(k) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, 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, 2020</b>	\$ 802,214	441,007	182,043	579	47,893	7,216	1,480,952
Additions	14,580	30,243	5,632	-	6,060	199	56,714
Reclassification from investment property	10,006	11,242	-	-	-	-	21,248
Disposal	(854)	(2,296)	-	-	-	-	(3,150)
Scrap	-	-	(4,074)	-	(2,154)	(5,411)	(11,639)
<b>Balance at December 31, 2020</b>	<u>825,946</u>	<u>480,196</u>	<u>183,601</u>	<u>579</u>	<u>51,799</u>	<u>2,004</u>	<u>1,544,125</u>
<b>Balance at January 1, 2019</b>	735,797	412,108	158,638	579	45,340	12,930	1,365,392
Additions	65,207	26,300	24,222	-	3,653	1,419	120,801
Reclassification from investment property	3,654	3,761	-	-	-	-	7,415
Reclassification to investment property	(2,444)	(1,162)	-	-	-	-	(3,606)
Scrap	-	-	(817)	-	(1,100)	(7,133)	(9,050)
<b>Balance at December 31, 2019</b>	<u>802,214</u>	<u>441,007</u>	<u>182,043</u>	<u>579</u>	<u>47,893</u>	<u>7,216</u>	<u>1,480,952</u>

(Continued)

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

	<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>Depreciation and impairment loss:</b>							
<b>Balance at January 1, 2020</b>	\$ 15,196	148,303	143,477	467	40,455	5,794	353,692
Depreciation	-	12,834	16,351	97	3,740	475	33,497
Reclassification from investment property	-	4,105	-	-	-	-	4,105
Disposal	-	(1,311)	-	-	-	-	(1,311)
Scrap	-	-	(4,074)	-	(2,154)	(5,411)	(11,639)
<b>Balance at December 31, 2020</b>	<u>15,196</u>	<u>163,931</u>	<u>155,754</u>	<u>564</u>	<u>42,041</u>	<u>858</u>	<u>378,344</u>
<b>Balance at January 1, 2019</b>	15,196	137,310	124,540	370	38,707	11,873	327,996
Depreciation	-	10,538	19,754	97	2,848	1,054	34,291
Reclassification from investment property	-	899	-	-	-	-	899
Reclassification to investment property	-	(444)	-	-	-	-	(444)
Scrap	-	-	(817)	-	(1,100)	(7,133)	(9,050)
<b>Balance at December 31, 2019</b>	<u>15,196</u>	<u>148,303</u>	<u>143,477</u>	<u>467</u>	<u>40,455</u>	<u>5,794</u>	<u>353,692</u>
<b>Carrying amount:</b>							
December 31, 2020	<u>\$ 810,750</u>	<u>316,265</u>	<u>27,847</u>	<u>15</u>	<u>9,758</u>	<u>1,146</u>	<u>1,165,781</u>
December 31, 2019	<u>\$ 787,018</u>	<u>292,704</u>	<u>38,566</u>	<u>112</u>	<u>7,438</u>	<u>1,422</u>	<u>1,127,260</u>

As of December 31, 2020 and 2019, the Company's property, plant and equipment have not been pledged as collateral.

(l) Right-of-use assets

The changes in the Company's costs and depreciation of leasing buildings, constructions, and transportation equipment were as follows:

	<u>Buildings and Constructions</u>	<u>Transportation Equipment</u>	<u>Total</u>
<b>Costs of right-of-use assets:</b>			
January 1, 2020	\$ 27,052	5,434	32,486
Additions	5,345	-	5,345
Derecognition	(5,235)	-	(5,235)
December 31, 2020	<u>\$ 27,162</u>	<u>5,434</u>	<u>32,596</u>
January 1, 2019	\$ -	-	-
Effects of retrospective application IFRS16	24,118	5,730	29,848
Additions	6,214	2,904	9,118
Derecognition	(3,280)	(3,200)	(6,480)
December 31, 2019	<u>\$ 27,052</u>	<u>5,434</u>	<u>32,486</u>

(Continued)

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

	<u>Buildings and Constructions</u>	<u>Transportation Equipment</u>	<u>Total</u>
Depreciation of right-of-use assets:			
January 1, 2020	\$ 11,391	1,511	12,902
Depreciation	13,798	2,440	16,238
Derecognition	<u>(4,354)</u>	<u>-</u>	<u>(4,354)</u>
December 31, 2020	<u>\$ 20,835</u>	<u>3,951</u>	<u>24,786</u>
January 1, 2019	\$ -	-	-
Effects of retrospective application IFRS16	-	-	-
Depreciation	14,422	2,444	16,866
Derecognition	<u>(3,031)</u>	<u>(933)</u>	<u>(3,964)</u>
December 31, 2019	<u>\$ 11,391</u>	<u>1,511</u>	<u>12,902</u>
Carrying amounts:			
December 31, 2020	<u>\$ 6,327</u>	<u>1,483</u>	<u>7,810</u>
December 31, 2019	<u>\$ 15,661</u>	<u>3,923</u>	<u>19,584</u>

(m) Lease liabilities

The Company's lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Within a year	\$ 6,526	15,257
One to five years	<u>1,337</u>	<u>4,422</u>
Total	<u>\$ 7,863</u>	<u>19,679</u>

The maturity analysis please refer to note 6(x) financial instruments.

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 278</u>	<u>477</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 16,543</u>	<u>16,925</u>

(Continued)

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

(i) Leases of buildings and constructions

The Company leases buildings and constructions for its office space. The leases of office space typically run for 1 to 3 years.

(ii) Other leases

The Company leases transportation equipment with contract terms of 1 to 3 years.

(n) Operating lease

Leases as lessor

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Within a year	\$ 22,514	47,360
One to five years	43,556	136,942
More than five years	<u>11,242</u>	<u>278,138</u>
	<b><u>\$ 77,312</u></b>	<b><u>462,440</u></b>

Rental incomes from investment properties were \$46,140 and \$49,486 for 2020 and 2019, respectively.

(o) Employee benefits

(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, 2020</b>	<b>December 31, 2019</b>
Present value of the defined benefit obligations	\$ (564,445)	(540,267)
Fair value of plan assets	<u>350,402</u>	<u>306,835</u>
Net defined benefit (liabilities) assets	<b><u>\$ (214,043)</u></b>	<b><u>(233,432)</u></b>

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.

(Continued)

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

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 \$350,402 and \$306,835 as of December 31, 2020 and 2019, 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>2020</b>	<b>2019</b>
Defined benefit obligation at January 1	\$ 540,267	532,833
Current serviced costs and interest cost	11,079	12,531
Past service cost	486	-
Remeasurements of net defined benefit liabilities		
— Actuarial gains or losses arising from changes of demographic assumptions	1,616	462
— Actuarial gains or losses arising from changes of financial assumptions	41,557	21,201
— Actuarial gains or losses arising from experience adjustments	(3,118)	7,990
Benefits paid by the plan	(27,442)	(34,750)
Defined benefit obligation at December 31	<u>\$ 564,445</u>	<u>540,267</u>

(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>2020</b>	<b>2019</b>
Fair value of plan assets at January 1	\$ 306,835	257,184
Interest income	2,025	2,238
Remeasurements of net defined benefit liabilities		
— Expected return on plan assets (excluding current interest)	10,240	10,074
Contribution made to the plan	58,744	72,089
Benefit paid by the plan	(27,442)	(34,750)
Fair value of plan assets at December 31	<b>\$ 350,402</b>	<b>306,835</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>2020</b>	<b>2019</b>
Current service cost	\$ 7,513	7,895
Net interest of net liabilities (assets) for defined benefit obligations	1,541	2,398
Past service cost	486	-
	<b>\$ 9,540</b>	<b>10,293</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, 2020 and 2019, was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accumulated amount at January 1	\$ 195,159	175,580
Recognized during the period	29,815	19,579
Accumulated amount at December 31	<b>\$ 224,974</b>	<b>195,159</b>

(Continued)



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

6) Actuarial assumptions

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.39 %	0.66 %
Expected return on planned assets	0.39 %	0.66 %
Future salary increases	1.50 %	1.00 %

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 \$8,019. The weighted average lifetime of the defined benefits plans is 12 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, 2020 and 2019, 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, 2020		
Discount rate (change 0.5%)	\$ 36,294	33,370
Future salary increases(change 0.5%)	35,699	33,195
December 31, 2019		
Discount rate (change 0.5%)	27,803	15,216
Future salary increases (change 0.5%)	27,492	15,239

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 2020 and 2019.

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**UNION INSURANCE CO., LTD.**  
**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 \$31,948 and \$31,613 for the years ended December 31, 2020 and 2019, respectively.

(p) 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, 2020 and 2019, the Company estimated its employee remuneration amounting to \$28,500 and \$28,000, respectively, and directors' remuneration amounting to \$6,500 and \$6,000, 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 2020 and 2019. 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 2019 and 2018 were \$28,000 and \$6,000, \$9,000 and \$6,000, respectively. There is no difference in the actual distribution situation. Relevant information can be obtained from the Market Observation Post System.

(q) Insurance liability

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unearned premium reserve	\$ 5,847,692	5,622,576
Claims reserve	3,325,019	3,622,952
Special reserve	1,153,951	1,159,017
Total	<b>\$ 10,326,662</b>	<b>10,404,545</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, 2020</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	\$ 732,273	35,118	388,904		378,487
Marine insurance	69,509	1,122	62,285		8,346
Land and air insurance	46,222	1,026	32,715		14,533
Liability insurance	1,510,914	223,871	415,550		1,319,235
Surety insurance	11,492	362	6,331		5,523
Other property insurance	2,244,480	37,288	734,876		1,546,892
Accident insurance	384,605	1,909	41,534		344,980
Health insurance	10,921	-	1,986		8,935
Compulsory automobile liability insurance	372,987	163,593	223,802		312,778
<b>Total</b>	<b>\$ 5,383,403</b>	<b>464,289</b>	<b>1,907,983</b>		<b>3,939,709</b>

<b>December 31, 2019</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	\$ 768,183	29,901	415,777		382,307
Marine insurance	66,708	1,285	57,720		10,273
Land and air insurance	41,503	483	33,525		8,461
Liability insurance	1,364,268	327,926	459,556		1,232,638
Surety insurance	11,939	362	6,469		5,832
Other property insurance	2,054,694	35,553	672,854		1,417,393
Accident insurance	374,146	2,071	42,451		333,766
Health insurance	6,891	-	1,110		5,781
Compulsory automobile liability insurance	373,487	163,176	224,101		312,562
<b>Total</b>	<b>\$ 5,061,819</b>	<b>560,757</b>	<b>1,913,563</b>		<b>3,709,013</b>

(Continued)

**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, 2020													
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	\$ 975,122	293,622	412,365	856,379	372,987	373,487	163,593	163,176	(83)	223,802	224,101	(299)	856,163
Non-compulsory insurance	9,247,767	125,650	2,846,664	6,526,753	5,010,416	4,680,272	300,696	397,581	233,259	1,684,181	1,689,462	(5,281)	6,288,213
<b>Total</b>	<b>\$ 10,222,889</b>	<b>419,272</b>	<b>3,259,029</b>	<b>7,383,132</b>	<b>5,383,403</b>	<b>5,053,759</b>	<b>464,289</b>	<b>560,757</b>	<b>233,176</b>	<b>1,907,983</b>	<b>1,913,563</b>	<b>(5,580)</b>	<b>7,144,376</b>
For the years ended December 31, 2019													
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	\$ 967,336	290,532	406,885	850,983	373,487	373,024	163,176	163,691	(52)	224,101	223,821	280	851,315
Non-compulsory insurance	8,865,969	109,927	2,825,032	6,150,864	4,688,332	4,575,652	397,581	479,453	30,808	1,689,462	1,626,133	63,329	6,183,385
<b>Total</b>	<b>\$ 9,833,305</b>	<b>400,459</b>	<b>3,231,917</b>	<b>7,001,847</b>	<b>5,061,819</b>	<b>4,948,676</b>	<b>560,757</b>	<b>643,144</b>	<b>30,756</b>	<b>1,913,563</b>	<b>1,849,954</b>	<b>63,609</b>	<b>7,034,700</b>

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

Item	For the years ended December 31, 2020	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,622,576	1,913,563
Provision	5,847,692	1,907,983
Recovery	(5,622,576)	(1,913,563)
Ending balance	<b>\$ 5,847,692</b>	<b>1,907,983</b>
Item	For the years ended December 31, 2019	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,603,272	1,849,954
Provision	5,622,576	1,913,563
Recovery	(5,603,272)	(1,849,954)
Ending balance	<b>\$ 5,622,576</b>	<b>1,913,563</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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**UNION INSURANCE CO., LTD.**  
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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, 2020 and 2019, the undertook unearned premium reserve has recovered \$11,565 and \$16,452, respectively. According to relevant measurements, the intangible asset has reduced \$8,060 and \$11,452 as recovery deduction of unearned premium reserve, respectively. The amount of \$3,505 and \$5,000 were net recovered unearned premium reserve. .As of December 31, 2020 and 2019, the relevant unearned premium reserve and intangible assets were \$25,643 and \$17,974, \$37,208 and \$26,034, 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.

(Continued)

**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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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,	
	2020	2019
Beginning balance	\$ -	17,944
Provision	35,350	-
Recovery	(35,350)	(17,944)
Ending balance	<u>\$ -</u>	<u>-</u>

Special reserve – Non-Compulsory Automobile Liability Insurance

Item	For the years ended December 31, 2020					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Total
Beginning balance	\$ 116,676	1,038,185	1,154,861	624,342	1,396,038	2,020,380
Provision	-	-	-	79,442	193,200	272,642
Recover	(5,066)	-	(5,066)	-	(72,532)	(72,532)
Ending balance	<u>\$ 111,610</u>	<u>1,038,185</u>	<u>1,149,795</u>	<u>703,784</u>	<u>1,516,706</u>	<u>2,220,490</u>

Item	For the years ended December 31, 2019					
	Liability			Special reserve		
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Total
Beginning balance	\$ 121,741	1,038,185	1,159,926	547,980	1,201,525	1,749,505
Provision	-	-	-	76,362	206,653	283,015
Recover	(5,065)	-	(5,065)	-	(12,140)	(12,140)
Ending balance	<u>\$ 116,676</u>	<u>1,038,185</u>	<u>1,154,861</u>	<u>624,342</u>	<u>1,396,038</u>	<u>2,020,380</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, 2020 and 2019.

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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, 2020			
	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ -	325,150	30,219	355,369
Marine insurance	-	105,686	34,749	140,435
Land and air insurance	-	69,185	8,167	77,352
Liability insurance	392	751,959	211,272	963,231
Surety insurance	1	17,362	7,685	25,047
Other property insurance	1,730	541,193	40,491	581,684
Accident insurance	536	93,143	226,200	319,343
Health insurance	36	1,971	5,352	7,323
Compulsory automobile liability insurance	58	171,796	683,439	855,235
<b>Total</b>	<b>\$ 2,753</b>	<b>2,077,445</b>	<b>1,247,574</b>	<b>3,325,019</b>

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**UNION INSURANCE CO., LTD.**  
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December 31, 2019				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ 2,829	503,164	66,957	570,121
Marine insurance	32	108,298	50,121	158,419
Land and air insurance	-	113,096	12,643	125,739
Liability insurance	8,582	804,639	122,269	926,908
Surety insurance	1	16,854	7,661	24,515
Other property insurance	9,445	603,476	59,950	663,426
Accident insurance	6,425	40,210	249,257	289,467
Health insurance	28	1,034	2,752	3,786
Compulsory automobile liability insurance	2,836	155,574	704,997	860,571
Total	<b>\$ 30,178</b>	<b>2,346,345</b>	<b>1,276,607</b>	<b>3,622,952</b>

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

December 31, 2020			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 166,373	6,566	172,939
Marine insurance	95,164	20,622	115,786
Land and air insurance	61,569	2,565	64,134
Liability insurance	138,376	37,215	175,591
Surety insurance	8,059	2,872	10,931
Other property insurance	250,247	8,037	258,284
Accident insurance	52,406	85,918	138,324
Health insurance	54	911	965
Compulsory automobile liability insurance	68,837	306,126	374,963
Total	<b>\$ 841,085</b>	<b>470,832</b>	<b>1,311,917</b>

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**UNION INSURANCE CO., LTD.**  
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December 31, 2019			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 362,112	34,682	396,794
Marine insurance	93,530	33,666	127,196
Land and air insurance	111,125	4,805	115,930
Liability insurance	154,923	59,299	214,222
Surety insurance	7,880	2,710	10,590
Other property insurance	269,677	26,533	296,210
Accident insurance	14,493	112,335	126,828
Health insurance	32	694	726
Compulsory automobile liability insurance	59,761	319,971	379,732
Less: Accumulated impairment	(81)	-	(81)
<b>Total</b>	<b>\$ 1,073,452</b>	<b>594,695</b>	<b>1,668,147</b>

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

For the years ended December 31, 2020								
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	\$ 351,230	554,720	4,139	15,401	(214,752)	172,939	396,794	(223,855)
Marine insurance	132,881	151,355	7,554	7,064	(17,984)	115,786	127,196	(11,410)
Land and air insurance	75,598	123,308	1,754	2,431	(48,387)	64,134	115,930	(51,796)
Liability insurance	951,224	918,225	12,007	8,683	36,323	175,591	214,222	(38,631)
Surety insurance	23,283	23,994	1,764	521	532	10,931	10,590	341
Other property insurance	578,526	656,817	3,158	6,609	(81,742)	258,284	296,210	(37,926)
Accident insurance	316,489	284,371	2,854	5,096	29,876	138,324	126,828	11,496
Health insurance	7,065	3,389	258	397	3,537	965	726	239
Compulsory automobile liability insurance	625,276	633,326	229,959	227,245	(5,336)	374,963	379,732	(4,769)
<b>Total</b>	<b>\$ 3,061,572</b>	<b>3,349,505</b>	<b>263,447</b>	<b>273,447</b>	<b>(297,933)</b>	<b>1,311,917</b>	<b>1,668,228</b>	<b>(356,311)</b>

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

For the years ended December 31, 2019

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	\$ 554,720	1,024,308	15,401	14,150	(468,337)	396,794	755,310	(358,516)
Marine insurance	151,355	192,252	7,064	8,281	(42,114)	127,196	158,039	(30,843)
Land and air insurance	123,308	144,974	2,431	3,018	(22,253)	115,930	136,010	(20,080)
Liability insurance	918,225	916,395	8,683	11,200	(687)	214,222	232,410	(18,188)
Surety insurance	23,994	27,016	521	685	(3,186)	10,590	13,122	(2,532)
Other property insurance	656,817	584,252	6,609	8,652	70,522	296,210	217,242	78,968
Accident insurance	284,371	260,453	5,096	4,816	24,198	126,828	118,262	8,566
Health insurance	3,389	3,993	397	474	(681)	726	759	(33)
Compulsory automobile liability insurance	633,326	632,089	227,245	231,782	(3,300)	379,732	378,159	1,573
Total	<u>\$ 3,349,505</u>	<u>3,785,732</u>	<u>273,447</u>	<u>283,058</u>	<u>(445,838)</u>	<u>1,668,228</u>	<u>2,009,313</u>	<u>(341,085)</u>

4) The movements in claim reserve and ceded claim reserve

For the years ended December 31,

Item	2020		2019	
	Claims reserve	Ceded claim reserve	Claims reserve	Ceded claim reserve
Beginning balance	\$ 3,622,952	1,668,147	4,068,790	2,009,313
Provision	3,325,019	1,311,917	3,622,952	1,668,228
Recovery	(3,622,952)	(1,668,228)	(4,068,790)	(2,009,313)
Impairment loss recognized	-	81	-	(81)
Ending balance	<u>\$ 3,325,019</u>	<u>1,311,917</u>	<u>3,622,952</u>	<u>1,668,147</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.

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**UNION INSURANCE CO., LTD.**  
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(iv) Premium deficiency reserve

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

Item	For the years ended December 31, 2019						The net change in premium ceded deficiency	Net deposit of premium deficiency reserve	
	Direct underwrite		Reinsurance ceded-in		The net change in premium deficiency	Reinsurance ceded-out			
	Provision	Recover	Provision	Recover		Provision			Recover
Fire insurance	\$ -	44,342	-	642	(44,984)	-	40,670	(40,670)	(4,314)

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

Item	For the years ended December 31, 2019	
	Premium deficiency reserve	Ceding premium deficiency reserve
Beginning balance	\$ 44,984	40,670
Recovery	(44,984)	(40,670)
Ending balance	\$ -	-

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.

(r) Income tax

(i) The components of the Company's income tax in the years 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Current income tax expenses (benefits)	\$ 3,955	(2,431)

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**Notes to the Financial Statements**

Reconciliation of income tax and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Income before income tax	\$ 706,052	701,351
Income tax using the Company's domestic tax rate	141,211	140,270
Adjustment items:		
Tax-free income	(32,698)	(29,693)
Change in unrecognized temporary differences	(9,601)	(3,113)
Permanent differences	3,856	7,480
Decrease of offset taxable income	(102,768)	(114,944)
Undistributed earnings additional tax	-	2,420
Prior income tax expense (over) under estimated	(3,659)	(13,802)
Income basic tax	7,614	8,951
Income tax expenses (benefits)	<u>\$ 3,955</u>	<u>(2,431)</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
The carryforward of unused tax losses	\$ 17,329	566,321
Actuarial losses of defined benefit plans	44,995	39,031
Unrecognized deferred tax assets	<u>\$ 62,324</u>	<u>605,352</u>

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

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, 2020, the information of the Company's losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2010 (Assessed)	\$ 74,055	2020
2011 (Assessed)	12,590	2021
	<u>\$ 86,645</u>	

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**UNION INSURANCE CO., LTD.**  
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- 2) Recognized deferred income tax liabilities:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land value-added tax	\$ <b>63,920</b>	<b>63,920</b>

- (s) Capital and other equity

- (i) Share capital

The Company's transfer \$106,480 from retained earnings to common stocks distributed to shareholders was approved by the resolution of the shareholders' meeting held on June 24, 2020; therefore, total of 10,648 thousand shares were issued. This issuance of shares was approved by the Financial Supervisory Commission, R.O.C. (Taiwan) on August 14, 2020. The committee approved the declaration to take effect. The base date for the capital increase was set on September 18, 2020. The relevant statutory registration procedures have been completed.

As of December 31, 2020 and 2019, 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 223,608 and 212,960 thousand shares of common stock, respectively.

- (ii) Retained earnings

- 1) Legal reserve

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.

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.

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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 was approved by the resolution of the shareholders' meeting held on June 24, 2020 and June 18, 2019 for the years ended December 31, 2019 and 2018, respectively. The information were as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Dividends distributed to ordinary shareholders		
Cash	\$ 187,405	(191,664)
Shares	106,480	-
Total	<b>\$ 293,885</b>	<b>(191,664)</b>

On March 26, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follow:

	<b>For the years ended December 31, 2020</b>
Dividends distributed to ordinary shareholders	
Cash	<b>\$ 178,886</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.

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(t) 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>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Net income attributable to ordinary shareholders of the Company	\$ <u>702,097</u>	<u>703,782</u>
Weighted average number of ordinary shares (thousands shares)	<u>223,608</u>	<u>223,608</u>
<b>Basic earnings per share (in dollars)</b>	\$ <u>3.14</u>	<u>3.15</u>
<b>Diluted earnings per share</b>		
Net income attributable to ordinary shareholders of the Company	\$ <u>702,097</u>	<u>703,782</u>
Weighted average number of ordinary shares (thousands shares)	223,608	223,608
Employee share options	<u>1,732</u>	<u>1,236</u>
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	<u>225,340</u>	<u>224,844</u>
<b>Diluted earnings per share (in dollars)</b>	\$ <u>3.12</u>	<u>3.13</u>

(u) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

Item	For the years ended December 31, 2020					
	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 119,591	-	-	5,165	-	124,756
Marine insurance	20,654	-	-	629	-	21,283
Land and air insurance	13,166	-	-	384	-	13,550
Surety insurance	516,729	-	-	244	-	516,973
Surety insurance	2,732	-	-	13	-	2,745
Other Property Insurance	600,910	-	-	9,204	-	610,114
Accident insurance	190,335	-	-	93	-	190,428
Health insurance	6,025	-	-	-	-	6,025
Compulsory automobile liability insurance	132,652	-	-	-	-	132,652
<b>Total</b>	<u>\$ 1,602,794</u>	<u>-</u>	<u>-</u>	<u>15,732</u>	<u>-</u>	<u>1,618,526</u>

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**UNION INSURANCE CO., LTD.**  
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For the years ended December 31, 2019						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 109,179	-	-	5,364	-	114,543
Marine insurance	21,274	-	-	674	-	21,948
Land and air insurance	2,289	-	-	195	-	2,484
Liability insurance	474,565	-	-	150	-	474,715
Surety insurance	2,773	-	-	2	-	2,775
Other property insurance	589,724	-	-	8,255	-	597,979
Accident insurance	185,339	-	-	66	-	185,405
Health insurance	7,344	-	-	-	-	7,344
Compulsory automobile liability insurance	130,537	-	-	-	-	130,537
Total	<b>\$ 1,523,024</b>	<b>-</b>	<b>-</b>	<b>14,706</b>	<b>-</b>	<b>1,537,730</b>

(v) Disclosure of insurance cost benefit analysis

(i) Direct written business cost benefit analysis

For the years ended December 31, 2020						
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	\$ 1,272,828	(27,861)	119,591	458,216	(203,490)	926,372
Marine insurance	241,233	2,801	20,654	53,268	(18,474)	182,984
Land and air insurance	100,710	4,719	13,166	91,447	(47,710)	39,088
Liability insurance	2,934,833	146,657	516,729	1,632,461	32,999	605,987
Surety insurance	19,445	(447)	2,732	44	(711)	17,827
Other property insurance	3,650,001	189,786	600,910	1,977,531	(78,291)	960,065
Accident insurance	1,001,610	10,459	190,335	598,697	32,118	170,001
Health insurance	27,107	4,030	6,025	14,540	3,676	(1,164)
Compulsory automobile liability insurance	975,122	(500)	132,652	718,341	(8,050)	132,679
Total	<b>\$ 10,222,889</b>	<b>329,644</b>	<b>1,602,794</b>	<b>5,544,545</b>	<b>(287,933)</b>	<b>3,033,839</b>

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**UNION INSURANCE CO., LTD.**  
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For the years ended December 31, 2019

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	\$ 1,225,645	(34,644)	109,179	688,417	(469,588)	932,281
Marine insurance	231,602	6,373	21,274	134,091	(40,897)	110,761
Land and air insurance	89,284	(656)	2,289	4,386	(21,666)	104,931
Liability insurance	2,723,858	75,613	474,565	1,449,560	1,830	722,290
Surety insurance	20,310	998	2,773	3,943	(3,022)	15,618
Other property insurance	3,500,383	92,091	589,724	1,922,989	72,565	823,014
Accident insurance	1,026,823	(27,161)	185,339	573,595	23,918	271,132
Health insurance	48,064	66	7,344	11,544	(604)	29,714
Compulsory automobile liability insurance	967,336	463	130,537	833,338	1,237	1,761
<b>Total</b>	<b>\$ 9,833,305</b>	<b>113,143</b>	<b>1,523,024</b>	<b>5,621,863</b>	<b>(436,227)</b>	<b>3,011,502</b>

(ii) Reinsurance cost-benefit analysis

For the years ended December 31, 2020

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	\$ 69,748	5,217	5,165	8,520	(11,262)	62,108
Marine insurance	5,792	(163)	629	809	490	4,027
Land and air insurance	2,230	543	384	798	(677)	1,182
Liability insurance	2,001	(104,055)	244	86,227	3,324	16,261
Surety insurance	1,107	-	13	92	1,243	(241)
Other property insurance	38,466	1,735	9,204	14,140	(3,451)	16,838
Accident insurance	6,306	(162)	93	902	(2,242)	7,715
Health insurance	-	-	-	-	(139)	139
Compulsory automobile liability insurance	293,622	417	-	270,000	2,714	20,491
<b>Total</b>	<b>\$ 419,272</b>	<b>(96,468)</b>	<b>15,732</b>	<b>381,488</b>	<b>(10,000)</b>	<b>128,520</b>

(Continued)

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

For the years ended December 31, 2019

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	\$ 57,939	6,797	5,364	545	1,251	43,982
Marine insurance	7,861	460	674	4,794	(1,217)	3,150
Land and air insurance	1,156	483	195	(596)	(587)	1,661
Liability insurance	1,595	(95,229)	150	71,228	(2,517)	27,963
Surety insurance	1,126	(7)	2	600	(164)	695
Other property insurance	34,076	5,523	8,255	10,056	(2,043)	12,285
Accident insurance	6,174	101	66	403	280	5,324
Health insurance	-	-	-	-	(77)	77
Compulsory automobile liability insurance	290,532	(515)	-	305,711	(4,537)	(10,127)
<b>Total</b>	<b>\$ 400,459</b>	<b>(82,387)</b>	<b>14,706</b>	<b>392,741</b>	<b>(9,611)</b>	<b>85,010</b>

(iii) Gain/Loss on reinsurance contracts

For the years ended December 31, 2020

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	\$ (803,613)	(26,873)	124,197	372,035	(223,855)	(558,109)
Marine insurance	(166,393)	4,565	10,778	37,717	(11,410)	(124,743)
Land and air insurance	(74,961)	(810)	1,772	89,284	(51,796)	(36,511)
Liability insurance	(511,956)	(44,006)	145,433	362,679	(38,631)	(86,481)
Surety insurance	(8,557)	(138)	1,790	33	341	(6,531)
Other property insurance	(974,190)	62,022	236,650	587,160	(37,926)	(126,284)
Accident insurance	(302,893)	(917)	57,624	257,947	11,496	23,257
Health insurance	(4,101)	876	1,276	2,535	239	825
Compulsory automobile liability insurance	(412,365)	(299)	-	426,763	(4,769)	9,330
<b>Total</b>	<b>\$ (3,259,029)</b>	<b>(5,580)</b>	<b>579,520</b>	<b>2,136,153</b>	<b>(356,311)</b>	<b>(905,247)</b>

(Continued)

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

For the years ended December 31, 2019

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	\$ (863,405)	28,925	93,206	478,022	(358,516)	(621,768)
Marine insurance	(153,096)	5,406	9,932	110,529	(30,843)	(58,072)
Land and air insurance	(74,145)	4,543	7,641	565	(20,080)	(81,476)
Liability insurance	(462,021)	(66,133)	146,108	323,964	(18,188)	(76,270)
Surety insurance	(9,763)	1,709	2,076	2,791	(2,532)	(5,719)
Other property insurance	(951,519)	94,835	243,185	526,229	78,968	(8,302)
Accident insurance	(308,714)	(6,150)	83,726	186,745	8,566	(35,827)
Health insurance	(2,369)	194	575	2,284	(33)	651
Compulsory automobile liability insurance	(406,885)	280	-	484,653	1,573	79,621
Total	<u>\$ (3,231,917)</u>	<u>63,609</u>	<u>586,449</u>	<u>2,115,782</u>	<u>(341,085)</u>	<u>(807,162)</u>

(w) 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 of 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 for decision making by the operating level.

(Continued)

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

- 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, 2020 and 2019, 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, 2020</u>	<u>December 31, 2019</u>
Fire insurance	\$ 350,000	300,000
Hull insurance	100,000	100,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	200,000	200,000
Marine Cargo insurance	300,000	150,000
Accident insurance	200,000	200,000
Engineering insurance	300,000	300,000
Casualty insurance	360,000	360,000
Vehicle insurance	30,000	30,000
Automobile liability insurance	120,000	120,000
Other property insurance	300,000	300,000
Health insurance	4,000	4,000
Accident insurance -travel insurance	240,000	240,000

(Continued)

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

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, 2020				
	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	
The Company					
Fire insurance	\$ 1,342,576	66.79 %	13,733	5,428	
Marine insurance	247,025	63.55 %	2,444	826	
Land and air insurance	102,940	69.66 %	977	219	
Liability insurance	2,936,834	66.07 %	28,942	23,383	
Surety insurance	20,552	72.40 %	210	123	
Other property insurance	3,688,467	64.77 %	34,969	25,848	
Accident insurance	1,007,916	75.60 %	9,976	6,938	
Health insurance	27,107	81.60 %	231	199	
Compulsory automobile liability insurance	1,268,744	No applicable	No applicable	No applicable	

(Continued)



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

<u>Item</u>	<u>For the years ended December 31, 2019</u>				
	<u>Written premium</u>	<u>Expected rate of loss</u>	<u>Impact on the Income Statement of a One Percent Change in Rate of Expected Loss</u>		
			<u>Before reinsurance</u>	<u>After reinsurance</u>	
The Company					
Fire insurance	\$ 1,283,584	66.94 %	13,229	4,884	
Marine insurance	239,463	62.95 %	2,326	849	
Land and air insurance	90,440	70.18 %	906	210	
Liability insurance	2,725,453	66.44 %	27,451	22,169	
Surety insurance	21,436	72.60 %	204	124	
Other property insurance	3,534,459	64.90 %	34,368	25,802	
Accident insurance	1,032,997	75.10 %	10,601	7,452	
Health insurance	48,064	81.30 %	480	458	
Compulsory automobile liability insurance	1,257,868	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.

(Continued)

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

- 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, 2020 and 2019, 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 53.83% and 51.95% for 2020 and 2019, 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.

The premium proportion of underwriting insurance and ceded in reinsurance:

Type	For the years ended December 31,			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 628,648	5.91 %	619,196	6.05 %
Marine cargo insurance	176,782	1.66 %	184,607	1.80 %
Hull, fishing vessel and aviation insurance	169,467	1.59 %	141,120	1.38 %
Voluntary automobile insurance	5,728,134	53.83 %	5,316,539	51.95 %
Compulsory automobile liability insurance	1,268,744	11.92 %	1,257,868	12.29 %
Liability insurance	336,375	3.16 %	383,984	3.75 %
Engineering and nuclear insurance	486,219	4.57 %	450,764	4.41 %
Surety and credit insurance	20,515	0.19 %	22,289	0.22 %
Other property insurance	42,850	0.40 %	39,962	0.39 %
Accident insurance	1,007,916	9.47 %	1,032,997	10.09 %
Typhoon, flood and earthquake insurance	709,421	6.67 %	659,962	6.45 %
Personal and commercial all-risk insurance	31,487	0.30 %	67,364	0.66 %
Health insurance	27,107	0.25 %	48,064	0.47 %
Overseas ceded-in reinsurance	8,496	0.08 %	9,048	0.09 %
<b>Total</b>	<b>\$ 10,642,161</b>	<b>100.00 %</b>	<b>10,233,764</b>	<b>100.00 %</b>

(Continued)

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

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 63.53% and 61.64% for 2020 and 2019, 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.

The percentage of retained premium was as follows:

Type	For the years ended December 31,			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 339,970	4.61 %	273,913	3.91 %
Marine cargo insurance	94,500	1.28 %	93,191	1.33 %
Hull, fishing vessel and aviation insurance	12,982	0.18 %	8,689	0.12 %
Voluntary automobile insurance	4,690,764	63.53 %	4,315,668	61.64 %
Compulsory automobile liability insurance	856,379	11.60 %	850,983	12.15 %
Liability insurance	217,775	2.95 %	285,104	4.07 %
Engineering and nuclear insurance	166,830	2.26 %	150,010	2.14 %
Surety and credit insurance	11,993	0.16 %	11,663	0.17 %
Other property insurance	32,810	0.44 %	28,683	0.41 %
Accident insurance	705,023	9.55 %	724,283	10.35 %
Typhoon, flood and earthquake insurance	194,486	2.63 %	141,840	2.03 %
Personal and commercial all-risk insurance	30,705	0.42 %	66,471	0.95 %
Health insurance	23,006	0.31 %	45,695	0.65 %
Overseas ceded-in reinsurance	5,909	0.08 %	5,654	0.08 %
<b>Total</b>	<b>\$ 7,383,132</b>	<b>100.00 %</b>	<b>7,001,847</b>	<b>100.00 %</b>

(Continued)

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

c) Claims trend

For the year ended December 31, 2020

Occurrence year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	31,856,311	3,422,196	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623	4,201,280	4,053,992
2	32,046,002	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	4,843,061	
3	31,766,189	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815	4,730,282		
4	31,723,641	3,646,063	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187	3,964,421			
5	31,676,632	3,633,221	2,908,274	2,835,816	3,151,839	3,505,206	4,320,542				
6	31,663,979	3,618,015	2,881,191	2,830,761	3,130,980	3,500,447					
7	31,661,765	3,613,200	2,880,642	2,834,001	3,129,167						
8	31,637,957	3,612,072	2,875,661	2,834,283							
9	31,621,070	3,611,620	2,877,806								
10	31,608,145	3,582,469									
11	31,608,398										
Estimates	31,608,398	3,582,469	2,877,806	2,834,283	3,129,167	3,500,447	4,320,542	3,964,421	4,730,282	4,843,061	4,053,992
Actual	31,593,052	3,578,711	2,849,059	2,829,528	3,118,932	3,493,254	4,293,122	3,903,485	4,541,350	4,447,550	2,901,504
Subtotal	15,346	3,758	28,747	4,755	10,235	7,193	27,420	60,936	188,932	395,511	1,152,488
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	15,346	3,758	28,747	4,755	10,235	7,193	27,420	60,936	188,932	395,511	1,152,488

For the year ended December 31, 2019

Occurrence year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	27,710,777	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	4,201,280
2	28,486,653	3,483,032	3,619,245	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	
3	28,562,970	3,322,498	3,712,638	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815		
4	28,443,691	3,293,671	3,646,063	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187			
5	28,429,970	3,296,180	3,633,221	2,908,274	2,835,816	3,151,839	3,505,206				
6	28,380,452	3,286,198	3,618,015	2,881,191	2,830,761	3,130,980					
7	28,377,781	3,284,263	3,613,200	2,880,642	2,834,001						
8	28,377,502	3,282,971	3,612,072	2,875,661							
9	28,354,986	3,285,710	3,611,620								
10	28,335,360	3,284,263									
11	28,323,882										
Estimates	28,323,882	3,284,263	3,611,620	2,875,661	2,834,001	3,130,980	3,505,206	4,331,187	3,989,815	4,804,267	4,201,280
Actual	28,317,268	3,275,531	3,557,862	2,846,880	2,829,786	3,118,753	3,490,860	4,279,122	3,802,860	4,359,680	2,844,750
Subtotal	6,614	8,732	53,758	28,781	4,215	12,227	14,346	52,065	186,955	444,587	1,356,530
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	6,614	8,732	53,758	28,781	4,215	12,227	14,346	52,065	186,955	444,587	1,356,530

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.

(Continued)

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

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, 2020,

<b>Company</b>	<b>Annotation</b>
Asia Capital Reinsurance Group Pte Ltd.	Facultative reinsurance of each kind of insurance
Asia Capital Reinsurance Group Pte Ltd. (Hong Kong Branch)	Treaty and 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.
Tugu Insurance Company Limited, HK	Facultative reinsurance of marine insurance
Mugatlal Bhagwandas Boda & Company	Treaty reinsurance of engineering insurance

As of December 31, 2019

<b>Company</b>	<b>Annotation</b>
Arab Insurance Group (B.S.C.) (ARIG) in Bahrain	Facultative reinsurance of commercial fire insurance
Asia Capital Reinsurance Group Pte Ltd.	Facultative reinsurance of each kind of insurance
Asia Capital Reinsurance Group Pte Ltd. (Hong Kong Branch)	Treaty and 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
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re, Labuan	Facultative reinsurance of commercial fire insurance
Tugu Insurance Company Limited, HK	Facultative reinsurance of marine insurance

(Continued)

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

- iii) For the years ended December 31, 2020 and 2019, the reinsurance premium expenses (recovery) for unauthorized reinsurance in the Company amounted to \$(908) and \$31,826, respectively.
- iv) The principle summary of amounts and component items of unauthorized reinsurance reserve in the Company was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unearned premium reserve	\$ 3	5,235
Claims recoverable from reinsurers of paid claims overdue in nine month	13	109
Claims recoverable from reinsurers reported but unpaid	4,520	17,338
The unauthorized reinsurance reserves- Total	<b>\$ 4,536</b>	<b>22,682</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.

(Continued)

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

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

Maximum credit risk exposure were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 2,386,542	2,117,261
Receivables	667,810	858,220
Financial assets measured at fair value through profit or loss	1,966,543	1,619,258
Financial assets at fair value through other comprehensive income	2,356,484	1,860,294
Financial assets measured at amortized cost	1,493,894	1,437,951
Other financial assets	2,121,637	2,587,570
Reinsurance contract assets	3,920,832	4,149,186
Other assets	<u>637,804</u>	<u>638,662</u>
Total	<b><u>\$ 15,551,546</u></b>	<b><u>15,268,402</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.

(Continued)





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

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

For the year ended December 31, 2020						
	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	Total
Beginning balance	\$ 949	-	-	949	-	949
Changes	(76)	-	-	(76)	-	(76)
Ending balance	<u>\$ 873</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>-</u>	<u>873</u>

For the year ended December 31, 2019						
	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	Total
Beginning balance	\$ 661	-	-	661	-	661
Changes	288	-	-	288	-	288
Ending balance	<u>\$ 949</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>-</u>	<u>949</u>

- b) The information of credit quality

December 31, 2020											
stage1				stage2							
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	<u>\$ 1,860,619</u>	<u>-</u>	<u>-</u>	<u>1,860,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>1,859,746</u>

December 31, 2019											
stage1				stage2							
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	<u>\$ 1,788,296</u>	<u>-</u>	<u>-</u>	<u>1,788,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>1,787,347</u>

(Continued)

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

(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, 2020					
		Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Non-derivative financial liabilities:</b>							
Payables							
Claims payable	\$	2,753	2,753	723	1,170	16	844
Commissions payable		172,896	172,896	172,896	-	-	-
Due to ceding companies		662,257	662,257	631,236	24,567	-	6,454
Other payables		418,844	418,844	382,531	35,524	159	630
Lease liabilities		7,863	7,950	2,638	3,225	735	1,352
Other liabilities							
Guarantee deposits received		4,814	4,814	-	1,565	1	3,248
Reinsurance liability reserve deposits		11,963	11,963	11,963	-	-	-
<b>Total</b>	<b>\$</b>	<b><u>1,281,390</u></b>	<b><u>1,281,477</u></b>	<b><u>1,201,987</u></b>	<b><u>66,051</u></b>	<b><u>911</u></b>	<b><u>12,528</u></b>
		December 31, 2019					
		Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
<b>Non-derivative financial liabilities:</b>							
Payables							
Claims payable	\$	30,178	30,178	28,133	65	85	1,895
Commissions payable		169,185	169,185	169,185	-	-	-
Due to ceding companies		701,521	701,521	698,488	-	3,033	-
Other payables		382,346	382,346	344,884	35,227	639	1,596
Lease liabilities		19,679	19,957	4,246	7,850	3,402	4,459
Other liability							
Guarantee deposits received		7,695	7,695	129	197	112	7,257
Reinsurance liability reserve received		18,443	18,443	18,443	-	-	-
<b>Total</b>	<b>\$</b>	<b><u>1,329,047</u></b>	<b><u>1,329,325</u></b>	<b><u>1,263,508</u></b>	<b><u>43,339</u></b>	<b><u>7,271</u></b>	<b><u>15,207</u></b>

(Continued)

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

(iii) Foreign currency risk

1) Exposure about foreign currency risk

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b><u>Financial assets</u></b>		
<b><u>Monetary items</u></b>		
USD	\$ 4,641	10,820
EUR	59	113
JPY	26	30
HKD	383	391
KRW	54	60
CNY	-	67
GBP	20	23
THB	1,811	1,926
<b><u>Assets classified as held for sale</u></b>		
THB	-	38,701
<b><u>Financial liability</u></b>		
<b><u>Monetary items</u></b>		
USD	2,777	2,155
EUR	-	14
KRW	117	546
THB	-	3

Important rate:

	<u>Rates</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
USD	\$ 28.48	29.98
EUR	35.02	33.59
JPY	0.2763	0.2760
HKD	3.67	3.85
KRW	0.0264	0.0262
CNY	4.38	4.31
GBP	38.90	39.36
THB	0.9556	1.0098

(Continued)

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

2) Sensitivity analysis

As of December 31, 2020 and 2019, 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>2020</u>	<u>December 31,</u> <u>2019</u>
USD(increases 1%)	\$ 531	2,598
EUR(increases 1%)	21	33
HKD(increases 1%)	14	15
CNY(increases 1%)	-	3
GBP(increases 1%)	8	9
THB(increases 1%)	17	410

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, 2020 and 2019.

(iv) Interest rate risk

1) Summary

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

	<u>Amount</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Variable interest rate instrument:		
Term deposit	\$ <u>1,568,125</u>	<u>1,480,125</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>2020</u>	<u>December 31,</u> <u>2019</u>
Increase 10 basis points	\$ 1,568	1,480
Decrease 10 basis points	(1,568)	(1,480)

(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.

(Continued)

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

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:

		<b>December 31, 2020</b>			
<b>Assets and liabilities</b>		<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Repeatable fair value measurement</u></b>					
<b><u>Non-derivative financial assets and liabilities</u></b>					
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$	52,666	52,666	-	-
Real estate investment trust beneficiary certificates		353,825	353,825	-	-
Stocks		1,560,052	1,560,052	-	-
Financial assets at fair value through other comprehensive income					
Stocks		2,356,484	2,342,540	-	13,944
		<b>December 31, 2019</b>			
<b>Assets and liabilities</b>		<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Repeatable fair value measurement</u></b>					
<b><u>Non-derivative financial assets and liabilities</u></b>					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$	71,711	71,711	-	-
Real estate investment trust beneficiary certificates		334,724	334,724	-	-
Stocks		1,212,823	1,212,823	-	-
Financial assets at fair value through other comprehensive income					
Stocks		1,860,294	1,846,770	-	13,524

(Continued)

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

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, 2020 and 2019.

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

Name	For the year ended December 31, 2020							Balance at the end of the year
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transferred from Level 3	Sale, disposal or settlement	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,524	-	420	-	-	-	-	13,944

Name	For the year ended December 31, 2019							Balance at the end of the year
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transferred from Level 3	Sale, disposal or settlement	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,650	-	(126)	-	-	-	-	13,524

(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, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u><u>139</u></u>	<u><u>(139)</u></u>
<b>December 31, 2019</b>		
Financial assets fair value through other comprehensive income	\$ <u><u>135</u></u>	<u><u>(135)</u></u>

(Continued)



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

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.

(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:

<u>Item</u>	<u>Carrying amount</u>	<u>Fair value</u>
<b>December 31, 2020</b>		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	\$ 1,859,746	1,893,480
Investment Property	791,880	1,695,676
<b>December 31, 2019</b>		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	1,787,347	1,824,509
Investment Property	839,087	1,529,595

2) Fair value information

<u>Item</u>	<u>December 31, 2020</u>			
	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Financial assets at amortized cost (included statutory deposits)	\$ 1,893,480	-	1,893,480	-
Investment property	1,695,676	-	-	1,695,676

(Continued)

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

December 31, 2019				
Item	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortized cost (included statutory deposits)	\$ 1,824,509	-	1,824,509	-
Investment property	1,529,595	-	-	1,529,595

3) Valuation techniques

The valuation assumption and methods of financial instruments not measured at fair value is used by the Company were 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 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.
- c) 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.
- d) The fair value of investment property is assessed by the market practices.

4) Transfer between Level 1 and Level 2

There were no transfer in 2020 and 2019.

(Continued)

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

(y) Financial risk management

(i) Overview

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)(w)(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.

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.

(Continued)

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

- 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.

(z) 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, 2020, the method of capital management of the Company remains the same.

(aa) Structured entities not included in the financial statements

(i) The Company possesses the equities of the following structured entities which are not included in the 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 financial statements on December 31, 2020 and 2019, were as follows:

<b>December 31, 2020</b>	<b>Asset securitization products-REITS</b>
<b>Assets possessed by the Company</b>	
– Financial assets at fair value through profit or loss	\$ <u>353,825</u>
Total assets possessed by the company	\$ <u><u>353,825</u></u>
<b>December 31, 2019</b>	<b>Asset securitization products-REITS</b>
<b>Assets possessed by the Company</b>	
– Financial assets at fair value through profit or loss	\$ <u>334,724</u>
Total assets possessed by the company	\$ <u><u>334,724</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 financial statements for the years ended December 31, 2020 and 2019.

**(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.	Material related party
Want Chia Enterprises Co.,Ltd.	Material related party
H.Y. Tsai Co., Ltd.	Material related party
Tsai Ho Want Enterprises Co., Ltd.	Material related party
Want Want Constructions Co., Ltd.	Material related party
Digital Commercial Times Inc.	Material related party
CTI Television Incorporation Co., Ltd.	Material related party
China Times Culture Co., Ltd.	Material related party
China Times Travel Service Co., Ltd.	Material related party
China Television Company Co., Ltd.	Material related party
China Times Weekly Co., Ltd.	Material related party
Infotimes Corporation	Material related party
Touche Innovative Media Co., Ltd.	Material related party

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
China Times Study Services Co Ltd.	Material related party
Media Sphere Communications Ltd.	Material related party
CTV Charities Aid Foundation	Material related party
Commercial Culture Co., Ltd.	Material related party
Cnplus Production, Inc.	Material related party
Want Tai Media Co., Ltd.	Material related party
I Lan Foods Ind. Co., Ltd.	Material related party
Top Want Electronic Co., Ltd.	Material related party
First Family Enterprise Co., Ltd.	Material related party
Want Pu Constructions Co., Ltd.	Material related party
Want Pu Trading Limited, Taiwan Branch (B.V.I)	Material related party
Newwing Limited, Taiwan Branch (B.V.I)	Material related party
Twitcher Taiwan Limited, Taiwan Branch (B.V.I)	Material related party
San Want Hotel Co., Ltd.	Material related party
Powerful Media Inc.	Material related party
Shao Yuan Co., Ltd.	Material related party
Jia Peng Development Co., Ltd.	Material related party
Want Want China Holdings Limited	Material related party
Ho Yuan Want Co., Ltd.	Material related party
Eelin Entertainment Co., Ltd.	Material related party
Taiwan Marketing Logistics Co., Ltd.	Material related party
Hao Want Co., Ltd.	Material related party
Wulai Tourism Co., Ltd.	Material related party
Ren Want Co., Ltd.	Material related party
Apollo Marketing Research Co.,Ltd. (Previous Company Name: Apollo Survey & Research Co., Ltd. )	Material related party
Earth Want Co., Ltd.	Material related party
HongKong Da Want Aquaculture Holdings Limite, Taiwan Branch	Material related party
IBF Securities Co., Ltd.	Material related party
International Bills Finance Corp.	Material related party
JKO Asset Management Co., Ltd.	Material related party
China Insurance (THAI) Public Company Limited	Material related party (Note 1)

(Continued)

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

Name of Related Party	Relationship with the Company
All directors, supervisors, managers, chairman of the board, general managers are the Company's related parties.	

Note 1: Since January 2020, it is no longer a related party of the Company.

(c) Compensation of key management personnel

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 46,487	41,219
Short-term employee benefits-paid leave	626	740
Post-employment benefits	821	744
Total	\$ 47,934	42,703

(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, account receivables, and prepaid expenses were as follows:

1) Written premium

	For the years ended December 31,	
	2020	2019
	Amount	Amount
Written premium		
Other related parties	\$ 17,111	17,958
Key management personnel	818	717
Total	\$ 17,929	18,675

	For the years ended December 31,	
	2020	2019
Reinsurance premium		
Subsidiary	\$ -	78

2) Reinsurance commissions

	For the years ended December 31,	
	2020	2019
Subsidiary	\$ -	23

(Continued)



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

3) Reinsurance claim payments

<u>For the years ended December 31,</u>	
<u>2020</u>	<u>2019</u>
Subsidiary	\$ <u><u>-</u></u> <u><u>4</u></u>

4) Account receivables

	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Premiums receivable:		
Other related parties	\$ 516	441
Key management personnel	<u>-</u>	<u>2</u>
Total	<u>\$ <u>516</u></u>	<u><u>443</u></u>

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

5) Due from (to) reinsurers and ceding companies

	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Subsidiary	\$ <u><u>-</u></u>	<u><u>(2)</u></u>

6) Prepaid expenses

	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Prepaid expenses:		
Other related parties	\$ <u><u>4,003</u></u>	<u><u>200</u></u>

(ii) General expense:

	<u>For the years ended December 31,</u>	
<u>Related parties</u>	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u><u>3,965</u></u>	<u><u>10,791</u></u>

**(8) Pledged assets:**

As of December 31, 2020 and 2019, the assets pledged or guarantee were as follows:

<u>Pledged Assets</u>	<u>December 31,</u>	<u>December 31,</u>	<u>Purpose of pledge</u>
	<u>2020</u>	<u>2019</u>	
Other financial assets - Time deposit	\$ 167,000	185,322	Guarantee for the insurance business
Financial assets at amortized cost	365,852	349,396	Guarantee for operating business and suit
Total	<u>\$ <u>532,852</u></u>	<u><u>534,718</u></u>	

(Continued)

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

**(9) Commitments and contingencies:**

- (a) The Company had several significant insurance lawsuits and was required to pay indemnities of \$43,213, of which approximately \$29,854 were reinsured. The remain had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2020.
- (b) In order to improve computer equipment and IT systems, the Company is in contract with several IT companies. As of December 31, 2020, there is \$52,279 unpaid.

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

**(11) Subsequent Events:None.**

**(12) Other:**

- (a) A summary of employee benefits, depreciation, and amortization:

Function Characteristics	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Personal expenses:						
Salary expense	361,667	779,705	1,141,372	345,009	728,498	1,073,507
Labor and health insurance expense	-	77,988	77,988	-	75,784	75,784
Pension expense	-	41,488	41,488	-	41,906	41,906
Director's remuneration	-	23,122	23,122	-	19,994	19,994
Others	-	44,905	44,905	-	43,216	43,216
Depreciation expense	4,262	49,735	53,997	4,366	51,157	55,523
Amortization expense	-	17,301	17,301	-	16,498	16,498

(Continued)

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

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

For the year ended December 31, 2020						
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	\$ 975,122	293,622	412,365	856,379	216	856,163
Non-compulsory insurance	9,247,767	125,650	2,846,664	6,526,753	238,540	6,288,213
Total	<u>\$ 10,222,889</u>	<u>419,272</u>	<u>3,259,029</u>	<u>7,383,132</u>	<u>238,756</u>	<u>7,144,376</u>

For the year ended December 31, 2019						
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	\$ 967,336	290,532	406,885	850,983	(332)	851,315
Non-compulsory insurance	8,865,969	109,927	2,825,032	6,150,864	(32,521)	6,183,385
Total	<u>\$ 9,833,305</u>	<u>400,459</u>	<u>3,231,917</u>	<u>7,001,847</u>	<u>(32,853)</u>	<u>7,034,700</u>

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

For the year ended December 31, 2020				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 718,341	270,000	426,763	561,578
Non-compulsory insurance	4,826,204	111,488	1,709,390	3,228,302
Total	<u>\$ 5,544,545</u>	<u>381,488</u>	<u>2,136,153</u>	<u>3,789,880</u>

For the year ended December 31, 2019				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 833,338	305,711	484,653	654,396
Non-compulsory insurance	4,788,525	87,030	1,631,129	3,244,426
Total	<u>\$ 5,621,863</u>	<u>392,741</u>	<u>2,115,782</u>	<u>3,898,822</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, 2020

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 381,506	394,655	381,506	394,655	
Compulsory motorcycle liability insurance	155,157	141,925	155,157	141,925	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(329,245)	35,350	6,716	(300,611)	
Compulsory motorcycle liability insurance	329,245	-	28,634	300,611	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	663,646	667,234	663,646	667,234	
Compulsory motorcycle liability insurance	196,925	188,001	196,925	188,001	
<b>Total</b>	<b>\$ 1,397,234</b>	<b>1,427,165</b>	<b>1,432,584</b>	<b>1,391,815</b>	

(Continued)

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

For the years ended December 31, 2019

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory automobile liability insurance	\$ 368,856	381,506	368,856	381,506	
Compulsory motorcycle liability insurance	167,859	155,157	167,859	155,157	
<b>Special reserve</b>					
Compulsory automobile liability insurance	(358,655)	-	(29,410)	(329,245)	
Compulsory motorcycle liability insurance	376,599	-	47,354	329,245	
<b>Claim reserve</b>					
Compulsory automobile liability insurance	671,600	663,646	671,600	663,646	
Compulsory motorcycle liability insurance	192,271	196,925	192,271	196,925	
<b>Total</b>	<b>\$ 1,418,530</b>	<b>1,397,234</b>	<b>1,418,530</b>	<b>1,397,234</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, 2020	December 31, 2019		December 31, 2020	December 31, 2019
<u>Asset</u>			<u>Liabilities</u>		
Cash and bank deposit	\$ 727,228	727,556	Claims payable	\$ 58	2,836
Notes receivable	7,876	5,193	Reinsurance indemnity payable	71,546	71,116
Premiums receivable	10,230	13,302	Unearned premium reserves	536,580	536,663
Claim recoverable from reinsures	70,141	72,750	Claims reserves	855,235	860,571
Due from reinsurers and ceding companies	48,867	48,445	Special reserves	-	-
Reserve - ceded unearned premiums	223,802	224,101			
Reserve - ceded claim	374,963	379,732			
Temporary payments	312	107			
<b>Total assets</b>	<b>\$ 1,463,419</b>	<b>1,471,186</b>	<b>Total liabilities</b>	<b>\$ 1,463,419</b>	<b>1,471,186</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,	
	2020	2019
Operating revenue	567,727	562,289
Direct insurance premium	687,257	678,124
Reinsurance premium	293,622	290,532
Premium	980,879	968,656
Less: Reinsurance expense	(412,365)	(406,885)
Net change in unearned premium reserve	(216)	332
Retained earned premium	568,298	562,103
Interest income	(571)	186
Operating costs	567,727	562,289
Insurance claim payment	718,341	833,338
Reinsurance claim payment	270,000	305,711
Less: Claim recovered from reinsurers	(426,763)	(484,653)
Retained claim payment	561,578	654,396
Net change in claim reserve	(567)	(4,873)
Net change in special reserve	6,716	(87,234)

(Continued)

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

- (f) The amounts of the Company expecting to recover (paid) within (over) 12 months of the balance sheet date were as follows:

<u>Assets</u>	<b>December 31, 2020</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,386,542	-	2,386,542
Receivables	667,810	-	667,810
Current tax assets	302	-	302
Financial assets at fair value through profit or loss	1,966,543	-	1,966,543
Financial assets at fair value through other comprehensive income	-	2,356,484	2,356,484
Financial assets at amortized cost	-	1,493,894	1,493,894
Other financial assets	2,121,637	-	2,121,637
Right-of-use assets	-	7,810	7,810
Investment property	-	791,880	791,880
Reinsurance assets	3,515,764	405,068	3,920,832
Property and equipment	-	1,165,781	1,165,781
Intangible assets	-	136,982	136,982
Other assets	-	728,235	728,235
<b>Total assets</b>	<b>\$ 10,658,598</b>	<b>7,086,134</b>	<b>17,744,732</b>

<u>Liabilities</u>	<b>December 31, 2020</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,248,822	7,928	1,256,750
Current tax liabilities	180	-	180
Insurance liabilities	9,610,980	715,682	10,326,662
Provisions	-	214,043	214,043
Lease liabilities	6,526	1,337	7,863
Deferred tax liabilities	-	63,920	63,920
Other liabilities	24,873	3,248	28,121
<b>Total liabilities</b>	<b>\$ 10,891,381</b>	<b>1,006,158</b>	<b>11,897,539</b>

(Continued)

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

<u>Assets</u>	<b>December 31, 2019</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,117,261	-	2,117,261
Receivables	858,220	-	858,220
Current tax assets	77	-	77
Assets classified as held-for-sale	39,080	-	39,080
Financial assets at fair value through profit or loss	1,619,258	-	1,619,258
Financial assets at fair value through other comprehensive income	-	1,860,294	1,860,294
Financial assets at amortized cost	-	1,437,951	1,437,951
Other financial assets	2,587,570	-	2,587,570
Right-of-use assets	-	19,584	19,584
Investment property	-	839,087	839,087
Reinsurance assets	3,665,690	483,496	4,149,186
Property and equipment	-	1,127,260	1,127,260
Intangible assets	-	133,831	133,831
Other assets	-	745,329	745,329
<b>Total assets</b>	<b>\$ <u>10,887,156</u></b>	<b><u>6,646,832</u></b>	<b><u>17,533,988</u></b>

<u>Liabilities</u>	<b>December 31, 2019</b>		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,279,739	3,491	1,283,230
Current tax liabilities	3,166	-	3,166
Insurance liabilities	9,556,818	847,727	10,404,545
Provisions	-	233,432	233,432
Lease liabilities	15,257	4,422	19,679
Deferred tax liabilities	-	63,920	63,920
Other liabilities	100,918	7,257	108,175
<b>Total liabilities</b>	<b>\$ <u>10,955,898</u></b>	<b><u>1,160,249</u></b>	<b><u>12,116,147</u></b>

(Continued)



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

- (g) 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.
- (h) 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, 2020 and 2019, the influence for not applying the notification on net income before tax, liabilities, and equity of the Company resulted in an increase of \$116,212, an increase of \$108,992, a decrease of \$116,212, a decrease of \$108,992, an increase of \$116,212, an increase of \$108,992, respectively. The influence on the Company for not applying the notification resulted in an increase in the EPS by \$0.52 and \$0.49, 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:None.

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tsai Ho Want Enterprises Co., Ltd.		49,961,671	22.34 %
Want Chia Enterprises Co., Ltd.		48,480,873	21.68 %
Want Want Co., Ltd.		46,689,943	20.88 %

Notes: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks ) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2020.

**VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**

## Chapter 7 Review and Analysis of Financial Position and Financial Performance and Risk Issues

### I. Financial position: Main reasons for significant changes in assets, liabilities, and shareholders' equity during the past two years and the impacts thereof

#### Comparative Analysis of Financial Position

Unit: NT\$ Thousand; %

Item	Year	2020	2019	Difference	
				Amount	%
Cash and cash equivalents		2,386,542	2,117,261	269,281	12.72
Receivables		667,810	858,220	(190,410)	(22.19)
Assets classified as held-for-sale		-	39,080	(39,080)	(100.00)
Financial assets and loans		8,730,438	8,344,160	386,278	4.63
Reinsurance contract assets		3,920,832	4,149,186	(228,354)	(5.50)
Property and equipment		1,165,781	1,127,260	38,521	3.42
Intangible assets		136,982	133,831	3,151	2.35
Other assets		736,347	764,990	(28,643)	(3.74)
Total assets		17,744,732	17,533,988	210,744	1.20
Payables		1,256,750	1,283,230	(26,480)	(2.06)
Liabilities directly related to assets classified as held-for-sale		-	-	-	-
Financial liabilities		-	-	-	-
Reserves for insurance liability and insurance contracts with the nature of a financial product		10,326,662	10,404,545	(77,883)	(0.75)
Provision		214,043	233,432	(19,389)	(8.31)
Other liabilities		100,084	194,940	(94,856)	(48.66)
Total liabilities		11,897,539	12,116,147	(218,608)	(1.80)
Share capital		2,236,080	2,129,600	106,480	2.00
Capital surplus		-	-	-	-
Retained earnings		3,552,655	3,164,913	387,742	12.25
Other equity		58,458	123,328	(64,870)	(52.60)
Total equity		5,847,193	5,417,841	429,352	7.92

Explanation of items having material changes:

- (I) Receivables: plummeted mainly due to decrease in travel insurance premium as a result of COVID-19.
- (II) Assets classified as held-for-sale: decreased as compared to last period mainly due to that the transfer of shares of the subsidiary China Insurance (Thai) Public Company Limited had been completed in January 2020.
- (III) Other liabilities: decreased as compared to last period mainly due to that the "Capital collected in advance" recognized in last period for disposal of a subsidiary was offset because the share transfer of the subsidiary has been completed in the current period.
- (IV) Other equity: decreased as compared to last period mainly due to decrease in unrealized gains on investment measured at fair value through other comprehensive income.

### II. Financial performance: Main reasons for major changes in operating revenue, operating income, and profit before tax; forecast of sales volume and forecast basis; and, their effects on the Company's finance and operation, and the response plan therefor

#### Analysis of operating results

Unit: NT\$ Thousand

Item	Year	2020	2019	Change	
				Changed amount	Change (%)
Sales Revenue		8,237,782	8,065,998	171,784	2.13
Operating costs		5,509,703	5,346,030	163,673	3.06
Operating Expenses		2,054,189	2,032,547	21,642	1.06
Operating profit		673,890	687,421	(13,531)	(1.97)
Non-operating income and expenses		32,162	13,930	18,232	130.88
Profit before income tax from continuing operations		706,052	701,351	4,701	0.67
Income tax expense (benefits)		3,955	(2,431)	6,386	262.69
Income from Continuing Operations		702,097	703,782	(1,685)	(0.24)

Explanation of material changes in financial ratios:

- (I) Non-operating income and expenses: increased as compared to last period mainly due to receipt of the second round of proceeds distribution for the Company's creditor's right to Huashan Property Insurance.
- (II) Income tax benefits (expense): increased as compared to last period mainly due to increase in basic tax payables in this period.

### III. Review and Analysis of Cash Flow

Analysis of changes in cash flow and improvement plans for liquidity inadequacy in the most recent fiscal year, and liquidity analysis of cash flows in the coming fiscal year

#### Liquidity analysis

##### (I) Analysis of the use of cash in the consolidated company

Unit: NT\$ Thousand

Cash balance amount at the beginning of the year (1)	Net cash flow from operating activities in the year (2)	Annual net cash inflow (out) from investment and financing activities (3)	The amount of cash surplus (shortage) (1) + (2)+(3)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financing plan
2,122,368	418,820	(154,646)	2,386,542	None	None
Description: 1. Analysis of variance in cash flows this year: (1) Operating activities: Net cash inflows of NT\$418,820 thousand mainly came from the inflow of profit of NT\$706,052 thousand for the current period. (2) Investment and financing activities: The net cash outflow of NT\$154,646 thousand mainly went to cash dividends payment of NT\$187,405 thousand. 2. Remedial measures for cash inadequacy and analysis of liquidity: not applicable. Liquidity analysis of cash flows in the coming year:					
Unit: NT\$ Thou					
Cash balance amount at the beginning of the year (1)	Net cash flow from operating activities in the year (2)	Annual net cash inflow (out) from investment and financing activities (3)	The amount of cash surplus (shortage) (1) + (2)+(3)	Investment Plan	Financing plan
2,386,542	(317,346)	(126,848)	1,942,348	None	None

### IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

Significant capital expenditures of the Company in the most recent two years and the expected five years in the future: None.

### V. Investment Policy of the Most Recent Year, Main Reasons for Income or Loss, Remedial Actions and Investment Plans for the Next 12 Months

The Company takes the property and casualty insurance business as the core development, is committed to the R&D of new policies and expands property and casualty insurance services, and follows the principles of obtaining long-term stable returns and diversifying risks.

### VI. Analysis and assessment of risk issues (the most recent year and as of the date of publication of the Annual Report)

- (I) Effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

### **1. Interest rate**

The Company's investment positions are mostly fixed-rate products and are held for a long time, which are less impacted by changes in the financial environment. When market interest rates and credit spreads fluctuate greatly, the Company will buy fixed-income products with investment-grade credit ratings and good physique in a timely manner, in an effort to improve the overall rate of return. For the part of demand deposits and cash equivalents, if the interest rate drops by 10Bp, the expected interest income will decrease by approximately NT\$2,387 thousand. Regarding deposits, the Company will continue to pay close attention to future changes in interest rates and adjust asset allocation in due course.

### **2. Changes in exchange rates**

The Company has sufficient working capital. The major foreign currency financial assets in 2020 were equivalent to approximately NT\$138,165 thousand; among them, US dollars accounted for approximately 95.67% of foreign currency financial assets. For reinsurance and amortization of foreign currencies, natural hedging methods are adopted to avoid exchange rate risks. The Company's relevant authority and responsibility units collect exchange rate information at any time, and grasp the trends and changes of international exchange rates. After deducting the position of major foreign currency financial assets, if the exchange rate changes by 1%, it will affect approximately NT\$591 thousand.

### **3. Inflation situation**

The Company is engaged in the insurance industry, and its business scope does not involve raw materials, so inflation has no significant impact on the Company's profit and loss.

#### **(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future**

The insurance industry stipulates that it is not allowed to endorse guarantees for others, and the Company does not have any endorsement guarantees. Regarding high-risk and high-leveraged investments in derivative financial products, the Company has not made any investment activities so far. As for capital loans to others, the Insurance Act has specified the upper limit of the investment ratio, and there has been no case of capital loans to others.

#### **(III) Future R&D Projects and Expected R&D Expenditure**

International Financial Reporting Standard No. 17 International Insurance Contracts will be applied in 2023, and Taiwan is expected to apply the same in 2026. In view of the huge difference between the relevant calculation method of insurance liabilities regulated by the standard and the original calculation method, the cash flow of the incurred claim provision liability needs to be estimated at each point in the future. The time value of money can be used to evaluate the future of insurance contracts. The cash flow amount is in time, and the risk adjustment is the compensation required relative to the fixed future cash flow present value. In order to successfully complete the system-related construction work, in addition to the need to increase manpower and continue to educate and train related personnel, the Company also conducts related system construction work with experienced manufacturers. It is estimated that the cost for completion will be about NT\$60~70 million by the end of 2023.

#### **(IV) Effect on the Company's financial operations of important policies adopted and changes**

**in the legal environment at home and abroad, and measures to be taken in response**

In order to assist in the development of prevention and mitigation measures that are equivalent to money laundering and capital terrorist financing risks, the Company has established regular and comprehensive money laundering and capital terrorist financing risk assessment operations in accordance with the regulations of the competent authority and a risk-based method to timely and effectively understand the overall money laundering and terrorist financing risks faced, and accurately assess and reduce the customers' money laundering and terrorist financing risks.

In addition, for the benefit of the financial service industry to comply with laws and regulations, and to pay attention to and implement financial consumer protection, the competent authority requires all financial service industries to formulate "Principles for Fair Treatment of Customers" to achieve a corporate culture with fair treatment of customers as the core and enhance the financial service industry employees' awareness of financial consumer protection and compliance with relevant laws and regulations on financial consumer protection, in an effort to reduce illegal costs and risks, increasing financial consumers' confidence in the financial service industry, helping the sustainable development of the financial service industry. The Company will strengthen the implementation of the "principles for fair treatment of customers" strategy, and closely track and supervise the implementation effects of various departments, so as to comprehensively enhance the Company's image and pursue perfection.

The Company will continue to pay close attention to changes in the Insurance Act, the Company Act and other related laws, as well as the competent authority's letter of interpretation, to ensure compliance with all laws and regulations.

**(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response**

The Company continuously invests in R&D of new products in response to industry growth and market demand, and responds to the needs and changes brought about by technological changes at any time, in an effort to provide policyholders with comprehensive and multi-faceted risk protection and services, and to pursue long-term and stable development of the Company's financial business.

**(VI) Effect on the Company's crisis management of changes in the company's corporate image, and measures to be taken in response**

The Company regularly convenes shareholders' meetings and makes real-time announcements of material messages to increase financial business transparency in response to operating conditions. At the same time, in response to potential crises that may affect the Company's image, the Company has internally formulated various risk management measures and "Operational Crisis Response Measures". When an operating crisis occurs, the crisis response team will promptly coordinate and initiate response measures. After the crisis subsides, press releases will be issued to important customers to explain the Company's financial and business conditions in order to maintain the Company's image.

**(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.**

**(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response: Not applicable to the insurance industry**

**(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation**

**measures being or to be taken: Not applicable to the insurance industry**

**(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken**

The price of the stocks held by the Company's existing shareholders may be affected by the sale of shares held by major shareholders. Therefore, if the Company's shareholders have any shareholding changes, they shall report or apply for approval in accordance with relevant regulations. The shareholding changes of the Company's major shareholders in February 2020 are as follows. This change is due to the transfer of shares held by the same related party, which has no impact on the Company's stock price and operations.

Directors, Supervisors or Major Shareholders	Number of shares held before transfer	Shareholding Ratio	Number of shares held after transfer	Shareholding Ratio	Number of shares held as of April 30, 2021	Shareholding Ratio
TSAI HO WANT ENTERPRISES CO., LTD.	20,769,725	9.75%	47,582,544	22.34%	49,961,671	22.34%
Wang Chia Enterprise Co., Ltd.	20,769,725	9.75%	46,172,260	21.68%	48,480,873	21.68%
Want Want Co., Ltd.	44,466,613	20.88%	44,466,613	20.88%	46,689,943	20.88%
Yen-Ming Tsai	8,940,663	4.20%	0	0%	0	0%
British Virgin Islands Business Park Plaza Ltd.	8,936,078	4.20%	0	0%	0	0%
British Virgin Islands Merchant Capital Management Co., Ltd.	8,936,078	4.20%	0	0%	0	0%
British Virgin Islands Commercial Sea-Land Logistics Solutions Co., Ltd.	8,936,078	4.20%	0	0%	0	0%
British Virgin Islands Commercial Addis Co., Ltd.	8,936,078	4.20%	0	0%	0	0%
Want Want Construction Co., Ltd.	7,530,379	3.54%	0	0%	0	0%
H.Y. TSAI CO., LTD.	3,565,218	1.67%	3,565,218	1.67%	3,743,478	1.67%
Shao Yuan Co., Ltd.	1,197,117	0.56%	1,197,117	0.56%	1,256,972	0.56%
Total	142,983,752	67.14%	142,983,752	67.14%	150,132,937	67.14%

Note: On June 24, 2020, the Company decided to increase the capital by undistributed surplus of NTS106,480 thousand through the resolution of the shareholders' meeting, and issued a total of 10,648 thousand shares. The relevant statutory registration procedures have been completed.

**(XI) The impact, risks of the change of managerial control on the Company and countermeasures**

The Company's shareholder structure is stable and its operations are normal. The Company's overall operating performance is in line with the usual level of domestic peers. Moreover, the Company implements a professional managerial officer management system. Therefore, the impact and risk of the change in managerial control on the Company are quite small.

**(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, General Manager, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.**

**(XIII) The Company's Risk Management Policy**

**1. The Company's risk management policy**

In order to ensure the Company’s stable operation and sustainable development, the Risk Management Committee has formulated the “Risk Management Policy and Guiding Principles” approved by the Board of Directors, and established the overall risk management organization structure and various risk management mechanisms in accordance with the “Code of Practice for Risk Management in the Insurance Industry”, the Company’s business strategy and objectives, and consideration of factors such as business growth, risks and rewards.

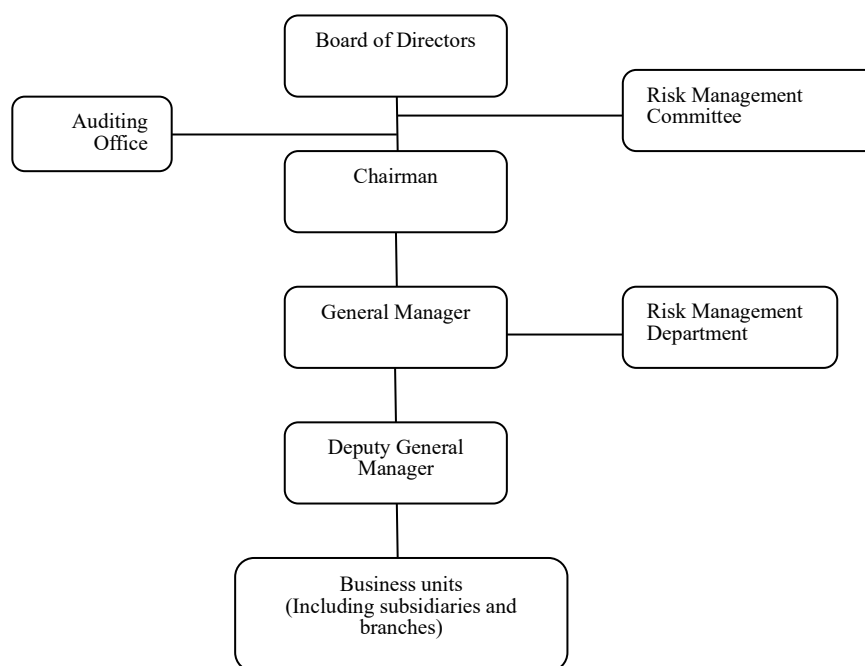
The risk management of the Company is at a strategic position, and risks are taken into consideration when forming related decisions. The Company identifies, measures, monitors and reports risks through qualitative or quantitative management methods and maintains the possible risks from operating activities within an acceptable range in order to pursue steady operating policy and uphold the spirit of consistent execution.

Based on the Company’s business strategy and objectives and considering factors such as business growth, risks and rewards, the Company has set an overall risk appetite risk capital adequacy ratio (RBC ratio) of over 300% and the result of Taiwan Ratings as twAA- above. In addition, based on the risk characteristics and risk appetite, the Company sets each major risk limit, and regularly monitors and implements the execution of the limit exceeding.

**2. Risk management structure, organization and scope of powers and responsibilities**

(1) Risk management structure and organization

The Company’s risk management organization structure includes the Board of Directors, Risk Management Committee, Risk Management Department, various business units and Auditing Office.



(2) The responsibilities of each unit are as follows:

**A. Board of Directors**

The Board of Directors acts as the highest decision-making unit of the Company’s risk management. It is responsible for approving the Company’s risk management policy, structure, and establishing the Company’s risk management culture, ensuring the effectiveness of risk management, and taking the ultimate responsibility for overall risk



management.

### **B. Risk Management Committee**

- (A) Formulate risk management policies, structures, and organizational functions, establish quality management and quantitative management standards, and regularly and timely report to the Board of Directors for the implementation of risk management and necessary improvements.
- (B) Execute the Board of Directors' risk management decisions and regularly review the development, implementation, and performance of the Company's overall risk management mechanism.
- (C) Assist and supervise the risk management of each department.
- (D) Adjust the risk category, risk limit allocation, and commitment method depending on the environment.
- (E) Coordinate cross-department interaction and communication of risk management functions.
- (F) Assist in supervising the risk management of various subsidiaries and branches

### **C. Risk Management Department**

- (A) Responsible for the Company's daily risk monitoring, measurement and evaluation and other executive-level affairs, and it shall exercise its powers independently of the business units.
- (B) The following powers shall be performed according to the type of business:
  - Assist in the formulation and implementation of risk management policies and guidelines approved by the Board of Directors.
  - Assist in drawing up risk limits based on risk appetite.
  - Consolidate the risk information provided by each unit, coordinate and communicate with each unit to implement policies and limits.
  - Provide regular risk management reports.
  - Regularly monitor the risk limits and application status of each business unit.
  - Assist in stress testing.
  - Perform back-testing when necessary.
  - Other risk management related matters.
- (C) Authorized by the Board of Directors or the Risk Management Committee to handle matters when other units violate the risk limit.

### **D. Business units**

- (A) The duties of the head of the business unit to perform risk management operations are as follows:
  - Responsible for the daily risk management and reporting of the affiliated unit, and take necessary countermeasures.
  - Supervise the regular delivery of relevant risk management information to the risk management unit.

(B) The duties of the business unit to perform risk management operations are as follows:

- Identify risks and report risk exposure status.
- Measure the degree of impact when the risk occurs (quantitative or qualitative), and transmit risk information in a timely and correct manner.
- Regularly review various risks and limits to ensure the effective implementation of risk limits in business units.
- Monitoring the status of risk exposures and reporting over-limits, including measures taken by business units for over-limits.
- Assist in the development of risk models to ensure that the measurement of risks in the business unit, the use of models and the setting of assumptions are carried out on a reasonable and consistent basis.
- Ensure the effective implementation of internal control procedures of business units to comply with relevant regulations and company risk management policies.
- Assist in the collection of operational risk related data.

All subsidiaries and branches of the Company shall handle risk management matters and establish authorized units in accordance with the regulations of the competent authority and relevant laws and regulations, and provide relevant documents and data to the Company's Risk Management Committee for review in accordance with risk management policies and guidelines.

#### **E. Auditing units**

Check the implementation status of risk management of all units, subsidiaries and branches of the Company in accordance with current relevant laws and regulations.

### **3. Various risk management mechanisms**

Formulate relevant management mechanisms based on the various risks involved in the Company's operations, including market risk management measures, credit risk management measures, liquidity risk management measures, operational risk management measures, insurance risk management measures, asset-liability coordination risk management measures, etc.

#### **(1) Market Risks**

Market risks refer to the potential risks of losing assets due to the change in the value of assets over a certain period of time due to market price fluctuations. The management mechanism includes the formulation of relevant risk control methods for major assets and qualitative or quantitative market risk measurement methods. At the same time, it cooperates with the competent authority in conducting stress testing, evaluating the impact of specific events on the holding positions, and regularly monitors the use of assets held.

#### **(2) Credit Risks**

Credit risks refer to risks involving creditors' downgrade of credit or failure to repay debts or inability or refusal of transaction counterparties to perform their obligations. The management mechanism includes credit risk management before the transaction, credit

grading limit management and credit risk management after the transaction. Regularly monitor changes in the credit ratings of counterparties, and notify the decision-making unit to implement necessary countermeasures in case of abnormal situations.

### (3) Liquidity Risks

Liquidity risks include capital liquidity risk and market liquidity risk. Capital liquidity risks refer to the risks of the failure in cashing on assets or obtaining sufficient funds and thus the failure in performing due obligations; market liquidity risks refer to the risks of facing significant changes in market price when disposing or offsetting positions it holds due to insufficient market depth or market disorder. The Company has formulated the “Criteria for Fund Liquidity Risk Management and Abnormal Emergency Fund Requirements”. Its management mechanism includes the establishment of a fund dispatch unit independent of the transaction units for comprehensive fund management, consideration of the proportionality of market transaction volume and positions held, and response to abnormal or dispatch of capital demand caused by emergency situations, supplemented by indicators such as current ratio and quick ratio, to monitor the Company’s overall liquidity risk in a timely manner.

### (4) Operation risks

Operational risk refers to the Company’s risk of suffering losses for reasons of inappropriateness or errors found in the internal operating procedures, employees and systems, or as a result of external events. Such risk includes legal risk, but excludes strategic risk and reputational risk. The management mechanism includes various control measures, risk identification, risk measurement, and the establishment of qualitative or quantitative risk management tools to manage operational risks. Regularly carry out internal control self-check, self-assessment of compliance matters and self-assessment of operation risk control, so as to detect potential operation risks as early as possible to prevent operation risks in the first place.

### (5) Insurance risk

Insurance risk refers the risks borne by the Company after they are transferred from the insured to the Company upon payment of the insurance premiums. They are risks of losses due to non-expected changes when the Company pays for insurance claims and related expenses in accordance with the contract. The management mechanism includes procedures such as risk identification, risk measurement, risk response, risk monitoring and risk reporting to ensure the effectiveness of the operation of the risk control system. The Company has formulated the “Risk Limit Operating Procedure” to regularly monitor the application of insurance risks, supplemented by notifications of key risk indicators, so as to grasp the insurance risks of the Company’s operations in a timely manner.

### (6) Asset-liability matching risk

Asset-liability matching risk refers to the risk caused by inconsistent changes in the value of assets and liabilities. The management mechanism includes procedures such as risk identification, risk measurement, risk response, risk monitoring and risk reporting to ensure the effectiveness of the operation of the risk control system. The Company implements the debt-to-asset ratio as an early warning indicator for asset-liability matching risks, and cooperates with the monitoring of the use of risk limits to grasp the Company’s risk

exposure in a timely manner.

(7) Risk of anti-money laundering and counter-terrorist financing

The Company adopts appropriate measures by considering business, product and customer characteristics, and establishes regular and comprehensive money laundering and terrorist financing risk assessment operations, in order to timely and effectively understand the overall money laundering and terrorist financing risks it faces. The management mechanism includes the identification, assessment, management and formulation of related policies and procedures for money laundering and terrorist financing risks, and the formulation of anti-money laundering and counter-terrorist financing plans based on money laundering and terrorist financing risks and business scale and regular reviews, so as to ensure the effectiveness of the operation of the risk control system.

(8) Emerging risks

Emerging risks refer to risks that have not yet emerged but may be caused by environmental changes. They usually result from changes in politics, regulations, markets or the natural environment, including, but not limited to, climate change risks, infectious disease risks, and information security risks (cyber risks), etc. The management mechanism includes the management of emerging risks through risk identification, assessment and risk response.

(9) Other risks

Other risks refer to risks other than the above-mentioned risks faced during business operations. Based on the characteristics of the risks and their impact on the Company, the Company has established appropriate risk control and management procedures through risk identification, measurement, response, monitoring and risk reporting.

**(XIV) Other important risks, and mitigation measures being or to be taken:**

In the face of the advent of the era of financial technology, the security of information systems is an important key to ensure the safety of information platforms and the quality of customer service. Through the management of personnel, operations and information technology, the Company ensures that the information processing operations of the information platform can operate in a safe and effective manner, and prevents the information processing operations from occurring security incidents that affect the confidentiality, integrity and availability of information, so as to safeguard the privacy rights of customers and personal information. In addition, the Company takes the following control measures from the management and technical aspects:

1. Formulate guidelines such as “Information Security Policies” and “Information Security Protection Practices”, incorporates information security management into the corporate governance structure, and encourages management to establish a corporate information security management vision and overall strategic direction.
2. Conduct information security self-assessment every year, build a website firewall and vulnerability scanning system, and provide suggestions after analysis by professionals, as the basis for the information security risk improvement plan, and form a continuous improvement and strengthening management cycle to provide customers with more safe trading environment and data protection mechanism.
3. Strengthen the ability to respond to information security incidents, establish a “Information Communication Security Emergency Response Plan and Operational Procedures”, supplemented

by regular education, training and advocacy, to strengthen employees' information security awareness and familiarize themselves with the information security management system, improve the ability of personnel to respond to emergencies and coordinate communication, thus avoiding or reducing the damage caused by information security incidents.

4. Regularly update and effectively use various information security protection equipment, including remote host backup and data backup mechanisms, DDoS drills, and strengthen employee security awareness and optimize information security specifications and management process through information security education and training, social engineering drills.
5. Comply with the “Financial Security Action Plan” policy of the competent authority, strengthen information security supervision, deepen information security governance, lean financial resilience, and leverage information security joint defense to pursue safe, convenient and uninterrupted financial services.

In addition, in order to ensure the confidentiality of the Company's information and the protection of personal data, the Company has obtained ISO 27001 information security management system and BS 10012 personal information security management system certification, and continues to update the latest version of the certification. The Company did not have any material information security or personal asset risk incidents in 2020 and this year as of the date of publication of the Annual Report.

**VII. Other Important Matters: None.**

## Chapter 8 Special Disclosure

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### **I. Information on Affiliates**

In the most recent year, the Company's consolidated financial statements and relational reports prepared in accordance with the consolidated financial statements of the affiliated enterprises and the standards for the preparation of relational reports issued by the Financial Supervisory Commission: None.

### **II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report:**

None.

### **III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report**

None.

### **IV. Other matters required to be specified:**

None.

### **V. Conditions that will materially affect shareholders' equity or price of securities as referred to in Paragraph 3-2 of Article 36 of the Securities and Exchange Act:**

None.

## Addresses of Head Office & Branches

<b>Head Office: 12F., No.219, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)</b> <b>Tel.: (02)2776-5567</b> <b>Fax: (02)2711-8610</b> <b>Toll-free Services: 0800-024024</b> <b>E-mail: info@wwunion.com</b> <b>Website: http://www.wwunion.com/</b>	<b>HEAD OFFICE</b> <b>12 F., No. 219, CHUNG-HSIAO E. ROAD.</b> <b>SEC. 4, TAIPEI, TAIWAN.</b> <b>Tel.: (02)2776-5567</b> <b>Fax: (02)2711-8610</b> <b>E-MAIL: info@wwunion.com</b> <b>http://www.wwunion.com/</b>	
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<b>Langyang Branch</b> 3F., No. 184, Sec. 3, Zhongzheng Rd., Wujie Township, Yilan County 268, Taiwan (R.O.C.) Tel.: (03)9657221 Fax: (03)9652554		
<b>YuanAn Branch</b> 13F., No. 70, Sec. 1, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.) Tel.: (02)2556-1128 Fax: (02)2556-3308	<b>● Fongshan Liaison Office</b> 2F., No. 78, Sec. 4, Bade Rd., Taipei City Tel.: (02)2763-6517 Fax: (02)2742-3642 <b>Shihlin Liaison Office</b> 1F., No. 16, Jiantan Rd., Taipei City Tel.: (02)2880-2858 Fax: (02)2880-3588	Keelung Service Center 3F.-2, No. 122, Yiyi Rd., Zhongzheng Dist., Keelung City Tel.: (02)2428-3390 Fax: (02)2428-3389
<b>Taipei Branch</b> 9F., No. 453, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.) Tel.: (02)2257-6455 Fax: (02)2255-6991	<b>● Sindian Liaison Office</b> 2F., No. 123, Minquan Rd., Xindian Dist., New Taipei City Tel.: (02)2218-8265 Fax: (02)2218-8412 <b>● Sanchong Service Center</b> 8F., No. 111-33, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City Tel.: (02)2287-6818 Fax: (02)2287-728	<b>● Shulin Liaison Office</b> No. 26, Lane 248, Zhongzheng Rd., Shulin Dist., New Taipei City Tel.: (02)2688-8672 Fax: (02)2688-8673
<b>Taoyuan Branch</b> 2F., No. 6, Sec. 2, Daxing W. Rd., Taoyuan City 330, Taiwan (R.O.C.) Tel.: (03)301-9211 Fax: (03)301-9212	<b>● Bade Liaison Office</b> No. 380, Jiashou Rd., Taoyuan City Tel.: (03)367-1776 Fax: (03)362-4862	
<b>Zongli Branch</b> 13F.-5, No. 398, Huanbei Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.) Tel.: (03)426-5266 Fax: (03)426-5267		
<b>Hsinchu Branch</b> 3F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.) Tel.: (03)575-3966 Fax: (03)575-2177	<b>● Miaoli Service Center</b> No. 93-3, 17 Lin Fuli Li, Miaoli City, Miaoli County Tel.: (037)326-464 Fax: (037)335-957 <b>● Toufen Service Center</b> No. 750, Minzu Rd., Toufen Township, Miaoli County Tel.: (037)615227 Fax: (037)614261	<b>● Zhubei Liaison Office</b> 3F.-2, No. 231, Guangming 9th Rd., Zhubei City, Hsinchu County Tel.: (03)558-4101 Fax: (03)558-4100
<b>Taichung Branch</b> 4F., No. 230, Sec. 3, Wenxin Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.) Tel.: (04)2314-1666 Fax: (04)2313-1241	<b>● Minquan Liaison Office</b> 1F., No. 102, Minquan Rd., Central Dist., Taichung City Tel.: (04)2229-6111 Fax: (04)2229-5528	
<b>Fengyuan Branch</b> 7F., No. 23, Yuanhuan W. Rd., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.) Tel.: (04)2522-6102 Fax: (04)2527-8047	<b>● Shalu Service Center</b> No. 290, Sec. 2, Zhonghua Rd., Wuqi Dist., Taichung City Tel.: (04)2665-5719 Fax: (04)2665-5721	
<b>Changhua Branch</b> 7F., No. 401, Sec. 1, Zhongshan Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.) Tel.: (04)7632355 Fax: (04)7632351	<b>● Yuanlin Liaison Office</b> No. 687, Juguang Rd., Yuanlin Township, Changhua County Tel.: (04)8332591-2 Fax: (04)8327359	<b>● Xihu Liaison Office</b> No. 91, Dafa Rd., Xihu Town, Changhua County Tel.: (04)882-2452 Fax: (04)882-2453
<b>Nantou Branch</b> 4F.-1, No. 94, Hexing St., Caotun Township, Nantou County 542, Taiwan (R.O.C.) Tel.: (049)2310598	<b>● Puli Liaison Office</b> No. 1011, Xinyi Rd., Puli Township, Nantou County Tel.: (049)291-7676 Fax: (049)291-3232	<b>● Dali Service Center</b> 13F., No. 393 Daming Rd., Dali Dist., Taichung City Tel.: (04)2481-3879 Fax: (04)2481-2466

Fax: (049)2301313		
<b>Chiayun Branch</b> 9F.-1, No. 336-1, Xingye W. Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.) Tel.: (05)235-6999 Fax: (05)235-8222	<b>●Dounan Liaison Office</b> No. 88, Guangxing Rd., Dounan Town, Yunlin County Tel.: (05)596-6011 Fax: (05)596-5952	<b>●Beigang Service Center</b> No. 131, Huasheng Rd., Beigang Town, Yunlin County Tel.: (05)782-5383 Fax: (05)782-6383
<b>Tainan Branch</b> 6F., No.75, Nanmen Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.) Tel.: (06)226-0603 Fax: (06)226-9414	<b>●Rende Liaison Office</b> No. 395, Zhongshan Rd., Rende Dist., Tainan City Tel.: (06)270-6331 Fax: (06)270-6333	<b>●Xigang Liaison Office</b> No. 242, Zhongshan Rd., Xigang Dist., Tainan City Tel.: (06)795-1307 Fax: (06)795-2487
<b>Yongkang Branch</b> 17F.-1, No.425, Zhonghua Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.) Tel.: (06)303-5533 Fax: (06)3036622	<b>●Madou Service Center</b> No. 610, Xinsheng North Rd., Madou Township, Tainan County Tel.: (06)571-2310 Fax: (06)571-3236	
<b>Kaohsiung Branch</b> 10F., No.533, Zhongshan 2nd Rd., Qianjin Dist., Kaohsiung City 801, Taiwan (R.O.C.) Tel.: (07)201-0201 Fax: (07)231-5415	<b>●Nanzi Liaison Office</b> No. 272, Huifeng Street, Nanzi Dist., Kaohsiung City Tel.: (07)362-5331 Fax: (07)362-5414	<b>●Taitung Service Center</b> No. 423, Zhengqi North Rd., Taitung City, Taitung County Tel.: (089)322695 Fax: (089)342564
<b>Yushan Branch</b> 6F., No. 3, Siwei 4th Rd., Lingya Dist., Kaohsiung City 802, Taiwan (R.O.C.) Tel.: (07)3301716 Fax: (07)3301721		
<b>Gangshan Branch</b> 1F. & 2F., No. 74, Jieshou Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.) Tel.: (07)625-6656 Fax: (07)625-6228		
<b>Pingtung Branch</b> No.19-4, Gongyuan Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.) Tel.: (08)733-3579 Fax: (08)733-7581	<b>●Chaozhou Liaison Office</b> No. 372, Beimen Rd., Chaozhou Town, Pingtung County Tel.: (08)780-2501-2 Fax: (08)780-2500	<b>●Donggang Liaison Office</b> No. 71, Sec. 1, Guangfu Rd., Donggang Town, Pingtung County Tel.: (08)835-4902 Fax: (08)835-4903





旺旺友聯產物保險股份有限公司  
Union Insurance Co., Ltd.



Chairman: 洪若雄





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