

UNION INSURANCE CO., LTD.**Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	11~28
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29
(6) Explanation of significant accounts	30~88
(7) Related-party transactions	88~90
(8) Pledged assets	91
(9) Commitments and contingencies	91
(10) Losses Due to Major Disasters	91
(11) Subsequent Events	91
(12) Other	91~98
(13) Other disclosures	
(a) Information on significant transactions	99
(b) Information on investees	99
(c) Information on investment in mainland China	99
(d) Major shareholders	99
(14) Segment information	100
9. List of major account titles	101~143
10. Review Report of Other Disclosures in Financial Reports	144
11. Other Disclosures in Financial Reports	
(1) Information on business conditions	145~156
(2) Market price of securities, dividend and dispersion of ownership	156~158
(3) Financial information	159~161
(4) Financial position and financial performance analysis	161~162
(5) CPA information	163~164



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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, 2021 and 2020, 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 of December 31, 2021 and 2020, 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 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 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(o) “Insurance liabilities” for the related accounting policy, Note 5(a) for accounting assumptions and estimation uncertainty of insurance liability, and Note 6(o) 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 with the IFRSs, IASs, IFRIC, 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 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.

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 WU, CHENG YEN and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2021</u>		<u>December 31, 2020</u>			<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets					Liabilities and Equity				
11000 Cash and cash equivalents (note 6(a))	\$ 3,648,227	19	2,386,542	13	21000 Accounts payable (note 6(b) and (c))	\$ 1,237,685	7	1,256,750	7
12000 Receivables (note 6(b))	680,984	4	667,810	4	21700 Current tax liabilities	102,936	-	180	-
12600 Current tax assets	-	-	302	-	24000 Insurance liabilities (note 6(o))	10,958,474	58	10,326,662	58
14110 Financial assets at fair value through profit or loss (note 6(f))	1,879,359	10	1,966,543	11	27000 Provisions (note 6(m))	179,077	1	214,043	2
14190 Financial assets at fair value through other comprehensive income (note 6(f))	2,080,399	11	2,356,484	13	23800 Lease liabilities (note 6(k))	18,257	-	7,863	-
14145 Financial assets at amortized cost (note 6(f))	1,396,058	7	1,493,894	8	28000 Deferred tax liabilities (note 6(p))	63,920	-	63,920	-
14180 Other financial assets, net (note 6(f))	2,427,420	13	2,121,637	12	25000 Other liabilities	18,815	-	28,121	-
16700 Right-of-use assets (note 6(j))	18,127	-	7,810	-	Total liabilities	<u>12,579,164</u>	<u>66</u>	<u>11,897,539</u>	<u>67</u>
14200 Investment property (note 6(h))	856,508	4	791,880	5	Equity				
15000 Reinsurance assets (note 6(c))	3,860,017	20	3,920,832	22	31100 Ordinary share (note 6(q))	2,236,080	12	2,236,080	13
16000 Property and equipment (note 6(i))	1,262,061	7	1,165,781	7	33100 Legal reserve (note 6(q))	854,366	4	718,040	4
17000 Intangible assets	120,574	1	136,982	1	33200 Special reserve (note 6(o) and (q))	2,459,890	13	2,235,431	13
18000 Other assets	791,203	4	728,235	4	33300 Unappropriated retained earnings (note 6(q))	811,953	4	599,184	3
					34210 Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	79,484	1	58,458	-
					Total equity	<u>6,441,773</u>	<u>34</u>	<u>5,847,193</u>	<u>33</u>
Total assets	<u>\$ 19,020,937</u>	<u>100</u>	<u>17,744,732</u>	<u>100</u>	Total liabilities and equity	<u>\$ 19,020,937</u>	<u>100</u>	<u>17,744,732</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, 2021 and 2020

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

	2021		2020		Change %	
	Amount	%	Amount	%		
41000	Operating revenue:					
41110	Written premium	\$ 10,661,485	121	10,222,889	124	4
41120	Reinsurance premium	432,458	5	419,272	5	3
41100	Premium	11,093,943	126	10,642,161	129	
51100	Less: Reinsurance expense	3,098,508	35	3,259,029	39	(5)
51310	Net change in unearned premiums reserve	181,957	2	238,756	3	(24)
41130	Retained earned premium	7,813,478	89	7,144,376	87	
41300	Reinsurance commission received	450,664	5	579,520	7	(22)
41500	Net income(loss) from investments					
41510	Interest income	73,657	1	78,337	1	(6)
41521	Gains on financial assets or liabilities at fair value through profit or loss	367,578	4	264,405	3	39
41527	Realized gains (losses) on financial assets at fair value through other comprehensive income	73,713	1	67,954	1	8
41550	Foreign exchange gains (losses), investments	(50)	-	(657)	-	92
41570	Gains (losses) on investment property	20,801	-	51,825	1	(60)
41585	Expected credit losses or reversal of expected credit losses of investments (note 6(f))	219	-	76	-	188
41590	Other net income (loss) from investments (note 6(g))	-	-	38,855	-	(100)
41800	Other operating income	9,851	-	13,091	-	(25)
	Total operating revenue	8,809,911	100	8,237,782	100	
51000	Operating costs:					
51200	Insurance claim payment	5,923,882	67	5,926,033	72	-
41200	Less: Claims recovered from reinsurers	1,962,711	22	2,136,153	26	(8)
51260	Retained claim payment	3,961,171	45	3,789,880	46	
51300	Net change in other insurance liability (note6(o))					
51320	Net change in claim reserve	295,174	3	58,378	1	406
51340	Net change in special claim reserve	12,878	-	(5,066)	-	354
51500	Commission expense	1,697,771	19	1,618,526	20	5
51800	Other operating costs	32,459	1	45,501	-	(29)
51700	Finance costs	4,690	-	2,484	-	89
	Total operating costs	6,004,143	68	5,509,703	67	
58000	Operating expenses:					
58100	General expenses	1,647,501	19	1,611,241	20	2
58200	Administrative expenses	396,933	4	434,332	5	(9)
58300	Staff training expenses	1,468	-	1,195	-	23
58400	Expected credit losses or reversal of expected credit losses of non-investments	(34,251)	-	7,421	-	(562)
	Total operating expenses	2,011,651	23	2,054,189	25	
	Net operating income	794,117	9	673,890	8	18
59000	Non-operating income and expenses:					
59100	Gains (losses) on disposals of property and equipment	-	-	2,141	-	(100)
59900	Other non-operating income and expenses, net	12,144	-	30,021	1	(60)
	Total non-operating income and expenses	12,144	-	32,162	1	
62000	Net income before income tax	806,261	9	706,052	9	
63000	Less: Income tax expenses (note6(p))	109,593	1	3,955	-	
	Net Income	696,668	8	702,097	9	(1)
83000	Other comprehensive income:					
83100	Components of other comprehensive income that will not be reclassified to profit or loss					
83110	Gains (losses) on remeasurements of defined benefit plans (note 6(m))	19,593	-	(29,815)	-	166
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	57,205	1	(52,572)	(1)	209
	Components of other comprehensive income that will not be reclassified to profit or loss	76,798	1	(82,387)	(1)	193
83000	Other comprehensive income (after tax)	76,798	1	(82,387)	(1)	193
	Total comprehensive income	\$ 773,466	9	619,710	8	25
97500	Basic earnings per share (note 6(r))	\$ 3.12		3.14		
98500	Diluted earnings per share (note 6(r))	\$ 3.09		3.12		

(English Translation of Financial Statements Originally Issued in Chinese)

UNION INSURANCE CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings		Other equity		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	Equity related to assets (or disposal groups) classified as held-for-sale	
Balance at January 1, 2020	\$ 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 on 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 on 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)	-	-
Balance at December 31, 2020	2,236,080	718,040	2,235,431	599,184	58,458	-	5,847,193
Net income	-	-	-	696,668	-	-	696,668
Other comprehensive income	-	-	-	19,593	57,205	-	76,798
Total comprehensive income	-	-	-	716,261	57,205	-	773,466
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	136,326	-	(136,326)	-	-	-
Special reserve on appropriated-net change in special claim reserve	-	-	224,747	(224,747)	-	-	-
Cash dividends of ordinary share	-	-	-	(178,886)	-	-	(178,886)
Special reserve on reversal-employee training and transferring plan	-	-	(288)	288	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	36,179	(36,179)	-	-
Balance at December 31, 2021	\$ 2,236,080	854,366	2,459,890	811,953	79,484	-	6,441,773

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Net income before income tax	\$ 806,261	706,052
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	51,004	53,997
Amortization expense	17,462	17,301
Net profit on financial assets or liabilities at fair value through profit or loss	(336,882)	(240,451)
Interest expense	4,690	2,484
Interest revenue	(73,657)	(78,337)
Dividend revenue	(104,409)	(91,908)
Net change in insurance liabilities	636,458	(69,823)
Net change in other provisions	(15,373)	(49,204)
Expected credit loss of investments	(219)	(76)
(Reversal of) expected credit loss of non-investments	(34,251)	7,421
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	(2)	(15)
Total adjustments to reconcile profit (loss)	<u>144,821</u>	<u>(502,743)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(9,546)	(16,689)
Increase (decrease) in premiums receivable	(17,930)	224,866
Decrease (increase) in other receivables	9,907	(25,108)
Decrease (increase) in financial assets at fair value through profit or loss	424,066	(106,834)
Decrease (increase) in financial assets at fair value through other comprehensive income	333,290	(548,762)
Decrease (increase) in financial assets at amortized cost	40,000	(72,991)
(Increase) decrease in other financial assets	(305,783)	465,933
Decrease in reinsurance assets	98,728	228,338
(Increase) decrease in other assets	(5,047)	33,259
Total changes in operating assets	<u>567,685</u>	<u>182,012</u>
Changes in operating liabilities:		
Decrease in other payable	(19,065)	(26,478)
Decrease in other liabilities	(9,306)	(80,054)
Total changes in operating liabilities	<u>(28,371)</u>	<u>(106,532)</u>
Cash inflow generated from operations	1,490,396	278,789
Interest received	73,958	78,686
Dividends received	105,107	92,163
Interest paid	(4,690)	(2,484)
Income taxes paid	(6,535)	(7,166)
Net Cash flows from operating activities	<u>1,658,236</u>	<u>439,988</u>
Cash flows from (used in) investing activities:		
Increase in prepayments	(4,977)	(21,168)
Proceeds from disposal of subsidiaries	-	74,980
Acquisition of property and equipment	(195,863)	(56,714)
Proceeds from disposal of property and equipment	-	3,980
Acquisition of intangible assets	(855)	(14,364)
Proceeds from disposal of intangible assets	-	10,500
Acquisition of investment properties	(375)	(2,251)
Proceeds from disposal of investment properties	-	38,000
Net cash flows from (used in) investing activities	<u>(202,070)</u>	<u>32,963</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(15,595)	(16,265)
Cash dividends paid	(178,886)	(187,405)
Net cash flows used in financing activities	<u>(194,481)</u>	<u>(203,670)</u>
Net increase in cash and cash equivalents	1,261,685	269,281
Cash and cash equivalents at beginning of period	<u>2,386,542</u>	<u>2,117,261</u>
Cash and cash equivalents at end of period	<u>\$ 3,648,227</u>	<u>2,386,542</u>

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, 2021 and 2020

(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 financial reports were approved and announced by the Board of Directors on March 24, 2022.

(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. 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, 2021:

- 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”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its financial statements:

- 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”

(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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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"> ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● 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. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue. 	January 1, 2023

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Insurance Contracts”	The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to: <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● 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. 	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	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 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measure

Except for the following significant accounts, the 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 financial statements are 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.

(Continued)

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

(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.

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

(Continued)

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

- 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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

(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) 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.

(Continued)

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

(i) 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.

(j) Reinsurance contract assets

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

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

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

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

(Continued)

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

(k) 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 | 20-61 years |
| 2) Office and other equipment | 3-9 years |

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

(l) 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.

(Continued)

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

(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.

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

- fixed payments, including in-substance 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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications such as lease subject, scope or other lease terms.

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.

(Continued)

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

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 IT equipment and leases of low-value assets. 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.

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.

(m) 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.

(Continued)

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

The estimated useful lives for current and comparative periods are as follows:

(1) Computer software	3-12 years
(2) Golf membership	10-12 years

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

(n) 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.

(o) 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.

(Continued)

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

(iii) Special reserve:

Special reserve comprises three parts, catastrophe reserve, risk volatility reserve and travel insurance 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 an 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.

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.

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

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

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

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

(Continued)

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

3) Special reserve – travel insurance special reserve

In accordance with the provisions of the Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No. 10904939031 dated October 29, 2020, in order to improve the financial structure of the insurance enterprises, the insurance enterprises shall, at the end of each business year, set aside 10% of the total premium income based on the amount of insurance and the number of days of insurance, less 20% of the nominal tax rate, in the special reserve account under owners' equity in accordance with the “Standard Rate Schedule for Personal Travel Insurance Accidental Death and Dismemberment Benefit”.

4) 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.

In accordance with the provisions of the Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No. 11004107771 dated February 20, 2021, the insurance enterprises that operate as compulsory automobile liability insurance shall set aside a special reserve from the business expenses received from the operation of such business.

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.

(Continued)

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

(p) 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.

(q) 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.

(r) 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.

- (s) 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.

- (t) 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.

(u) 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 tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

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.

(v) 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.

(w) Operating segments

Operating segments are units of the Company that engage in operating activities that may earn revenue and incur expenses, including revenue and expenses related to transactions with other units within the Company. The operating results of all operating divisions are reviewed regularly by the Company's chief operating decision maker to make decisions about the allocation of resources to those divisions and to evaluate their performance. Separate financial information is available for each operating segment.

(x) 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 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 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 and the provision of insurance liability.

(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

	December 31, 2021	December 31, 2020
Cash on hand	\$ 500	500
Petty cash	13,050	12,400
Cash in bank	2,857,262	1,803,141
Bonds purchased under resale agreements	<u>777,415</u>	<u>570,501</u>
Total	<u>\$ 3,648,227</u>	<u>2,386,542</u>

(b) Receivables and Payables

(i) Receivables

Item	December 31, 2021	December 31, 2020
Notes receivable	\$ 246,082	236,368
Premiums receivable	292,770	273,893
Other receivables	<u>142,132</u>	<u>157,549</u>
Total	<u>\$ 680,984</u>	<u>667,810</u>

(ii) Payables

Item	December 31, 2021	December 31, 2020
Commission payable	\$ 178,446	172,896
Due to ceding companies	96,636	60,797
Reinsurance premium payable	521,836	599,748
Reinsurance commission payable	1,611	1,712
Insurance claim payable	2,849	2,753
Other payables	<u>436,307</u>	<u>418,844</u>
Total	<u>\$ 1,237,685</u>	<u>1,256,750</u>

(Continued)

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

(iii) Receivables of insurance contracts

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 247,532	237,986
Less : Loss allowance	<u>(1,450)</u>	<u>(1,618)</u>
Total	<u>\$ 246,082</u>	<u>236,368</u>

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Premiums receivable		
Fire insurance	\$ 66,101	64,814
Marine insurance	39,286	28,507
Hull and fishing vessel insurance	9,043	9,199
Other accident insurance	128,088	97,190
Compulsory pure premium	9,466	10,230
Voluntary automobile insurance	3,236	17,859
Compulsory automobile liability insurance	4,551	4,772
Overdue receivables	<u>36,986</u>	<u>46,257</u>
Subtotal	296,757	278,828
Less : Loss allowance	<u>(3,987)</u>	<u>(4,935)</u>
Total	<u>\$ 292,770</u>	<u>273,893</u>

(iv) Other receivables

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables	\$ 176,514	187,153
Less : Loss allowance	<u>(34,382)</u>	<u>(29,604)</u>
Total	<u>\$ 142,132</u>	<u>157,549</u>

As of December 31, 2021 and 2020, the overdue receivables in notes receivable, premiums receivable and other receivable were \$71,802 and \$77,484, which provisioned the loss allowance \$39,819 and \$36,157, respectively. The movements of the loss allowance for receivable were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 36,157	28,752
Loss recognized	<u>3,662</u>	<u>7,405</u>
Ending balance	<u>\$ 39,819</u>	<u>36,157</u>

(Continued)

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Under 90 days	\$ 663,368	646,679
90~270 days	26,887	30,726
More than 271 days	30,548	26,562

The estimate of expected credit losses of the Company's receivable please refer to Note 6(v)

(v) Payables of insurance contracts

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commission payable	<u>\$ 178,446</u>	<u>172,896</u>

(c) Reinsurance assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Claims recoverable from reinsurers (Note 6(d))	\$ 249,297	354,660
Due from reinsurers and ceding companies – net (Note 6(e))	244,371	346,272
Reinsurance reserve assets (Note 6(o))		
Ceded unearned premiums reserve	1,742,957	1,907,983
Ceded claim reserve	<u>1,623,392</u>	<u>1,311,917</u>
Total	<u>\$ 3,860,017</u>	<u>3,920,832</u>

(d) Claims recoverable from reinsurers

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fire insurance	\$ 9,633	7,990
Marine insurance	1,279	95
Land and air insurance	6	98
Liability insurance	69,309	78,633
Surety insurance	(1,701)	-
Other property insurance	95,164	156,371
Accident insurance	21,571	40,611
Health insurance	2,289	706
Compulsory automobile liability insurance	51,658	70,141
Overdue receivables	89	15
Less : Loss allowance	<u>-</u>	<u>-</u>
Total	<u>\$ 249,297</u>	<u>354,660</u>

(Continued)

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

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

(i) Receivables of insurance contracts

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Due from ceding companies	\$ 151,236	215,149
Reinsurance premium receivable	78,663	62,081
Reinsurance commission receivable	8,638	61,381
Overdue receivable	<u>5,834</u>	<u>45,574</u>
Subtotal	244,371	384,185
Less : Loss allowance	<u>-</u>	<u>(37,913)</u>
Total	<u><u>\$ 244,371</u></u>	<u><u>346,272</u></u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 37,913	37,816
(Reversal of) loss recognized	<u>(37,913)</u>	<u>97</u>
Ending balance	<u><u>\$ -</u></u>	<u><u>37,913</u></u>

(ii) Payables of insurance contracts

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Due to ceding companies	\$ 96,636	60,797
Reinsurance premium payable	521,836	599,748
Reinsurance commission payable	<u>1,611</u>	<u>1,712</u>
Total	<u><u>\$ 620,083</u></u>	<u><u>662,257</u></u>

(f) Financial assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificate	\$ 131,006	52,666
Real estate investment trust beneficiary certificate	342,856	353,825
Domestic listed stocks and OTC stocks	<u>1,405,497</u>	<u>1,560,052</u>
Total	<u><u>\$ 1,879,359</u></u>	<u><u>1,966,543</u></u>

(Continued)

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

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 2021 and 2020 will increase \$18,794 and \$19,665, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Equity investments at fair value through other comprehensive income		
Domestic listed stocks and OTC stocks	\$ 2,065,027	2,342,540
Domestic unlisted stocks	<u>15,372</u>	<u>13,944</u>
Total	<u>\$ 2,080,399</u>	<u>2,356,484</u>

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, 2021 and 2020, the dividends of \$73,713 and \$67,954, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized; the dividend of \$5,530 and \$0, respectively, related to the investments derecognized during the year ended December 31, 2021 and 2020 were recognized.

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:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fair value	<u>\$ 431,970</u>	<u>466,560</u>
Accumulate gains by disposing	<u>\$ 36,179</u>	<u>9,345</u>

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 2021 and 2020 will increase \$20,804 and \$23,565, respectively. Conversely, if there is an decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(Continued)

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

(iii) Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Government bonds	\$ 570,353	610,619
Financial bonds	300,000	300,000
Corporate bonds	<u>950,000</u>	<u>950,000</u>
Subtotal	1,820,353	1,860,619
Less: Securities serving as deposits paid	(423,641)	(365,852)
Loss allowance	<u>(654)</u>	<u>(873)</u>
Total	<u><u>\$ 1,396,058</u></u>	<u><u>1,493,894</u></u>

- 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(v) for further information of credit risk and the movement in the loss allowance of financial assets measured at amortized cost.
- 3) The Company's financial assets measured at amortized cost had been pledged partially, please refer to Note 8.
- 4) The Company assessed the impairment of financial asset on December 31, 2021 and 2020, the amounts of the expected credit loss recognized (reversal of credit loss) were as follows:

	For the years ended December 31,	
	2021	2020
Beginning balance	\$ 873	949
(Reversal of) loss recognized	<u>(219)</u>	<u>(76)</u>
Ending balance	<u><u>\$ 654</u></u>	<u><u>873</u></u>

(iv) Other financial assets, net:

	December 31, 2021	December 31, 2020
Time deposits—initial maturity date over than three months	\$ 2,594,420	2,288,637
Less: Securities serving as deposits paid	<u>(167,000)</u>	<u>(167,000)</u>
Total	<u><u>\$ 2,427,420</u></u>	<u><u>2,121,637</u></u>

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

(Continued)

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

(v) Capital outsourcing information

As of December 31, 2021 and 2020, the Company has outsourced to Securities Investment Trust to manage investment project and capital amount. Further information were as follows:

Investment Trust Company	Investment	December 31, 2021	December 31, 2020
		Amount	Amount
Nomura Asset Management	Domestic listed stocks and OTC stocks, bonds purchased under resale agreements, short term bills, etc.	\$ 600,000	500,000
Fuh Hwa Securities Investment Trust	"	600,000	500,000
Capital Investment Trust Corporation	"	600,000	500,000
		<u>\$ 1,800,000</u>	<u>1,500,000</u>

The investment project was mentioned above, and the carry amounts as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 682,233	499,330
Financial assets at fair value through profit or loss - stocks	<u>1,220,996</u>	<u>1,243,321</u>
	<u>\$ 1,903,229</u>	<u>1,742,651</u>

(g) Loss of control of 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 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. at 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	<u>(1,108)</u>
The carrying amounts of the subsidiary at the date when control is lost	<u>\$ 62,640</u>

(Continued)

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

(h) Investment property

The cost, depreciation, and impairment of the investment property of the Company for the years ended December 31, 2021 and 2020, were as follows:

	<u>Land and Improvement</u>	<u>Buildings and constructions</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2021	\$ 681,525	187,636	869,161
Additions	-	375	375
Reclassification from property, plant and equipment	53,931	32,686	86,617
Reclassification to property, plant and equipment	(7,569)	(3,593)	(11,162)
Balance at December 31, 2021	<u>\$ 727,887</u>	<u>217,104</u>	<u>944,991</u>
Balance at January 1, 2020	\$ 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)
Balance at December 31, 2020	<u>\$ 681,525</u>	<u>187,636</u>	<u>869,161</u>
Accumulated depreciation and impairments			
Balance at January 1, 2021	\$ 2,359	74,922	77,281
Depreciation	-	4,226	4,226
Reclassification from property, plant and equipment	-	8,576	8,576
Reclassification to property, plant and equipment	-	(1,600)	(1,600)
Balance at December 31, 2021	<u>\$ 2,359</u>	<u>86,124</u>	<u>88,483</u>
Balance at January 1, 2020	\$ 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)
Balance at December 31, 2020	<u>\$ 2,359</u>	<u>74,922</u>	<u>77,281</u>
Carrying amount:			
December 31, 2021	<u>\$ 725,528</u>	<u>130,980</u>	<u>856,508</u>
December 31, 2020	<u>\$ 679,166</u>	<u>112,714</u>	<u>791,880</u>
Fair value :			
December 31, 2021			<u>\$ 1,770,222</u>
December 31, 2020			<u>\$ 1,695,676</u>

(Continued)

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

On December 31, 2021 and 2020, the assessment of fair value of investment property mainly referred to the market trade.

As of December 31, 2021 and 2020, the Company's investment property has not been pledged as collateral.

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020, 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>
Cost:							
Balance at January 1, 2021	\$ 825,946	480,196	183,601	579	51,799	2,004	1,544,125
Additions	136,007	47,956	8,686	-	3,214	-	195,863
Reclassification from investment property	7,569	3,593	-	-	-	-	11,162
Reclassification to investment property	(53,931)	(32,686)	-	-	-	-	(86,617)
Scrap	-	-	(1,647)	-	(705)	-	(2,352)
Balance at December 31, 2021	<u>915,591</u>	<u>499,059</u>	<u>190,640</u>	<u>579</u>	<u>54,308</u>	<u>2,004</u>	<u>1,662,181</u>
Balance at January 1, 2020	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)
Balance at December 31, 2020	<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>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2021	15,196	163,931	155,754	564	42,041	858	378,344
Depreciation	-	14,097	12,444	15	4,090	458	31,104
Reclassification from investment property	-	1,600	-	-	-	-	1,600
Reclassification to investment property	-	(8,576)	-	-	-	-	(8,576)
Scrap	-	-	(1,647)	-	(705)	-	(2,352)
Balance at December 31, 2021	<u>15,196</u>	<u>171,052</u>	<u>166,551</u>	<u>579</u>	<u>45,426</u>	<u>1,316</u>	<u>400,120</u>
Balance at January 1, 2020	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)
Balance at December 31, 2020	<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>
Carrying amount:							
December 31, 2021	<u>\$ 900,395</u>	<u>328,007</u>	<u>24,089</u>	<u>-</u>	<u>8,882</u>	<u>688</u>	<u>1,262,061</u>
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>

As of December 31, 2021 and 2020, the Company's property, plant and equipment have not been pledged as collateral.

(Continued)

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

(j) 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>
Costs of right-of-use assets:			
January 1, 2021	\$ 27,162	5,434	32,596
Additions	21,821	4,436	26,257
Derecognition	<u>(21,602)</u>	<u>(5,435)</u>	<u>(27,037)</u>
December 31, 2021	<u>\$ 27,381</u>	<u>4,435</u>	<u>31,816</u>
January 1, 2020	\$ 27,052	5,434	32,486
Additions	5,345	-	5,345
Derecognition	<u>(5,235)</u>	<u>-</u>	<u>(5,235)</u>
December 31, 2020	<u>\$ 27,162</u>	<u>5,434</u>	<u>32,596</u>
Depreciation of right-of-use assets:			
January 1, 2021	\$ 20,835	3,951	24,786
Depreciation	13,385	2,289	15,674
Derecognition	<u>(21,336)</u>	<u>(5,435)</u>	<u>(26,771)</u>
December 31, 2021	<u>\$ 12,884</u>	<u>805</u>	<u>13,689</u>
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>
Carrying amounts:			
December 31, 2021	<u>\$ 14,497</u>	<u>3,630</u>	<u>18,127</u>
December 31, 2020	<u>\$ 6,327</u>	<u>1,483</u>	<u>7,810</u>

(k) Lease liabilities

The Company's lease liabilities were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Within a year	\$ 12,760	6,526
One to five years	<u>5,497</u>	<u>1,337</u>
Total	<u>\$ 18,257</u>	<u>7,863</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$ 354	278

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

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	\$ 15,949	16,543

(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.

(l) Operating lease

Leases as lessor

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

	December 31, 2021	December 31, 2020
Within a year	\$ 32,754	22,514
One to five years	85,968	43,556
More than five years	85,215	11,242
	\$ 203,937	77,312

Rental incomes from investment properties were \$25,027 and \$46,140 for 2021 and 2020, respectively.

(m) 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:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ (533,535)	(564,445)
Fair value of plan assets	354,458	350,402
Net defined benefit (liabilities) assets	\$ (179,077)	(214,043)

(Continued)

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

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 \$354,458 and \$350,402 as of December 31, 2021 and 2020, 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:

	For the years ended December 31,	
	2021	2020
Defined benefit obligation at January 1	\$ 564,445	540,267
Current serviced costs and interest cost	9,657	11,079
Past service cost	366	486
Remeasurements of net defined benefit liabilities		
— Actuarial gains or losses arising from changes of demographic assumptions	2,150	1,616
— Actuarial gains or losses arising from changes of financial assumptions	(19,497)	41,557
— Actuarial gains or losses arising from experience adjustments	2,574	(3,118)
Benefits paid by the plan	(26,160)	(27,442)
Defined benefit obligation at December 31	\$ 533,535	564,445

(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:

	For the years ended December 31,	
	2021	2020
Fair value of plan assets at January 1	\$ 350,402	306,835
Interest income	1,367	2,025
Remeasurements of net defined benefit liabilities		
— Expected return on plan assets (excluding current interest)	4,820	10,240
Contribution made to the plan	24,029	58,744
Benefit paid by the plan	(26,160)	(27,442)
Fair value of plan assets at December 31	\$ 354,458	350,402

4) Expenses recognized in profit or loss

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

	For the years ended December 31,	
	2021	2020
Current service cost	\$ 7,456	7,513
Net interest of net liabilities (assets) for defined benefit obligations	834	1,541
Past service cost	366	486
	\$ 8,656	9,540

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, 2021 and 2020, was as follows:

	For the years ended December 31,	
	2021	2020
Accumulated amount at January 1	\$ 224,974	195,159
Recognized during the period	(19,593)	29,815
Accumulated amount at December 31	\$ 205,381	224,974

(Continued)

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

6) Actuarial assumptions

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

	For the years ended December 31,	
	2021	2020
Discount rate	0.70 %	0.39 %
Expected return on planned assets	0.70 %	0.39 %
Future salary increases	1.50 %	1.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is \$7,816. The weighted average lifetime of the defined benefits plans is 11 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, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows

	Effects to Defined Benefit Obligations	
	Increase	Decrease
December 31, 2021		
Discount rate (change 0.5%)	\$ 32,032	27,974
Future salary increases(change 0.5%)	31,609	27,939
December 31, 2020		
Discount rate (change 0.5%)	36,294	33,370
Future salary increases (change 0.5%)	35,699	33,195

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 2021 and 2020.

(Continued)

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 \$33,079 and \$31,948 for the years ended December 31, 2021 and 2020, respectively.

(n) 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, 2021 and 2020, the Company estimated its employee remuneration and directors' remuneration amounting to \$28,500 and \$6,500 for both periods 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 2021 and 2020. 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 2020 and 2019 were \$28,500 and \$6,500, \$28,000 and \$6,000, respectively. There is no difference in the actual distribution situation. Relevant information can be obtained from the Market Observation Post System.

(o) Insurance liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unearned premium reserve	\$ 5,859,977	5,847,692
Claims reserve	3,931,668	3,325,019
Special reserve	<u>1,166,829</u>	<u>1,153,951</u>
Total	<u>\$ 10,958,474</u>	<u>10,326,662</u>

(Continued)

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

(i) Unearned premium reserve

1) Unearned premium reserve and ceded reinsurance unearned premiums reserve

December 31, 2021					
Item	Unearned premium reserve		Ceded unearned premiums reserve		Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out		
Fire insurance	\$ 705,612	43,038	372,973		375,677
Marine insurance	83,200	829	73,501		10,528
Land and air insurance	42,275	671	29,124		13,822
Liability insurance	1,598,479	130,219	344,087		1,384,611
Surety insurance	7,451	348	3,976		3,823
Other property insurance	2,245,868	35,246	652,264		1,628,850
Accident insurance	406,884	1,796	40,613		368,067
Health insurance	26,511	-	6,541		19,970
Compulsory automobile liability insurance	366,445	165,105	219,878		311,672
Total	\$ 5,482,725	377,252	1,742,957		4,117,020

December 31, 2020					
Item	Unearned premium reserve		Ceded unearned premiums reserve		Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out		
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
Total	\$ 5,383,403	464,289	1,907,983		3,939,709

(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, 2021													
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	\$ 967,046	299,770	408,888	857,928	366,445	372,987	165,105	163,593	(5,030)	219,878	223,802	(3,924)	859,034
Non-compulsory insurance	9,694,439	132,688	2,689,620	7,137,507	5,116,280	5,005,770	212,147	300,696	21,961	1,523,079	1,684,181	(161,102)	6,954,444
Total	\$ 10,661,485	432,458	3,098,508	7,995,435	5,482,725	5,378,757	377,252	464,289	16,931	1,742,957	1,907,983	(165,026)	7,813,478
For the years ended December 31, 2020													
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	\$ 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
Total	\$ 10,222,889	419,272	3,259,029	7,383,132	5,383,403	5,053,759	464,289	560,757	233,176	1,907,983	1,913,563	(5,580)	7,144,376

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

Item	For the years ended December 31, 2021	
	Unearned premium reserve	Ceded unearned premiums reserve
Beginning balance	\$ 5,847,692	1,907,983
Provision	5,859,977	1,742,957
Recovery	(5,847,692)	(1,907,983)
Ending balance	<u>\$ 5,859,977</u>	<u>1,742,957</u>
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>

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.

(Continued)

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

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, 2021 and 2020, the unearned premium reserve from the business transfer has recovered \$6,661 and \$11,565, respectively. According to relevant measurements, the intangible asset has reduced \$4,646 and \$8,060 as recovery deduction of unearned premium reserve, respectively. The amount of \$2,015 and \$3,505 were net recovered unearned premium reserve. As of December 31, 2021 and 2020, the relevant unearned premium reserve from the business transfer and intangible assets were \$18,982 and \$13,328, \$25,643 and \$17,974, 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.
Notes to the Financial Statements

- 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.

(Continued)

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

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.

In accordance with the provisions of the Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No. 11004107771 dated February 20, 2021, the insurance company that operates as compulsory automobile liability insurance shall set aside a special reserve from the business expenses received from the operation of such business.

In accordance with the provisions of the Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No. 10904939031 dated October 29, 2020, in order to improve the financial structure of the insurance enterprises, the insurance enterprises shall, at the end of each business year, set aside 10% of the total premium income based on the amount of insurance and the number of days of insurance, less 20% of the nominal tax rate, in a special reserve account under owners' equity in accordance with the "Standard Rate Schedule for Personal Travel-Insurance Accidental Death and Dismemberment Benefit".

Special reserve – Compulsory Automobile Liability Insurance

Item	For the years ended December 31,	
	2021	2020
Beginning balance	\$ -	-
Provision	90,791	35,350
Recovery	(72,848)	(35,350)
Ending balance	<u>\$ 17,943</u>	<u>-</u>

Special reserve – Non-Compulsory Automobile Liability Insurance

Item	For the years ended December 31, 2021						
	Liability			Special reserve			
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Travel Insurance	Total
Beginning balance	\$ 111,610	1,038,185	1,149,795	703,784	1,516,706	-	2,220,490
Provision	-	-	-	86,751	195,548	4,289	286,588
Recover	(5,065)	-	(5,065)	-	(61,841)	-	(61,841)
Ending balance	<u>\$ 106,545</u>	<u>1,038,185</u>	<u>1,144,730</u>	<u>790,535</u>	<u>1,650,413</u>	<u>4,289</u>	<u>2,445,237</u>

(Continued)

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

Item	For the years ended December 31, 2020						
	Liability			Special reserve			
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Travel Insurance	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>-</u>	<u>2,220,490</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) 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, 2021 and 2020.

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.

(Continued)

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

(iii) Claim reserve

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

December 31, 2021				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ -	600,260	53,835	654,095
Marine insurance	-	106,666	57,635	164,301
Land and air insurance	-	77,133	16,604	93,737
Liability insurance	386	971,331	275,476	1,246,807
Surety insurance	1	18,261	5,459	23,720
Other property insurance	1,709	681,395	45,574	726,969
Accident insurance	538	73,239	193,046	266,285
Health insurance	52	110	5,405	5,515
Compulsory automobile liability insurance	163	192,067	558,172	750,239
Total	\$ <u>2,849</u>	<u>2,720,462</u>	<u>1,211,206</u>	<u>3,931,668</u>

December 31, 2020				
Item	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
Total	\$ <u>2,753</u>	<u>2,077,445</u>	<u>1,247,574</u>	<u>3,325,019</u>

(Continued)

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

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

December 31, 2021			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 481,638	15,857	497,495
Marine insurance	92,935	43,037	135,972
Land and air insurance	67,448	10,863	78,311
Liability insurance	172,197	55,925	228,122
Surety insurance	8,358	1,669	10,027
Other property insurance	282,456	8,354	290,810
Accident insurance	32,119	45,580	77,699
Health insurance	13	1,138	1,151
Compulsory automobile liability insurance	71,404	232,401	303,805
Total	\$ 1,208,568	414,824	1,623,392

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	\$ 841,085	470,832	1,311,917

(Continued)

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

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

For the years ended December 31, 2021								
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	\$ 636,718	351,230	17,377	4,139	298,726	497,495	172,939	324,556
Marine insurance	160,068	132,881	4,233	7,554	23,866	135,972	115,786	20,186
Land and air insurance	91,293	75,598	2,444	1,754	16,385	78,311	64,134	14,177
Liability insurance	1,236,198	951,224	10,609	12,007	283,576	228,122	175,591	52,531
Surety insurance	22,318	23,283	1,402	1,764	(1,327)	10,027	10,931	(904)
Other property insurance	723,902	578,526	3,067	3,158	145,285	290,810	258,284	32,526
Accident insurance	260,828	316,489	5,457	2,854	(53,058)	77,699	138,324	(60,625)
Health insurance	5,515	7,065	-	258	(1,808)	1,151	965	186
Compulsory automobile liability insurance	506,341	625,276	243,898	229,959	(104,996)	303,805	374,963	(71,158)
Total	<u>\$ 3,643,181</u>	<u>3,061,572</u>	<u>288,487</u>	<u>263,447</u>	<u>606,649</u>	<u>1,623,392</u>	<u>1,311,917</u>	<u>311,475</u>

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)
Total	<u>\$ 3,061,572</u>	<u>3,349,505</u>	<u>263,447</u>	<u>273,447</u>	<u>(297,933)</u>	<u>1,311,917</u>	<u>1,668,228</u>	<u>(356,311)</u>

4) The movements in claim reserve and ceded claim reserve

For the years ended December 31,				
Item	2021		2020	
	Claims reserve	Ceded claim reserve	Claims reserve	Ceded claim reserve
Beginning balance	\$ 3,325,019	1,311,917	3,622,952	1,668,147
Provision	3,931,668	1,623,392	3,325,019	1,311,917
Recovery	(3,325,019)	(1,311,917)	(3,622,952)	(1,668,228)
Impairment loss reversed(recognized)	-	-	-	81
Ending balance	<u>\$ 3,931,668</u>	<u>1,623,392</u>	<u>3,325,019</u>	<u>1,311,917</u>

(Continued)

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

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

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

(iv) Premium deficiency reserve

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.

As of December 31, 2021 and 2020, the Company had no provision for premium deficiency reserve recognized.

(p) Income tax

- (i) The components of the Company's income tax in the years 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current income tax expenses	\$ -	
Current period	109,510	7,614
Adjustments for prior periods	83	(3,659)
Income tax expenses	\$ 109,593	3,955

(Continued)

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

Reconciliation of income tax and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Profit excluding income tax	\$ 806,261	706,052
Income tax using the Company's domestic tax rate	161,252	141,211
Adjustment items:		
Tax-exempt income	(89,311)	(32,698)
Change in unrecognized temporary differences	(7,012)	239
Usage of tax loss carry-forward	(2,518)	(102,768)
Prior income tax (over) under estimated	83	(3,659)
Additional tax on undistributed earnings	5,484	-
Income basic tax	6,215	7,614
Others	35,400	(5,984)
Income tax expenses	<u>\$ 109,593</u>	<u>3,955</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

	December 31, 2021	December 31, 2020
Tax effect of deductible temporary differences	\$ 6,121	12,915
The carryforward of unused tax losses	-	17,329
Actuarial losses of defined benefit plans	41,076	44,995
Unrecognized deferred tax assets	<u>\$ 47,197</u>	<u>75,239</u>

2) Unrecognized deferred tax liabilities

	December 31, 2021	December 31, 2020
Taxable temporary differences	<u>\$ 218</u>	<u>-</u>

3) Recognized deferred income tax liabilities:

	December 31, 2021	December 31, 2020
Land value-added tax	<u>\$ 63,920</u>	<u>63,920</u>

(Continued)

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

(iii) Assessment of tax

The Company's tax returns for the year through 2019 were assessed by the Taipei National Tax Administration tax authorities.

(q) 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, 2021 and 2020, 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 both 223,608 thousand shares of common stock.

(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 Commission 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 Commission Jin Guan Bao Cai 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. As of December 31, 2021 and 2020, the special reserve distributed by the Company in accordance with the regulations were \$2,510 and \$2,798, respectively.

(Continued)

UNION INSURANCE CO., LTD.
Notes to the 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 Board of Directors is authorized to distribute all or parts of the dividends and bonuses in cash to the shareholders by a resolution decided by the Board, with at least two-thirds or a majority of the directors present in the board meeting.

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.

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on July 30, 2021 and June 24, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31,			
	2020		2019	
	Allotment per share	Total Amount	Allotment per share	Total Amount
Dividends distributed to ordinary shareholders :				
Cash	\$ 0.80	178,886	0.88	187,405
Shares	-	-	0.50	106,480
Total		<u>178,886</u>		<u>293,885</u>

(Continued)

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

The amount of cash dividends on the appropriations of earnings for 2021 had been approved during the board meeting on March 24, 2022, as follow:

	For the years ended December 31, 2021	
	Allotment per share	Total Amount
Dividends distributed to ordinary shareholders		
Cash	\$ 1.00	223,608

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.

(r) Earnings per share

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

	For the years ended December 31,	
	2021	2020
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ <u>696,668</u>	<u>702,097</u>
Weighted average number of ordinary shares (thousands shares)	<u>223,608</u>	<u>223,608</u>
Basic earnings per share (in dollars)	\$ <u>3.12</u>	<u>3.14</u>
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ <u>696,668</u>	<u>702,097</u>
Weighted average number of ordinary shares (thousands shares)	223,608	223,608
Employee share options	<u>1,763</u>	<u>1,732</u>
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	<u>225,371</u>	<u>225,340</u>
Diluted earnings per share (in dollars)	\$ <u>3.09</u>	<u>3.12</u>

(Continued)

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

(s) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

For the years ended December 31, 2021						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 118,905	-	-	2,451	-	121,356
Marine insurance	25,261	-	-	539	-	25,800
Land and air insurance	8,791	-	-	213	-	9,004
Liability insurance	555,855	-	-	146	-	556,001
Surety insurance	2,229	-	-	17	-	2,246
Other property insurance	623,846	-	-	8,352	-	632,198
Accident insurance	208,501	-	-	12	-	208,513
Health insurance	13,623	-	-	-	-	13,623
Compulsory automobile liability insurance	129,030	-	-	-	-	129,030
Total	\$ 1,686,041	-	-	11,730	-	1,697,771
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
Total	\$ 1,602,794	-	-	15,732	-	1,618,526

(Continued)

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

(t) Disclosure of insurance cost benefit analysis

(i) Direct written business cost benefit analysis

For the years ended December 31, 2021						
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	\$ 1,326,327	(22,015)	118,905	613,932	285,488	330,017
Marine insurance	271,423	13,691	25,261	71,738	27,187	133,546
Land and air insurance	85,968	(3,947)	8,791	9,913	15,695	55,516
Liability insurance	3,143,976	87,565	555,855	1,646,323	284,974	569,259
Surety insurance	16,512	(4,041)	2,229	(6,538)	(965)	25,827
Other property insurance	3,715,703	1,388	623,846	1,942,206	145,376	1,002,887
Accident insurance	1,067,972	22,279	208,501	565,494	(55,661)	327,359
Health insurance	66,558	15,590	13,623	21,597	(1,550)	17,298
Compulsory automobile liability insurance	967,046	(6,542)	129,030	660,187	(118,935)	303,306
Total	\$ 10,661,485	103,968	1,686,041	5,524,852	581,609	2,765,015
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	\$ 10,222,889	329,644	1,602,794	5,544,545	(287,933)	3,033,839

(Continued)

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

(ii) Reinsurance cost-benefit analysis

For the years ended December 31, 2021						
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	\$ 80,320	7,920	2,451	364	13,238	56,347
Marine insurance	7,161	(293)	539	652	(3,321)	9,584
Land and air insurance	1,250	(355)	213	6,764	690	(6,062)
Liability insurance	1,844	(93,652)	146	93,435	(1,398)	3,313
Surety insurance	1,146	(14)	17	983	(362)	522
Other property insurance	35,421	(2,042)	8,352	11,767	(91)	17,435
Accident insurance	5,546	(113)	12	7,318	2,603	(4,274)
Health insurance	-	-	-	-	(258)	258
Compulsory automobile liability insurance	299,770	1,512	-	277,747	13,939	6,572
Total	\$ 432,458	(87,037)	11,730	399,030	25,040	83,695
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
Total	\$ 419,272	(96,468)	15,732	381,488	(10,000)	128,520

(Continued)

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

(iii) Gain/Loss on reinsurance contracts

For the years ended December 31, 2021						
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	\$ (884,294)	(15,931)	72,431	442,686	324,556	(60,552)
Marine insurance	(176,760)	11,216	12,527	31,723	20,186	(101,108)
Land and air insurance	(59,337)	(3,591)	2,017	4,295	14,177	(42,439)
Liability insurance	(479,266)	(71,463)	131,576	364,080	52,531	(2,542)
Surety insurance	(6,725)	(2,355)	1,237	(570)	(904)	(9,317)
Other property insurance	(783,415)	(82,612)	175,550	515,369	32,526	(142,582)
Accident insurance	(290,950)	(921)	55,569	205,108	(60,625)	(91,819)
Health insurance	(8,873)	4,555	(243)	6,102	186	1,727
Compulsory automobile liability insurance	(408,888)	(3,924)	-	393,918	(71,158)	(90,052)
Total	\$ (3,098,508)	(165,026)	450,664	1,962,711	311,475	(538,684)
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
Total	\$ (3,259,029)	(5,580)	579,520	2,136,153	(356,311)	(905,247)

(Continued)

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

(u) 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.
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.
Notes to the 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.
Notes to the 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.
Notes to the Financial Statements

For the years ended December 31, 2021 and 2020, 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, 2021</u>	<u>December 31, 2020</u>
Fire insurance	\$ 400,000	350,000
Hull insurance	100,000	100,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	200,000	200,000
Marine cargo insurance	500,000	300,000
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 Company 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.
Notes to the Financial Statements

(ii) Insurance risk information

1) Sensitivity analysis of insurance risk

Item	For the years ended December 31, 2021			
	Written premium	Expected rate of loss	Effect of profit or loss on 1% movement of expected rate of loss	
			Before reinsurance	After reinsurance
Fire insurance	\$ 1,406,647	66.81 %	14,254	5,252
Marine insurance	278,584	63.57 %	2,652	994
Land and air insurance	87,218	69.05 %	915	282
Liability insurance	3,145,820	65.90 %	31,519	26,012
Surety insurance	17,658	72.41 %	217	126
Other property insurance	3,751,124	64.75 %	37,518	28,858
Accident insurance	1,073,518	74.71 %	10,514	7,595
Health insurance	66,558	68.90 %	510	467
Compulsory automobile liability insurance	1,266,816	No applicable	No applicable	No applicable

Item	For the years ended December 31, 2020			
	Written premium	Expected rate of loss	Effect of profit or loss on 1% movement of expected rate of loss	
			Before reinsurance	After reinsurance
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

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.

(Continued)

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

2) Concentration of insurance risk

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

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

The insurance contracts which the Company underwrites are separated in various types of insurances, and not concentrated in any single type of insurance. 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 54.34% and 53.83% for 2021 and 2020, 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,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 677,072	6.10 %	628,648	5.91 %
Marine cargo insurance	196,504	1.77 %	176,782	1.66 %
Hull, fishing vessel and aviation insurance	166,720	1.50 %	169,467	1.59 %
Voluntary automobile insurance	6,028,065	54.34 %	5,728,134	53.83 %
Compulsory automobile liability insurance	1,266,816	11.42 %	1,268,744	11.92 %
Liability insurance	344,969	3.11 %	336,375	3.16 %
Engineering and nuclear insurance	432,633	3.90 %	486,219	4.57 %
Surety and credit insurance	17,658	0.16 %	20,515	0.19 %
Other property insurance	62,576	0.56 %	42,850	0.40 %
Accident insurance	1,073,518	9.68 %	1,007,916	9.47 %
Typhoon, flood and earthquake insurance	722,518	6.51 %	709,421	6.67 %
Personal and commercial all-risk insurance	28,761	0.26 %	31,487	0.30 %
Health insurance	66,558	0.60 %	27,107	0.25 %
Overseas ceded-in reinsurance	9,575	0.09 %	8,496	0.08 %
Total	\$ 11,093,943	100.00 %	10,642,161	100.00 %

(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 64.30% and 63.53% for 2021 and 2020, 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,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 313,483	3.92 %	339,970	4.61 %
Marine cargo insurance	116,498	1.46 %	94,500	1.28 %
Hull, fishing vessel and aviation insurance	12,609	0.16 %	12,982	0.18 %
Voluntary automobile insurance	5,141,238	64.30 %	4,690,764	63.53 %
Compulsory automobile liability insurance	857,928	10.73 %	856,379	11.60 %
Liability insurance	217,658	2.72 %	217,775	2.95 %
Engineering and nuclear insurance	195,385	2.44 %	166,830	2.26 %
Surety and credit insurance	10,933	0.14 %	11,993	0.16 %
Other property insurance	51,820	0.65 %	32,810	0.44 %
Accident insurance	782,568	9.79 %	705,023	9.55 %
Typhoon, flood and earthquake insurance	201,813	2.52 %	194,486	2.63 %
Personal and commercial all-risk insurance	28,193	0.35 %	30,705	0.42 %
Health insurance	57,685	0.72 %	23,006	0.31 %
Overseas ceded-in reinsurance	7,624	0.10 %	5,909	0.08 %
Total	\$ 7,995,435	100.00 %	7,383,132	100.00 %

(Continued)

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

c) Claims trend

For the year ended December 31, 2021

Occurrence year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	35,468,198	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623	4,201,280	4,120,597	4,742,417
2	35,385,434	2,990,271	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	4,901,074	4,890,228	
3	35,436,279	2,954,427	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815	4,784,261	4,774,671		
4	35,322,695	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187	3,997,617	4,714,228			
5	35,297,200	2,908,274	2,835,816	3,151,839	3,505,206	4,348,353	3,972,187				
6	35,279,780	2,881,191	2,830,761	3,130,980	3,518,795	4,300,980					
7	35,251,157	2,880,642	2,834,001	3,155,004	3,501,489						
8	35,233,142	2,875,661	2,849,616	3,128,978							
9	35,219,765	2,900,934	2,833,969								
10	35,509,280	2,877,029									
11	35,193,324										
Estimates	35,193,324	2,877,029	2,833,969	3,128,978	3,501,489	4,300,980	3,972,187	4,714,228	4,774,671	4,890,228	4,742,417
Actual	35,176,272	2,853,282	2,829,214	3,118,743	3,494,127	4,286,414	3,921,591	4,627,738	4,611,354	4,540,681	2,954,797
Subtotal	17,052	23,747	4,755	10,235	7,362	14,566	50,596	86,490	163,317	349,547	1,787,620
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	17,052	23,747	4,755	10,235	7,362	14,566	50,596	86,490	163,317	349,547	1,787,620

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

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, 2021,

Company	Annotation
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.
Mugatlal Bhagwandas Boda & Company	Treaty reinsurance of engineering insurance

As of December 31, 2020

Company	Annotation
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

(Continued)

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

- iii) For the years ended December 31, 2021 and 2020, the reinsurance premium expenses (reversal) for unauthorized reinsurance in the Company amounted to \$(95) and \$(908), respectively.
- iv) The principle summary of amounts and component items of unauthorized reinsurance reserve in the Company was as follows:

	December 31, 2021	December 31, 2020
Unearned premium reserve	\$ -	3
Claims recoverable from reinsurers of paid claims overdue in nine month	-	13
Claims recoverable from reinsurers reported but unpaid	4,465	4,520
The unauthorized reinsurance reserves- Total	\$ 4,465	4,536

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

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

Maximum credit risk exposure were as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 3,648,227	2,386,542
Receivables	680,984	667,810
Financial assets measured at fair value through profit or loss	1,879,359	1,966,543
Financial assets at fair value through other comprehensive income	2,080,399	2,356,484
Financial assets measured at amortized cost	1,396,058	1,493,894
Other financial assets	2,427,420	2,121,637
Reinsurance contract assets	3,860,017	3,920,832
Other assets	<u>702,841</u>	<u>637,804</u>
Total	<u>\$ 16,675,305</u>	<u>15,551,546</u>

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, 2021					Total
	12-month ECL stage 1	Lifetime ECL (assessed on collective) stage 2	Lifetime ECL (assessed on individual) stage 3	The provision of impairment in accordance with IFRS9 (subtotal)	The provision of impairment in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	
Beginning balance	\$ 873	-	-	873	-	873
Changes	(219)	-	-	(219)	-	(219)
Ending balance	<u>\$ 654</u>	<u>-</u>	<u>-</u>	<u>654</u>	<u>-</u>	<u>654</u>

	For the year ended December 31, 2020					Total
	12-month ECL stage 1	Lifetime ECL (assessed on collective) stage 2	Lifetime ECL (assessed on individual) stage 3	The provision of impairment in accordance with IFRS9 (subtotal)	The provision of impairment in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	
Beginning balance	\$ 949	-	-	949	-	949
Changes	(76)	-	-	(76)	-	(76)
Ending balance	<u>\$ 873</u>	<u>-</u>	<u>-</u>	<u>873</u>	<u>-</u>	<u>873</u>

- b) The information of credit quality

	December 31, 2021										
	stage1				stage2				stage3	Allowance impairment loss	Total
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total			
Financial assets at amortized cost (including statutory deposit)	\$ <u>1,820,353</u>	<u>-</u>	<u>-</u>	<u>1,820,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>654</u>	<u>1,819,699</u>

	December 31, 2020										
	stage1				stage2				stage3	Allowance impairment loss	Total
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total			
Financial assets at amortized cost (including statutory deposit)	\$ <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>

(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, 2021					
	Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
Payables						
Claims payable	\$ 2,849	2,849	182	135	53	2,479
Commissions payable	178,446	178,446	178,446	-	-	-
Due to ceding companies	620,083	620,083	577,166	40,301	-	2,616
Other payables	436,307	436,307	400,982	35,000	10	315
Lease liabilities	18,257	18,545	3,662	6,596	2,728	5,559
Other liabilities						
Guarantee deposits received	6,730	6,730	1,161	1,382	149	4,038
Reinsurance liability reserve deposits	3,754	3,754	3,754	-	-	-
Total	<u>\$ 1,266,426</u>	<u>1,266,714</u>	<u>1,165,353</u>	<u>83,414</u>	<u>2,940</u>	<u>15,007</u>
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
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	-	-	-
Total	<u>\$ 1,281,390</u>	<u>1,281,477</u>	<u>1,201,987</u>	<u>66,051</u>	<u>911</u>	<u>12,528</u>

(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>2021</u>	<u>December 31,</u> <u>2020</u>
<u>Financial assets</u>		
<u>Monetary items</u>		
USD	\$ 6,777	4,641
EUR	63	59
JPY	120	26
HKD	50	383
KRW	153	54
CNY	40	-
GBP	25	20
THB	1,322	1,811
<u>Financial liability</u>		
<u>Monetary items</u>		
USD	4,040	2,777
KRW	365	117

Important rate:

	<u>Rates</u>	
	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
USD	\$ 27.68	28.48
EUR	31.32	35.02
JPY	0.2405	0.2763
HKD	3.55	3.67
KRW	0.0235	0.0264
CNY	4.34	4.38
GBP	37.30	38.90
THB	0.8347	0.9556

(Continued)

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

2) Sensitivity analysis

As of December 31, 2021 and 2020, 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>2021</u>	<u>December 31,</u> <u>2020</u>
USD(increases 1%)	\$ 606	531
EUR(increases 1%)	16	21
HKD(increases 1%)	1	14
CNY(increases 1%)	1	-
GBP(increases 1%)	7	8
THB(increases 1%)	9	17

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, 2021 and 2020.

(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>Carring Amount</u>	
	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Variable interest rate instrument:		
Term deposit	\$ <u>457,000</u>	<u>1,568,125</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>2021</u>	<u>December 31,</u> <u>2020</u>
Increase 10 basis points	\$ 457	1,568
Decrease 10 basis points	(457)	(1,568)

(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.

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:

		December 31, 2021			
Assets and liabilities		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Repeatable fair value measurement</u>					
<u>Non-derivative financial assets and liabilities</u>					
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$	131,006	131,006	-	-
Real estate investment trust beneficiary certificates		342,856	342,856	-	-
Stocks		1,405,497	1,405,497	-	-
Financial assets at fair value through other comprehensive income					
Stocks		2,080,399	2,065,027	-	15,372
		December 31, 2020			
Assets and liabilities		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Repeatable fair value measurement</u>					
<u>Non-derivative financial assets and liabilities</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

(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, 2021 and 2020.

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

Name	For the year ended December 31, 2021							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 out Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,944	-	1,428	-	-	-	-	15,372

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 out Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,524	-	420	-	-	-	-	13,944

(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"> · Price to Book Ratio · Discount for lack of marketability 	<ul style="list-style-type: none"> · The higher price to book ratio is, the higher fair value is. · The higher discount for lack of marketability is, the lower the fair value is.

- 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>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>154</u>	<u>(154)</u>
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>139</u>	<u>(139)</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>
December 31, 2021		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	\$ 1,819,699	1,831,958
Investment Property	856,508	1,770,222
December 31, 2020		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	1,859,746	1,893,480
Investment Property	791,880	1,695,676

2) Fair value information

<u>Item</u>	<u>December 31, 2021</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)	\$ 1,831,958	-	1,831,958	-
Investment property	1,770,222	-	-	1,770,222

(Continued)

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

Item	Total	December 31, 2020		
		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)	\$ 1,893,480	-	1,893,480	-
Investment property	1,695,676	-	-	1,695,676

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 2021 and 2020.

(w) 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.

(Continued)

UNION INSURANCE CO., LTD.
Notes to the 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)(u)(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.
- 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.

(Continued)

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

- 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.

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.

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

(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.

(x) 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, 2021, the method of capital management of the Company remains the same.

(y) 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

(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, 2021 and 2020, were as follows:

<u>December 31, 2021</u>	<u>Asset securitization products-REITS</u>
Assets possessed by the Company	
– Financial assets at fair value through profit or loss	\$ <u>342,856</u>
Total assets possessed by the company	\$ <u><u>342,856</u></u>
<u>December 31, 2020</u>	<u>Asset securitization products-REITS</u>
Assets possessed by the Company	
– 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>

(Continued)

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

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, 2021 and 2020.

(7) Related-party transactions:

- (a) Final controller

Mr. Tsai Yan Ming is the Company final controller.

- (b) Names and relationship of related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
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
Touche Innovative Media Co., Ltd.	Material related party
China Times Study Services Co Ltd.	Material related party
Media Sphere Communications Ltd.	Material related party
K Venture Co., Ltd.	Material related party
TY Star Network Technology 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
First Family Enterprise 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

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Shao Yuan Co., Ltd.	Material related party
Jia Peng Development Co., Ltd.	Material related party
Ho Yuan Want 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.	Material related party
Earth Want Co., Ltd.	Material related party
IBF Securities Co., Ltd.	Material related party
International Bills Finance Corp.	Material related party
Nuowant Biomedical Technology Co., Ltd.	Material related party
CTV Charities Aid Foundation	Material related party
Commercial Culture Co., Ltd.	Material related party
Hongkong Hai Tian Aquaculture Holdings Limited, Taiwan Branch (Previous Company Name : HongKong Da Want Aquaculture Holdings Limited, Taiwan Branch)	Material related party

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

(c) Compensation of key management personnel

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 41,554	46,487
Short-term employee benefits-paid leave	523	626
Post-employment benefits	546	821
Total	\$ 42,623	47,934

(Continued)

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

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

(i) The details of written premium, account receivables, and prepaid expenses were as follows:

1) Written premium

	For the years ended December 31,	
	2021	2020
	Amount	Amount
Written premium		
Other related parties	\$ 16,925	17,111
Key management personnel	<u>864</u>	<u>818</u>
Total	<u>\$ 17,789</u>	<u>17,929</u>

2) Account receivables

	December 31,	December 31,
	2021	2020
Premiums receivable:		
Other related parties	\$ 214	516
Key management personnel	<u>6</u>	<u>-</u>
Total	<u>\$ 220</u>	<u>516</u>

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

3) Prepaid expenses

	December 31,	December 31,
	2021	2020
Prepaid expenses:		
Other related parties	<u>\$ -</u>	<u>4,003</u>

(ii) General expense:

Related parties	For the years ended December 31,	
	2021	2020
Other related parties	<u>\$ 7,051</u>	<u>4,798</u>

(iii) Rental revenue:

Related parties	For the years ended December 31,	
	2021	2020
Key Management personnel	<u>\$ 60</u>	<u>-</u>

(Continued)

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

(8) Pledged assets:

As of December 31, 2021 and 2020, the assets pledged or guarantee were as follows:

<u>Pledged Assets</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose of pledge</u>
Other financial assets - Time deposit	\$ 167,000	167,000	Guarantee for the insurance business
Financial assets at amortized cost	423,641	365,852	Guarantee for operating business, suit, and contract performance
Total	<u>\$ 590,641</u>	<u>532,852</u>	

(9) Commitments and contingencies:

- (a) The Company had several significant insurance lawsuits and was required to pay indemnities of \$154,810, of which approximately \$110,986 were reinsured. The remain had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2021.
- (b) In order to improve computer equipment and IT systems, the Company is in contract with several IT companies. As of December 31, 2021, there is \$71,416 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,					
	2021			2020		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employees Benefits:						
Salaries	348,399	760,919	1,109,318	361,667	779,705	1,141,372
Labor and health insurance	-	83,637	83,637	-	77,988	77,988
Pension	-	41,735	41,735	-	41,488	41,488
Remuneration of directors	-	23,241	23,241	-	23,122	23,122
Others	-	45,688	45,688	-	44,905	44,905
Depreciation	4,226	46,778	51,004	4,262	49,735	53,997
Amortization	-	17,462	17,462	-	17,301	17,301

(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, 2021						
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	\$ 967,046	299,770	408,888	857,928	(1,106)	859,034
Non-compulsory insurance	9,694,439	132,688	2,689,620	7,137,507	183,063	6,954,444
Total	<u>\$ 10,661,485</u>	<u>432,458</u>	<u>3,098,508</u>	<u>7,995,435</u>	<u>181,957</u>	<u>7,813,478</u>

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>

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

For the year ended December 31, 2021				
Item	Claim (included related expenses) (1)	Reinsurance claim (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 660,187	277,747	393,918	544,016
Non-compulsory insurance	4,864,665	121,283	1,568,793	3,417,155
Total	<u>\$ 5,524,852</u>	<u>399,030</u>	<u>1,962,711</u>	<u>3,961,171</u>

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>

(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, 2021

Type	Beginning	Provision	Recovered	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 394,655	399,078	394,655	399,078	
Compulsory motorcycle liability insurance	141,925	132,472	141,925	132,472	
Special reserve					
Compulsory automobile liability insurance	(300,611)	86,256	62,574	(276,929)	
Compulsory motorcycle liability insurance	300,611	4,535	10,274	294,872	
Claim reserve					
Compulsory automobile liability insurance	667,234	569,388	667,234	569,388	
Compulsory motorcycle liability insurance	188,001	180,851	188,001	180,851	
Total	\$ 1,391,815	1,372,580	1,464,663	1,299,732	

(Continued)

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

For the years ended December 31, 2020

Type	Beginning	Provision	Recovered	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 381,506	394,655	381,506	394,655	
Compulsory motorcycle liability insurance	155,157	141,925	155,157	141,925	
Special reserve					
Compulsory automobile liability insurance	(329,245)	35,350	6,716	(300,611)	
Compulsory motorcycle liability insurance	329,245	-	28,634	300,611	
Claim reserve					
Compulsory automobile liability insurance	663,646	667,234	663,646	667,234	
Compulsory motorcycle liability insurance	196,925	188,001	196,925	188,001	
Total	\$ 1,397,234	1,427,165	1,432,584	1,391,815	

(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, 2021	December 31, 2020		December 31, 2021	December 31, 2020
<u>Asset</u>			<u>Liabilities</u>		
Cash and bank deposit	\$ 728,157	727,228	Claims payable	\$ 163	58
Notes receivable	7,860	7,876	Reinsurance indemnity payable	70,785	71,546
Premiums receivable	9,466	10,230	Unearned premium reserves	531,550	536,580
Claim recoverable from reinsures	51,658	70,141	Claims reserves	750,239	855,235
Due from reinsurers and ceding companies	49,805	48,867	Special reserves	17,943	-
Reserve - ceded unearned premiums	219,878	223,802			
Reserve - ceded claim	303,805	374,963			
Temporary payments	51	312			
Total assets	\$ 1,370,680	1,463,419	Total liabilities	\$ 1,370,680	1,463,419

(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,	
	2021	2020
Operating revenue	572,972	567,727
Direct insurance premium revenue	681,456	687,257
Reinsurance premium	299,770	293,622
Premium	981,226	980,879
Less: Reinsurance expense	(408,888)	(412,365)
Net change in unearned premium reserve	1,106	(216)
Retained earned premium	573,444	568,298
Interest income	(472)	(571)
Operating costs	590,695	567,727
Insurance claim payment	660,187	718,341
Reinsurance claim payment	277,747	270,000
Less: Claim recovered from reinsurers	(393,918)	(426,763)
Retained claim payment	544,016	561,578
Net change in claim reserve	(33,838)	(567)
Net change in special reserve	80,517	6,716

(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>	December 31, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,648,227	-	3,648,227
Receivables	680,984	-	680,984
Financial assets at fair value through profit or loss	1,879,359	-	1,879,359
Financial assets at fair value through other comprehensive income	-	2,080,399	2,080,399
Financial assets at amortized cost	-	1,396,058	1,396,058
Other financial assets	2,300,920	126,500	2,427,420
Right-of-use assets	-	18,127	18,127
Investment property	-	856,508	856,508
Reinsurance assets	3,466,616	393,401	3,860,017
Property and equipment	-	1,262,061	1,262,061
Intangible assets	-	120,574	120,574
Other assets	50,112	741,091	791,203
Total assets	\$ 12,026,218	6,994,719	19,020,937

<u>Liabilities</u>	December 31, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,232,275	5,410	1,237,685
Current tax liabilities	102,936	-	102,936
Insurance liabilities	10,202,544	755,930	10,958,474
Provisions	-	179,077	179,077
Lease liabilities	12,760	5,497	18,257
Deferred tax liabilities	-	63,920	63,920
Other liabilities	14,777	4,038	18,815
Total liabilities	\$ 11,565,292	1,013,872	12,579,164

(Continued)

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

<u>Assets</u>	December 31, 2020		
	<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	40,037	1,453,857	1,493,894
Other financial assets	1,949,664	171,973	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
Total assets	<u>\$ 10,526,662</u>	<u>7,218,070</u>	<u>17,744,732</u>
<u>Liabilities</u>	December 31, 2020		
<u>Liabilities</u>	<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
Total liabilities	<u>\$ 10,891,381</u>	<u>1,006,158</u>	<u>11,897,539</u>

(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, 2021 and 2020, the influence for not applying the notification on net income, liabilities, and equity of the Company resulted in an increase of \$111,532, an increase of \$116,212, a decrease of \$111,532, a decrease of \$116,212, an increase of \$111,532, an increase of \$116,212, respectively. The influence on the Company for not applying the notification resulted in an increase in the EPS by \$0.50 and \$0.52, 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:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Occurrence date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as the counterparty is a related party				Reference price	Purpose and usage	Others
							Owner	Relations with the issuer	Transfer date	Amount			
The Company	2F, No.467, Sec. 6, Zhongxiao E. Rd., Nangang Dist., Taipei City	2021.5.11	167,020	167,020	Natural person	Not related party	-	-	-	-	Appraisal report	Owner-occupied property	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 be different from the capital stocks disclosed in the financial statement due to different calculation basis.

(Continued)

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

(14) Segment information:

(a) General information

The Company primarily conducts its business in property insurance, which is the single mostly significant business unit for the Company, furthermore major decisions are based on the business activity's company-wide report to determine performance evaluation and the allocation of information, therefore it is not necessary to individually disclose operational information of reportable segments.

(b) Region information

The Company's business is primarily located in Taiwan.

(c) Important client information

The Company 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.

Union Insurance Co., LTD.
Statement of cash and cash equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash:		
Cash on hand		\$ 500
Petty cash		13,050
Demand deposits		2,252,660
Checking deposits		3,711
Foreign currency deposits	Included original currency (in thousands) and exchange rate:	154,412
	USD 5,415 @ 27.6800	
	HKD 50 @ 3.5500	
	GBP 22 @ 37.3000	
	JPY 120 @ 0.2405	
	AUD 22 @ 20.0800	
	EUR 63 @ 31.3200	
	CNY 1 @ 21.6200	
	SGD 4 @ 20.4600	
	THB 1,173 @ 0.8347	
Time deposits	Due date from Jan. 05, 2022 to Mar. 05, 2022, interest rate from 0.10% to 0.41%	446,479
Cash equivalents:		
Bonds purchased under resale agreements	Due date from Jan. 03, 2022 to Jan. 19, 2022, interest rate from 0.19% to 0.30%	777,415
Total		<u>\$ 3,648,227</u>

Union Insurance Co., LTD.
Statement of notes receivable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Non-Related Parties</u>			
A company		\$ 18,717	
B company		15,815	
Others		213,000	Each customer balance is less than 5% of account balance.
Less: Loss allowance		<u>(1,450)</u>	
Total (net)		<u>\$ 246,082</u>	

Statement of premiums receivable

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Related Parties</u>			
Other related parties		\$ 214	
Key management personnel		6	
<u>Non-Related Parties</u>			
C company		57,605	
Others		238,932	Each customer balance is less than 5% of account balance.
		<u>296,757</u>	
Less: Loss allowance		<u>(3,987)</u>	
Total (net)		<u>\$ 292,770</u>	

Union Insurance Co., LTD.
Statement of other receivables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interests receivable	Bond interest	\$ 34,900	
	Time deposit interest	<u>4,483</u>	
	Subtotal	<u>39,383</u>	
Overdue commissions of premium refund receivables		33,658	
Less: Loss allowance for overdue commissions of premium refund receivables		(30,928)	
	Subtotal	<u>2,730</u>	
Other receivables	From credit card	67,951	
	From convenience store	34,615	
	Others	907	Each item amount is less than 5% of account balance.
Less: Loss allowance for other receivables		(3,454)	
	Subtotal	<u>100,019</u>	
Total		<u><u>\$ 142,132</u></u>	

Union Insurance Co., LTD.

Statement of financial assets at fair value through profit or loss

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Financial assets Name	Description	Shares/ Units	Par Value	Principal Amount	Rate	Acquisition Cost	Fair Value		Change in fair value attributable to change in credit risk	Note
							Unit Price	Total		
<u>Beneficiary certificate</u>										
	Others(less than 5%)	-	\$ -	-	-	125,254	-	131,006	-	
<u>Domestic listed stocks and OTC stocks</u>										
	Taiwan Semiconductor Manufacturing Co., Ltd.	459,000	10	4,590	-	256,427	615.00	282,285	-	
	Others(less than 5%)	-	-	-	-	901,070	-	1,123,212	-	
<u>Domestic unlisted stocks</u>										
	CHINA REBAR CO., LTD.	5,644,203	10	56,442	-	296,010	-	-	-	
<u>REITs</u>										
	Cathay R1	18,911,000	-	-	-	325,074	18.13	342,856	-	
	Subtotal					1,903,835		<u>1,879,359</u>		
	Less: Valuation adjustment					(24,476)				
	Total (net)					<u>1,879,359</u>				

Union Insurance Co., LTD.

**Statement of financial assets at fair value through other comprehensive
income**

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Financial assets Name	Description	Shares/ Units	Par Value	Principal Amount	Loss Allowance	Allowance Adjustments for Valuation	Acquisition Cost	Fair Value		Note
								Unit Price	Total	
<u>Domestic listed stock and OTC stocks</u>										
Taiwan Cement Corp. 2nd Preferred Shares		2,785,000	\$ 10	27,850	-	3,180	141,083	51.80	144,263	
Cathay Financial Holding Co., Ltd. Preferred Stock A		5,000,000	10	50,000	-	14,500	300,000	62.90	314,500	
Cathay Financial Holding Co., Ltd. Preferred Stock B		2,709,011	10	27,090	-	9,482	162,541	63.50	172,022	
Taishin Financial Holding CO., LTD. Class E Preferred Shares		6,328,000	10	63,280	-	18,554	317,463	53.10	336,017	
Taishin Financial Holding CO., LTD. Class E Preferred Shares II		2,000,000	10	20,000	-	3,800	100,000	51.90	103,800	
CTBC Financial Holding CO., LTD. Preferred Shares C		8,333,000	10	83,330	-	13,333	499,980	61.60	513,313	
Chailease Holding CO., LTD. Class A Preferred Shares		2,990,000	10	29,900	-	3,965	299,520	101.50	303,485	
Others(less than 5%)		-	-	-	-	(1,442)	179,068	-	177,627	
Subtotal					-	65,372	1,999,655		2,065,027	
<u>Domestic unlisted stocks</u>										
Minchali Metal Industry CO., LTD.		1,400,000	10	14,000	-	14,112	1,260	10.98	15,372	
Total					-	79,484	2,000,915		2,080,399	

Union Insurance Co., LTD.

Statement of financial assets measured at amortized cost

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Bonds Name	Description	Quantity	Par Value	Principal Amount	Rate	Loss Allowance	(Discount) Premium Unamortised	Book Value	Note
Central Government Construction Bonds:									
Bond A7 issued in 2002	Due on 2022.08.16. Interests paid once a year	-	-	\$ 50,000	3.750 %	-	111	50,111	100% of securities serving
Bond A3 issued in 2003	Due on 2023.02.18. Interests paid once a year	-	-	300,000	2.500 %	-	(1,043)	298,957	76.5% of securities serving
Bond A2 issued in 2006	Due on 2026.02.24. Interests paid once a year	-	-	50,000	1.875 %	-	(280)	49,720	100% of securities serving
Bond A7 issued in 2006	Due on 2026.11.10. Interests paid once a year	-	-	50,000	2.125 %	-	(96)	49,904	76.00% of securities serving
Bond A8 issued in 2012	Due on 2042.08.24. Interests paid once a year	-	-	100,000	1.625 %	-	21,661	121,661	47.00% of securities serving
Subtotal				<u>550,000</u>		<u>-</u>	<u>20,353</u>	<u>570,353</u>	
Corporate Bonds:									
NAN SHAN Life Insurance Subordinated Corporate Bonds 2016 1	Cumulative without due date	-	-	300,000	3.500 %	(112)	-	299,888	
SHIN KONG Life Insurance Subordinated Corporate Bonds 2016 1	"	-	-	80,000	3.800 %	(65)	-	79,935	
Mercuries Life Insurance Subordinated Corporate Bonds 2016 1	"	-	-	170,000	3.700 %	(174)	-	169,826	
Taiwan Life Insurance Subordinated Corporate Bonds 2017 1	"	-	-	200,000	3.450 %	(74)	-	199,926	
NAN SHAN Life Insurance Subordinated Corporate Bonds 2018 1	"	-	-	100,000	3.300 %	(37)	-	99,963	
SHIN KONG Life Insurance Subordinated Corporate Bonds 2018 1	"	-	-	100,000	3.500 %	(82)	-	99,918	
Subtotal				<u>950,000</u>		<u>(544)</u>	<u>-</u>	<u>949,456</u>	
Financial Bonds:									
First Commercial Bank Subordinated Financial Bonds issued in 2018 2	Debenture Bonds, non-cumulative without due date	-	-	100,000	2.360 %	(37)	-	99,963	
HUA NAN Commercial Bank Subordinated Financial Bonds issued in 2019 1	"	-	-	200,000	1.950 %	(73)	-	199,927	
Subtotal				<u>300,000</u>		<u>(110)</u>	<u>-</u>	<u>299,890</u>	
Less: Guarantee for operating business and suit				<u>(414,500)</u>			<u>(9,141)</u>	<u>(423,641)</u>	
Total				<u>\$ 1,385,500</u>		<u>(654)</u>	<u>11,212</u>	<u>1,396,058</u>	

Union Insurance Co., LTD.
Statement of other financial assets
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Time deposit – initial maturity date over than three months		\$ 2,594,420	
Less: Securities serving as deposits paid (Note)		(167,000)	
Total		<u>\$ 2,427,420</u>	

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

Statement of changes in right-of-use assets

<u>Item</u>	<u>Beginning Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings and constructions	\$ 27,162	21,821	21,602	27,381	
Transportation equipment	5,434	4,436	5,435	4,435	
	<u>\$ 32,596</u>	<u>26,257</u>	<u>27,037</u>	<u>31,816</u>	

Union Insurance Co., LTD.

**Statement of changes in accumulated depreciation of
right-of-use assets**

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Increased	Decreased	Ending Balance	Note
Buildings and constructions	\$ 20,835	13,385	21,336	12,884	
Transportation equipment	3,951	2,289	5,435	805	
	<u>\$ 24,786</u>	<u>15,674</u>	<u>26,771</u>	<u>13,689</u>	

Union Insurance Co., LTD.
Statement of changes in investment property
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Beginning Balance			Addition			Decrease			Ending Balance			Collateral pledge	Note
	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total	Initial Recognition Amount	Accumulated Changes in Fair Value	Total		
Land and improvement	\$ 681,525	-	681,525	53,931	-	53,931	(7,569)	-	(7,569)	727,887	-	727,887	None	
Buildings and constructions	187,636	-	187,636	33,061	-	33,061	(3,593)	-	(3,593)	217,104	-	217,104	"	
Total	\$ 869,161	-	869,161	86,992	-	86,992	(11,162)	-	(11,162)	944,991	-	944,991		

Union Insurance Co., LTD.

Statement of changes in accumulated depreciation of investment property

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>		<u>Decrease</u>		<u>Ending Balance</u>	<u>Note</u>
		<u>Provision</u>	<u>Reclassification</u>	<u>Sold and Scrap</u>	<u>Reclassification</u>		
Buildings and constructions	\$ <u>73,140</u>	<u>4,226</u>	<u>8,400</u>	<u>-</u>	<u>(1,600)</u>	<u>84,166</u>	

Note: Provision depreciated by using the straight-line method over useful life of 20 to 61 years.

Union Insurance Co., LTD.

**Statement of changes in accumulated impairment of
investment property**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Beginning Balance	Addition	Decrease	Ending Balance	Note
Land and improvement	\$ 2,359	-	-	2,359	
Buildings and constructions	1,782	176	-	1,958	
Total	\$ 4,141	176	-	4,317	

Union Insurance Co., LTD.
Statement of claims and payments recoverable from
reinsurers
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Yearly renewable term commercial fire insurance		\$ 6,927	
Domestic transportation insurance		6	
Marine cargo insurance		799	
Fishing vessel insurance		480	
Personal automobile physical damage insurance		80,620	
Commercial automobile physical damage insurance		4,553	
Personal automobile liability insurance		44,700	
Commercial automobile liability insurance		15,691	
Compulsory personal automobile liability insurance		41,936	
Compulsory commercial automobile liability insurance		594	
Compulsory motorcycle liability insurance		9,128	
General liability insurance		8,044	
Professional indemnity insurance		874	
Engineering insurance		9,842	
Guarantee insurance		(1,701)	
Other property insurance		141	
Accident insurance		21,571	
Personal all risks insurance		8	
Typhoon and flood insurance		2,451	
Health insurance		2,289	
Commercial earthquake insurance		255	
Overdue claims recoverable from reinsurers		89	
Total		<u>\$ 249,297</u>	

Union Insurance Co., LTD.
Statement of due from and due to reinsurers and
ceding companies
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Description</u>	<u>Debit</u>	<u>Description</u>	<u>Credit</u>	<u>Note</u>
ERIF Insurance Broker Ltd.	\$ 69,583	Miller Insurance Services LLP-UK	25,962	
Elicon Risk Services Ltd.	39,658	Aon Taiwan Ltd.	21,743	
WOCA Insurance Broker Ltd.	38,031	Arthur J. Gallagher (UK) Limited	17,876	
Foreign exchange gains (losses) and others	3,964	Marsh Ltd., Taiwan Branch	13,906	
		Central Reinsurance Corporation	8,277	
		Foreign exchange gains (losses) and others	8,872	Each customer account balance is less than 5% of account balance.
Subtotal	<u>151,236</u>	Subtotal	<u>96,636</u>	
Reinsurance receivable	78,663	Reinsurance payable	521,836	
Reinsurance commission receivable	8,638	Reinsurance commission payable	1,611	
Overdue from ceding companies	<u>5,834</u>			
Total (net)	<u>\$ 244,371</u>		<u>620,083</u>	

Union Insurance Co., LTD.

Statement of change in property and equipment

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>		<u>Decrease</u>		<u>Ending Balance</u>	<u>Collateral or pledge</u>	<u>Note</u>
		<u>Purchase</u>	<u>Reclassification</u>	<u>Sold and Scrap</u>	<u>Reclassification</u>			
Land	\$ 825,946	136,007	7,569	-	(53,931)	915,591	None	
Buildings and constructions	480,196	47,956	3,593	-	(32,686)	499,059	"	
Computer equipment	183,601	8,686	-	(1,647)	-	190,640	"	
Transportation equipment	579	-	-	-	-	579	"	
Other equipment	51,799	3,214	-	(705)	-	54,308	"	
Leasehold improvements	2,004	-	-	-	-	2,004	"	
Total	\$ 1,544,125	195,863	11,162	(2,352)	(86,617)	1,662,181		

Union Insurance Co., LTD.

Statement of changes in accumulated depreciation of property and equipment

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>		<u>Decrease</u>		<u>Ending Balance</u>	<u>Note</u>
		<u>Provision</u>	<u>Reclassification</u>	<u>Sold and Scrap</u>	<u>Reclassification</u>		
Buildings and constructions	\$ 161,810	14,097	1,600	-	(8,400)	169,107	Note
Computer equipment	155,754	12,444	-	(1,647)	-	166,551	"
Transportation equipment	564	15	-	-	-	579	"
Other equipment	42,041	4,090	-	(705)	-	45,426	"
Leasehold improvements	858	458	-	-	-	1,316	"
Total	\$ 361,027	31,104	1,600	(2,352)	(8,400)	382,979	

Note: Both buildings and structures and miscellaneous equipment are depreciated by using the straight line method over useful life of 21 to 60 years and 3 to 9 years, respectively.

Union Insurance Co., LTD.
Statement of changes in accumulated impairment of
property and equipment
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>Ending Balance</u>	<u>Note</u>
Land	\$ 15,196	-	-	-	15,196	
Buildings and constructions	2,121	-	-	(176)	1,945	
Total	\$ <u>17,317</u>	<u>-</u>	<u>-</u>	<u>(176)</u>	<u>17,141</u>	

Statement of changes in intangible assets

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>Note</u>
Computer software	\$ 70,403	5,700	(14,135)	61,968	Note 1, 2
Golf club card	48,605	-	(3,327)	45,278	Note 3, 4
Other intangible assets - others	17,974	-	(4,646)	13,328	Note 5
Total	\$ <u>136,982</u>	<u>5,700</u>	<u>(22,108)</u>	<u>120,574</u>	

Note 1: Cost of computer software is amortized by straight line method over useful life of 3 to 12 years.

Note 2: The increase of \$855 is addition, and the decrease of \$14,135 is amortization expense.

Note 3: The decrease of \$3,327 is amortization expense.

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

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

Union Insurance Co., LTD.

Statement of other assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Gurantee deposits	Operation	\$ 334,572	
	Performance bond	262,336	
	Membership	69,748	
	Others	36,069	Each item amount is less than 5% of account balance.
	Subtotal	<u>702,725</u>	
Suspense payment		85,481	
Others		2,997	Each item amount is less than 5% of account balance.
Total		<u>\$ 791,203</u>	

Union Insurance Co., LTD.
Statement of insurance and reinsurance indemnity
payables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Personal automobile physical damage insurance		\$ 51
Personal automobile liability insurance		154
Commercial automobile liability insurance		5
Compulsory personal automobile liability insurance		143
Compulsory commercial automobile liability insurance		3
Compulsory motorcycle liability insurance		17
General liability insurance		227
Engineering insurance		4
Surety insurance		1
Accident insurance		538
Personal all risks insurance		1,604
Commercial all risks insurance		50
Health insurance		52
Total		<u>\$ 2,849</u>

Note: All of the above are direct businesses.

Union Insurance Co., LTD.
Statement of other payables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Accrued expenses	Salary compensation and year-end bonus	\$ 273,069	
	Others	46,200	Each item amount is less than 5% of account balance.
	Subtotal	<u>319,269</u>	
Accrued taxes		38,943	
Other payables	Stock settlement	31,228	
	Others	46,867	Each item amount is less than 5% of account balance.
	Subtotal	<u>78,095</u>	
Total		<u><u>\$ 436,307</u></u>	

Union Insurance Co., LTD.

Statement of changes in unearned premium reserve

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Total:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Yearly renewable term dwelling fire insurance	\$ 70,496	2,170	-	72,666	
Long-term dwelling fire insurance	91,741	(22,943)	-	68,798	
Yearly renewable term commercial fire insurance	240,913	4,220	-	245,133	
Long-term commercial fire insurance	500	(178)	-	322	
Domestic transportation insurance	11,694	(561)	-	11,133	
Marine cargo insurance	44,930	5,606	-	50,536	
Hull insurance	12,881	9,358	-	22,239	
Fishing vessel insurance	12,615	(1,581)	-	11,034	
Aviation insurance	34,528	(3,386)	-	31,142	
Personal automobile physical damage insurance	1,551,395	(12,573)	-	1,538,822	
Commercial automobile physical damage insurance	68,431	14,966	-	83,397	
Personal automobile liability insurance	1,063,375	57,274	-	1,120,649	
Commercial automobile liability insurance	307,251	9,073	-	316,324	
Compulsory personal automobile liability insurance	315,013	3,750	-	318,763	
Compulsory commercial automobile liability insurance	79,642	673	-	80,315	
Compulsory motorcycle liability insurance	141,925	(9,453)	-	132,472	
General liability insurance	122,135	18,950	-	141,085	
Professional indemnity insurance	18,676	2,260	-	20,936	
Engineering insurance	627,748	(11,211)	-	616,537	
Nuclear risks insurance	4,260	(625)	-	3,635	
Surety insurance	11,854	(4,055)	-	7,799	
Other property insurance	20,386	7,512	-	27,898	
Accident insurance	386,514	22,166	-	408,680	
Commercial earthquake insurance	120,536	(4,453)	-	116,083	
Personal all risks insurance	9,548	1,277	-	10,825	
Typhoon and flood insurance	95,921	(4,240)	-	91,681	
Policy-oriented earthquake insurance	145,266	4,307	-	149,573	
Yearly health insurance	10,921	15,590	-	26,511	
Overseas ceded-in reinsurance	226,597	(91,608)	-	134,989	
Total	\$ 5,847,692	12,285	-	5,859,977	

Overseas Ceded-in Reinsurance

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Fire insurance	\$ 2,018	2,376	-	4,394	
Hull insurance	205	15	-	220	
Aviation insurance	1,026	(355)	-	671	
Other liability insurance	223,348	(93,644)	-	129,704	
Total	\$ 226,597	(91,608)	-	134,989	

Union Insurance Co., LTD.

Statement of changes in unearned premium reserve

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Ceded-out:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Long-term dwelling fire insurance	\$ 43,395	(10,372)	-	33,023	
Yearly renewable term commercial fire insurance	107,556	(736)	-	106,820	
Long-term commercial fire insurance	112	(43)	-	69	
Domestic transportation insurance	1,169	(56)	-	1,113	
Marine cargo insurance	39,132	2,720	-	41,852	
Hull insurance	12,835	9,352	-	22,187	
Fishing vessel insurance	10,113	(869)	-	9,244	
Aviation insurance	30,898	(3,289)	-	27,609	
Personal automobile physical damage insurance	319,781	(62,420)	-	257,361	
Commercial automobile physical damage insurance	12,269	362	-	12,631	
Personal automobile liability insurance	156,275	(19,189)	-	137,086	
Commercial automobile liability insurance	50,801	(6,743)	-	44,058	
Compulsory personal automobile liability insurance	133,076	170	-	133,246	
Compulsory commercial automobile liability insurance	37,749	(128)	-	37,621	
Compulsory motorcycle liability insurance	52,977	(3,966)	-	49,011	
General liability insurance	39,536	13,047	-	52,583	
Professional indemnity insurance	7,156	16	-	7,172	
Engineering insurance	398,959	(20,705)	-	378,254	
Surety insurance	6,331	(2,355)	-	3,976	
Other property insurance	3,861	157	-	4,018	
Accident insurance	41,534	(921)	-	40,613	
Commercial earthquake insurance	59,190	(4,574)	-	54,616	
Personal all risks insurance	6	(6)	-	-	
Typhoon and flood insurance	49,704	(2,625)	-	47,079	
Policy-oriented earthquake insurance	128,947	2,419	-	131,366	
Health insurance	1,986	4,555	-	6,541	
Overseas ceded-in reinsurance	<u>162,635</u>	<u>(58,827)</u>	<u>-</u>	<u>103,808</u>	
Total	<u>\$ 1,907,983</u>	<u>(165,026)</u>	<u>-</u>	<u>1,742,957</u>	

Overseas Ceded-in Reinsurance

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Hull insurance	\$ 205	13	-	218	
Aviation insurance	648	(246)	-	402	
Other liability insurance	<u>161,782</u>	<u>(58,594)</u>	<u>-</u>	<u>103,188</u>	
Total	<u>\$ 162,635</u>	<u>(58,827)</u>	<u>-</u>	<u>103,808</u>	

Union Insurance Co., LTD.

Statement of changes in loss reserve

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Total:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Yearly renewable term dwelling fire insurance	\$ 24,338	(5,803)	-	18,535	
Long-term dwelling fire insurance	1,342	(198)	-	1,144	
Yearly renewable term commercial fire insurance	280,922	307,464	-	588,386	
Long-term commercial fire insurance	232	(217)	-	15	
Domestic transportation insurance	5,839	(151)	-	5,688	
Marine cargo insurance	17,413	15,084	-	32,497	
Hull insurance	87,585	27,552	-	115,137	
Fishing vessel insurance	33,919	(18,086)	-	15,833	
Aviation insurance	70,651	15,189	-	85,840	
Personal automobile physical damage insurance	314,240	103,208	-	417,448	
Commercial automobile physical damage insurance	26,972	17,466	-	44,438	
Personal automobile liability insurance	661,768	138,477	-	800,245	
Commercial automobile liability insurance	221,922	91,406	-	313,328	
Compulsory personal automobile liability insurance	565,435	(88,365)	-	477,070	
Compulsory commercial automobile liability insurance	101,799	(9,481)	-	92,318	
Compulsory motorcycle liability insurance	188,001	(7,150)	-	180,851	
General liability insurance	71,313	47,599	-	118,912	
Professional indemnity insurance	4,385	6,352	-	10,737	
Engineering insurance	229,685	24,319	-	254,004	
Nuclear risks insurance	186	258	-	444	
Surety insurance	25,047	(1,327)	-	23,720	
Other property insurance	8,534	985	-	9,519	
Accident insurance	319,343	(53,058)	-	266,285	
Commercial earthquake insurance	39,213	433	-	39,646	
Personal all risks insurance	1,994	(948)	-	1,046	
Typhoon and flood insurance	8,856	(5,162)	-	3,694	
Health insurance	7,323	(1,808)	-	5,515	
Overseas ceded-in reinsurance	6,762	2,611	-	9,373	
Total	\$ 3,325,019	606,649	-	3,931,668	

Overseas Ceded-in Reinsurance

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Fire insurance	\$ 466	2,209	-	2,675	
Marine cargo insurance	102	(12)	-	90	
Hull insurance	1,416	(672)	-	744	
Automobile insurance	38	(1)	-	37	
Engineering insurance	35	(2)	-	33	
Aviation insurance	862	1,347	-	2,209	
Other liability insurance	3,843	(258)	-	3,585	
Total	\$ 6,762	2,611	-	9,373	

Union Insurance Co., LTD.

Statement of changes in loss reserve

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Ceded-out:

Insurance	Beginning Balance	Net Change	Other Change	Ending Balance	Note
Long-term dwelling fire insurance	\$ 275	(229)	-	46	
Yearly renewable term commercial fire insurance	158,685	324,746	-	483,431	
Long-term commercial fire insurance	60	(59)	-	1	
Domestic transportation insurance	269	110	-	379	
Marine cargo insurance	6,276	7,303	-	13,579	
Hull insurance	84,017	27,091	-	111,108	
Fishing vessel insurance	25,493	(14,208)	-	11,285	
Aviation insurance	63,865	14,067	-	77,932	
Personal automobile physical damage insurance	87,146	9,899	-	97,045	
Commercial automobile physical damage insurance	5,340	2,245	-	7,585	
Personal automobile liability insurance	118,329	25,836	-	144,165	
Commercial automobile liability insurance	36,778	7,249	-	44,027	
Compulsory personal automobile liability insurance	257,812	(69,874)	-	187,938	
Compulsory commercial automobile liability insurance	46,840	(9,101)	-	37,739	
Compulsory motorcycle liability insurance	70,311	7,817	-	78,128	
General liability insurance	19,787	18,223	-	38,010	
Professional indemnity insurance	697	1,223	-	1,920	
Engineering insurance	164,934	21,015	-	185,949	
Guarantee insurance	10,931	(904)	-	10,027	
Other property insurance	795	(679)	-	116	
Accident insurance	138,324	(60,625)	-	77,699	
Commercial earthquake insurance	11,930	201	-	12,131	
Personal all risks insurance	69	46	-	115	
Typhoon and flood insurance	1,989	(103)	-	1,886	
Health insurance	965	186	-	1,151	
Total	\$ 1,311,917	311,475	-	1,623,392	

Union Insurance Co., LTD.
Statement of changes in special reserves
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Other Change</u>	<u>Ending Balance</u>	<u>Note</u>
Compulsory personal automobile liability insurance	\$ 131,559	61,761	-	193,320	
Compulsory commercial automobile liability insurance	(432,170)	(38,079)	-	(470,249)	
Compulsory motorcycle liability insurance	300,611	(5,739)	-	294,872	
Nuclear risks insurance	82,796	-	-	82,796	
Commercial earthquake insurance	722,414	(2,787)	-	719,627	
Typhoon and flood insurance	217,474	(2,278)	-	215,196	
Policy-oriented earthquake insurance	127,111	-	-	127,111	
Others(Note)	<u>4,156</u>	<u>-</u>	<u>-</u>	<u>4,156</u>	
Total	<u>\$ 1,153,951</u>	<u>12,878</u>	<u>-</u>	<u>1,166,829</u>	

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

Union Insurance Co., LTD.

Statement of changes in special reserves (special reserves for
catastrophic event and fluctuation of risk)

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Beginning Balance	Provision	Recovery	Ending Balance	Note
Yearly renewable term dwelling fire insurance	\$ 74,521	10,273	(6,357)	78,437	
Long-term dwelling fire insurance	14,586	1,141	(5,156)	10,571	
Yearly renewable term commercial fire insurance	70,023	7,051	(3,345)	73,729	
Long-term commercial fire insurance	1,221	35	(110)	1,146	
Domestic transportation insurance	8,831	1,729	-	10,560	
Marine cargo insurance	83,628	5,066	-	88,694	
Hull insurance	8,352	7	(95)	8,264	
Fishing vessel insurance	6,984	957	-	7,941	
Aviation insurance	4,376	600	-	4,976	
Personal automobile physical damage insurance	418,534	49,939	-	468,473	
Commercial automobile physical damage insurance	8,360	1,019	(2,042)	7,337	
Personal automobile liability insurance	120,564	32,143	-	152,707	
Commercial automobile liability insurance	23,189	4,329	-	27,518	
General liability insurance	164,843	8,329	(31,251)	141,921	
Professional indemnity insurance	5,528	92	(1,376)	4,244	
Engineering insurance	126,532	14,319	-	140,851	
Nuclear risks insurance	39,613	2,788	-	42,401	
Guarantee insurance	7,170	2,040	-	9,210	
Credit insurance	718	8	(7)	719	
Other property insurance	17,481	1,213	-	18,694	
Accident insurance	276,414	31,724	(11,915)	296,223	
Commercial earthquake insurance	280,820	40,497	-	321,317	
Personal all risks insurance	10,217	2,420	-	12,637	
Commercial all risks insurance	8,906	-	-	8,906	
Typhoon and flood insurance	222,770	33,345	-	256,115	
Policy-oriented earthquake insurance	191,945	27,438	-	219,383	
Yearly health insurance	11,722	3,121	-	14,843	
Overseas ceded-in reinsurance	12,642	676	(187)	13,131	
Total	\$ <u>2,220,490</u>	<u>282,299</u>	<u>(61,841)</u>	<u>2,440,948</u>	

Overseas Ceded-in Reinsurance

Items	Beginning Balance	Provision	Recovery	Ending Balance	Note
Fire insurance	\$ 6,435	275	-	6,710	
Marine cargo insurance	710	11	(96)	625	
Hull insurance	1,707	76	(91)	1,692	
Fishing vessel insurance	1	-	-	1	
Automobile insurance	163	-	-	163	
Engineering insurance	600	-	-	600	
Aviation insurance	909	34	-	943	
Other property insurance	59	-	-	59	
Other liability insurance	2,058	280	-	2,338	
Total	\$ <u>12,642</u>	<u>676</u>	<u>(187)</u>	<u>13,131</u>	

Union Insurance Co., LTD.**Statement of changes in special reserves (special reserves for
travel insurance)****For the year ended December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Items	Beginning Balance	Provision	Recovery	Ending Balance
Accident insurance	\$ <u>-</u>	<u>4,289</u>	<u>-</u>	<u>4,289</u>

Union Insurance Co., LTD.

**Calculation of special reserves (special reserves for catastrophic event and
fluctuation of risk) allocated**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Insurance	Retained Earned premium	Expected Claim			Special Reserve Provision				
		Expected Probability of Loss	Expected Claim Amount	Retained Claim payment	Provision Rate	Standard Provision	Less than Expected Claim Provision	Effects of Income Tax	Total Provision
Yearly renewable term dwelling fire insurance	\$ 130,210	55.90 %	72,786	13,218	3.00 %	3,906	8,935	(2,568)	10,273
Long-term dwelling fire insurance	12,432	70.40 %	8,752	69	1.00 %	124	1,302	(285)	1,141
Yearly renewable term commercial fire insurance	176,286	62.47 %	110,132	123,978	5.00 %	8,814	-	(1,763)	7,051
Long-term commercial fire insurance	133	74.00 %	99	(147)	5.00 %	6	37	(8)	35
Domestic transportation insurance	20,761	60.50 %	12,560	2,303	3.00 %	623	1,538	(432)	1,729
Marine cargo insurance	93,356	60.50 %	56,478	45,382	5.00 %	4,668	1,664	(1,266)	5,066
Hull insurance	189	68.30 %	129	230	5.00 %	9	-	(2)	7
Fishing vessel insurance	6,003	69.30 %	4,160	(1,814)	5.00 %	300	896	(239)	957
Aviation insurance	7,221	72.30 %	5,220	3,585	7.00 %	505	245	(150)	600
Personal automobile physical damage insurance	2,500,369	65.40 %	1,635,214	1,385,750	1.00 %	25,004	37,420	(12,485)	49,939
Commercial automobile physical damage insurance	127,461	65.00 %	82,849	85,402	1.00 %	1,274	-	(255)	1,019
Personal automobile liability insurance	1,815,611	65.40 %	1,187,493	1,040,672	1.00 %	18,156	22,023	(8,036)	32,143
Commercial automobile liability insurance	541,066	65.14 %	352,461	407,619	1.00 %	5,411	-	(1,082)	4,329
General liability insurance	240,115	70.68 %	169,712	116,314	1.00 %	2,401	8,010	(2,082)	8,329
Professional indemnity insurance	11,431	67.30 %	7,693	9,413	1.00 %	115	-	(23)	92
Engineering insurance	179,547	59.30 %	106,471	47,002	5.00 %	8,978	8,921	(3,580)	14,319
Nuclear risks insurance	6,969	- %	-	-	- %	-	3,485	(697)	2,788
Guarantee insurance	12,633	72.41 %	9,148	(5,322)	3.00 %	379	2,171	(510)	2,040
Credit insurance	-	66.30 %	-	(61)	3.00 %	-	8	-	8
Other property insurance	44,466	66.30 %	29,481	28,262	3.00 %	1,334	182	(303)	1,213
Accident insurance	747,424	74.71 %	558,399	377,344	1.67 %	12,495	27,159	(7,930)	31,724
Commercial earthquake insurance	94,653	63.40 %	60,008	1,346	7.00 %	6,626	43,996	(10,125)	40,497
Personal all risks insurance	26,910	71.51 %	19,245	864	1.00 %	269	2,757	(606)	2,420
Commercial all risks insurance	-	65.30 %	-	-	3.00 %	-	-	-	-
Typhoon and flood insurance	72,483	63.26 %	45,851	(2,959)	7.00 %	5,074	36,607	(8,336)	33,345
Policy-oriented earthquake insurance	34,285	- %	-	-	- %	-	34,298	(6,860)	27,438
Health insurance	44,487	68.90 %	30,652	13,544	3.00 %	1,335	2,566	(780)	3,121
Overseas ceded-in reinsurance	40,404	- %	26,993	33,581		632	213	(169)	676
	<u>\$ 6,986,905</u>		<u>4,591,986</u>	<u>3,725,575</u>		<u>108,438</u>	<u>244,433</u>	<u>(70,572)</u>	<u>282,299</u>

Overseas Ceded-in Reinsurance

Insurance	Retained Earned premium	Expected Claim			Special Reserve Provision				
		Expected Probability of Loss	Expected Claim Amount	Retained Claim Payment	Provision Rate	Standard Provision	Less than Expected Claim Provision	Effects of Income Tax	Total Provision
Fire insurance	\$ 4,681	62.47 %	2,925	2,197	0.05 %	234	109	(68)	275
Marine argo insurance	96	60.50 %	58	(4)	0.05 %	5	9	(3)	11
Hull insurance	(2)	68.30 %	-	(633)	0.05 %	-	95	(19)	76
Fishing vessel insurance	-	69.30 %	-	-	0.05 %	-	-	-	-
Automobile insurance	29	65.40 %	19	58	0.01 %	-	-	-	-
Engineering insurance	-	59.30 %	-	3	0.05 %	-	-	-	-
Aviation insurance	610	72.30 %	441	8,071	0.07 %	43	-	(9)	34
Other property insurance	-	66.30 %	-	-	0.03 %	-	-	-	-
Other liability insurance	34,990	67.30 %	23,550	23,889	1.00 %	350	-	(70)	280
	<u>\$ 40,404</u>		<u>26,993</u>	<u>33,581</u>		<u>632</u>	<u>213</u>	<u>(169)</u>	<u>676</u>

Union Insurance Co., LTD.

Calculation of special reserves (special reserves for catastrophic event and fluctuation of risk) recovered

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Insurance	Previous Accumulated Special Reserve	Previous Accumulated Special Reserve added Provision	Special Reserve Recovery					Total Recoverable amount	Accumulated Special Reserve
			More than Expected Claim Recovery	More than Retained Earned Premium Recovery	Special Reserve Recovered for Serious Accident	Effects of Income Tax			
Yearly renewable term dwelling fire insurance	\$ 74,521	84,794	-	(7,946)	-	1,589	(6,357)	78,437	
Long-term dwelling fire insurance	14,586	15,727	-	(6,445)	-	1,289	(5,156)	10,571	
Yearly renewable term commercial fire insurance	70,023	77,074	(4,181)	-	-	836	(3,345)	73,729	
Long-term commercial fire insurance	1,221	1,256	-	(138)	-	28	(110)	1,146	
Domestic transportation insurance	8,831	10,560	-	-	-	-	-	10,560	
Marine cargo insurance	83,628	88,694	-	-	-	-	-	88,694	
Hull insurance	8,352	8,359	(101)	(18)	-	24	(95)	8,264	
Fishing vessel insurance	6,984	7,941	-	-	-	-	-	7,941	
Aviation insurance	4,376	4,976	-	-	-	-	-	4,976	
Personal automobile physical damage insurance	418,534	468,473	-	-	-	-	-	468,473	
Commercial automobile physical damage insurance	8,360	9,379	(2,552)	-	-	510	(2,042)	7,337	
Personal automobile liability insurance	120,564	152,707	-	-	-	-	-	152,707	
Commercial automobile liability insurance	23,189	27,518	-	-	-	-	-	27,518	
General liability insurance	164,843	173,172	-	(39,064)	-	7,813	(31,251)	141,921	
Professional indemnity insurance	5,528	5,620	(1,720)	-	-	344	(1,376)	4,244	
Engineering insurance	126,532	140,851	-	-	-	-	-	140,851	
Nuclear risks insurance	39,613	42,401	-	-	-	-	-	42,401	
Guarantee insurance	7,170	9,210	-	-	-	-	-	9,210	
Credit insurance	718	726	-	(8)	-	1	(7)	719	
Other property insurance	17,481	18,694	-	-	-	-	-	18,694	
Accident insurance	276,414	308,138	-	(14,894)	-	2,979	(11,915)	296,223	
Commercial earthquake insurance	280,820	321,317	-	-	-	-	-	321,317	
Personal all risks insurance	10,217	12,637	-	-	-	-	-	12,637	
Commercial all risks insurance	8,906	8,906	-	-	-	-	-	8,906	
Typhoon and flood insurance	222,770	256,115	-	-	-	-	-	256,115	
Policy-oriented earthquake insurance	191,945	219,383	-	-	-	-	-	219,383	
Health insurance	11,722	14,843	-	-	-	-	-	14,843	
Overseas ceded-in reinsurance	12,642	13,318	-	(234)	-	47	(187)	13,131	
	<u>\$ 2,220,490</u>	<u>2,502,789</u>	<u>(8,554)</u>	<u>(68,747)</u>	<u>-</u>	<u>15,460</u>	<u>(61,841)</u>	<u>2,440,948</u>	

Overseas Ceded-in Reinsurance

Insurance	Previous Accumulated Special Reserve	Previous Accumulated Special Reserve added Provision	Special Reserve Recovery					Total Recovery	Accumulated Special Reserve
			More than Expected Claim Recovery	More than Retained Earned Premium Recovery	Special Reserve Recovered for Serious Accident	Effects of Income Tax			
Fire insurance	\$ 6,435	6,710	-	-	-	-	-	6,710	
Marine cargo insurance	710	721	-	(120)	-	24	(96)	625	
Hull insurance	1,707	1,783	-	(114)	-	23	(91)	1,692	
Fishing vessel insurance	1	1	-	-	-	-	-	1	
Automobile insurance	163	163	-	-	-	-	-	163	
Engineering insurance	600	600	-	-	-	-	-	600	
Aviation insurance	909	943	-	-	-	-	-	943	
Other property insurance	59	59	-	-	-	-	-	59	
Other liability insurance	2,058	2,338	-	-	-	-	-	2,338	
	<u>\$ 12,642</u>	<u>13,318</u>	<u>-</u>	<u>(234)</u>	<u>-</u>	<u>47</u>	<u>(187)</u>	<u>13,131</u>	

Union Insurance Co., LTD.**Statement of provisions****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Provisions for employee benefits		\$ <u><u>179,077</u></u>	

Union Insurance Co., LTD.
Statement of lease liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Leasing Term</u>	<u>Discount Rate</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings and constructions		2019.04.01~2024.10.31	1.80%~2.10%	\$ 14,600	
Transportation equipment		2021.04.28~2024.09.26	2.80%	3,657	
				<u>\$ 18,257</u>	

Statement of deferred tax liabilities

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Provisions for land value-added tax		<u>\$ 63,920</u>	

Union Insurance Co., LTD.
Statement of other liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Premiums received in advance		\$ 1,452	
Guarantee deposits	Leasehold	6,556	
	Others	174	
Reinsurance liability reserve deposits		3,754	
Suspense receipts		6,563	
Others		316	Each item amount is less than 5% of account balance
Total		<u>\$ 18,815</u>	

Union Insurance Co., LTD.

Statement of retained earned premium income

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Insurance	Written Premium	Reinsurance Premium	Reinsurance Expense	Retained Premium	Provision Method	Net Change in Unearned Premiums Reserve	Retained Earned Premium	Note
Yearly renewable term dwelling fire insurance	\$ 132,380	-	-	132,380	Note	2,170	130,210	
Long-term dwelling fire insurance	(165)	(15)	(41)	(139)	"	(7,925)	7,786	
Yearly renewable term commercial fire insurance	524,407	20,465	363,630	181,242	"	4,956	176,286	
Long-term commercial fire insurance	-	-	-	-	"	(133)	133	
Domestic transportation insurance	24,011	-	3,755	20,256	"	(505)	20,761	
Marine cargo insurance	169,106	3,387	76,251	96,242	"	2,886	93,356	
Hull insurance	76,947	-	76,753	194	"	5	189	
Fishing vessel insurance	25,370	2,446	22,524	5,292	"	(711)	6,003	
Aviation insurance	61,957	-	54,834	7,123	"	(98)	7,221	
Personal automobile physical Damage insurance	3,059,691	41	509,515	2,550,217	"	49,848	2,500,369	
Commercial automobile physical Damage insurance	167,393	-	25,328	142,065	"	14,604	127,461	
Personal automobile liability insurance	2,154,975	47	262,948	1,892,074	"	76,463	1,815,611	
Commercial automobile liability insurance	645,908	10	89,036	556,882	"	15,816	541,066	
General liability insurance	314,988	1,718	112,723	203,983	"	5,903	198,080	
Professional indemnity insurance	28,105	158	14,588	13,675	"	2,244	11,431	
Engineering insurance	400,199	26,090	237,248	189,041	"	9,494	179,547	
Guarantee insurance	16,512	1,146	6,725	10,933	"	(1,700)	12,633	
Other property insurance, accident	33,062	-	10,300	22,762	"	1,177	21,585	
Other property insurance-automobile	29,058	-	-	29,058	"	6,177	22,881	
Agricultural insurance	456	-	456	-	"	-	-	
Accident insurance	1,067,972	5,546	290,950	782,568	"	23,087	759,481	
Commercial earthquake insurance	229,630	8,671	143,528	94,773	"	120	94,653	
Personal all risks insurance	25,844	2,917	568	28,193	"	1,283	26,910	
Typhoon and flood insurance	183,348	7,966	120,447	70,867	"	(1,616)	72,483	
Health insurance	66,558	-	8,873	57,685	"	11,035	46,650	
Overseas ceded-in reinsurance — fire insurance	-	7,057	-	7,057	"	2,376	4,681	
Overseas ceded-in reinsurance — marine cargo insurance	-	96	-	96	"	-	96	
Overseas ceded-in reinsurance — hull insurance	-	1,232	1,232	-	"	2	(2)	
Overseas ceded-in reinsurance — automobile insurance	-	29	-	29	"	-	29	
Overseas ceded-in reinsurance — aviation insurance	-	1,250	748	502	"	(108)	610	
Overseas ceded-in reinsurance — other liability insurance	-	(89)	(29)	(60)	"	(35,050)	34,990	
Nuclear risks insurance	-	6,344	-	6,344	"	(625)	6,969	
Compulsory personal automobile liability insurance	676,853	193,380	266,492	603,741	"	3,580	600,161	
Compulsory commercial automobile liability insurance	137,680	35,234	75,242	97,672	"	801	96,871	
Compulsory motorcycle liability insurance	152,513	71,156	67,154	156,515	"	(5,487)	162,002	
Policy-oriented earthquake insurance	256,727	36,176	256,730	36,173	"	1,888	34,285	
Total	<u>\$ 10,661,485</u>	<u>432,458</u>	<u>3,098,508</u>	<u>7,995,435</u>		<u>181,957</u>	<u>7,813,478</u>	

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

Union Insurance Co., LTD.
Statement of interest income
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Government bonds, financial bonds, and corporate bonds		\$ 54,979	
Cash in banks		16,026	
Others	Imputed-interest for deposit	2,652	Each item amount is less than 5% of account balance.
Total		<u>\$ 73,657</u>	

Statement of gain (loss) on financial assets and liabilities at fair value through profit or loss

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Equity instrument	Realized gains (losses)	\$ 357,531	
	Valuation gains (losses)	(3,799)	
Liability instrument	Realized gains (losses)	21,728	
	Valuation gains (losses)	<u>(7,882)</u>	
		<u>\$ 367,578</u>	

Union Insurance Co., LTD.

**Statement of realized gain (loss) on financial assets
at fair value through other comprehensive income**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Equity instrument:		
Cash dividends	\$ <u><u>73,713</u></u>	

Statement of foreign exchange gain (loss)

Items	Description	Amount	Note
Valuation for foreign currency deposits		\$ <u><u>(50)</u></u>	

Statement of gain (loss) on investment property

Items	Amount	Note
Rental revenue	\$ 25,027	
Depreciation expense	<u>(4,226)</u>	
Total	\$ <u><u>20,801</u></u>	

Union Insurance Co., LTD.
Statement of expected credit loss and reversal on
investment

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Impairment Losses</u>	<u>Reversal of Impairment Losses</u>	<u>Note</u>
Government bonds	\$ -	141	
Financial bonds	-	13	
Corporate bonds	-	65	
	<u>\$ -</u>	<u>219</u>	

Statement of other operating income or cost

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Income:			
Exchange gains— non-investment		\$ 9,851	
Total		<u>\$ 9,851</u>	
Costs:			
Exchange losses— non-investment		\$ 11,047	
Reserve for industry stability fund		21,322	
Others		90	
Total		<u>\$ 32,459</u>	

Union Insurance Co., LTD.
Statement of retained claims payments
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Insurance	Claim(included related expense)	Reinsurance claim	Claims recovery from reinsurers	Retained claim payment	Note
Yearly renewable term dwelling fire insurance	\$ 18,891	-	-	18,891	
Long-term dwelling fire insurance	-	28	-	28	
Yearly renewable term commercial fire insurance	586,872	291	437,565	149,598	
Domestic transportation insurance	2,831	-	283	2,548	
Marine cargo insurance	44,150	85	6,028	38,207	
Hull insurance	17,599	-	16,629	970	
Fishing vessel insurance	9,989	537	9,066	1,460	
Aviation insurance	7,082	-	4,012	3,070	
Personal automobile physical damage insurance	1,707,853	-	412,733	1,295,120	
Commercial automobile physical damage insurance	87,919	-	17,294	70,625	
Personal automobile liability insurance	1,134,873	3	202,071	932,805	
Commercial automobile liability insurance	390,972	2	65,069	325,905	
General liability insurance	114,829	622	27,080	88,371	
Professional indemnity insurance	5,649	-	1,189	4,460	
Engineering insurance	117,496	10,916	84,010	44,402	
Guarantee insurance	(6,538)	983	(570)	(4,985)	
Credit insurance	-	(61)	-	(61)	
Other property insurance,	2,643	3	1,025	1,621	
Other property insurance,	25,015	-	-	25,015	
Accident insurance	565,494	7,318	205,108	367,704	
Commercial earthquake insurance	3,115	-	1,995	1,120	
Personal all risks insurance	1,280	842	307	1,815	
Typhoon and flood insurance	5,054	-	3,126	1,928	
Health insurance	21,597	-	6,102	15,495	
Overseas ceded-in reinsurance — fire insurance	-	45	-	45	
Overseas ceded-in reinsurance — marine cargo insurance	-	8	-	8	
Overseas ceded-in reinsurance — hull insurance	-	22	-	22	
Overseas ceded-in reinsurance — automobile insurance	-	59	-	59	
Overseas ceded-in reinsurance — engineering insurance	-	5	-	5	
Overseas ceded-in reinsurance — aviation Insurance	-	6,764	-	6,764	
Overseas ceded-in reinsurance — other liability insurance	-	92,808	68,671	24,137	
Nuclear risks insurance	-	3	-	3	
Compulsory personal automobile liability insurance	475,230	146,176	283,538	337,868	
Compulsory commercial automobile liability insurance	86,337	23,213	52,314	57,236	
Compulsory motorcycle liability insurance	98,620	108,358	58,066	148,912	
Total	\$ 5,524,852	399,030	1,962,711	3,961,171	

Union Insurance Co., LTD.
Statement of commission expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commission expense from underwriting:			
yearly renewable term dwelling fire insurance		\$ 21,746	
Long-term dwelling fire insurance		(17)	
Yearly renewable term commercial fire insurance		50,341	
Domestic transportation insurance		3,755	
Marine cargo insurance		23,556	
Hull insurance		416	
Fishing vessel insurance		1,289	
Aviation insurance		5,036	
Personal automobile physical damage insurance		539,757	
Commercial automobile physical damage insurance		30,384	
Personal automobile liability insurance		380,407	
Commercial automobile liability insurance		114,662	
Compulsory personal automobile liability insurance		109,455	
Compulsory commercial automobile liability insurance		4,663	
Compulsory motorcycle liability insurance		14,912	
General liability insurance		56,732	
Professional indemnity insurance		4,054	
Engineering insurance		37,983	
Guarantee insurance		2,229	
Other property insurance		9,797	
Accident insurance		208,501	
Commercial earthquake insurance		16,673	
Personal all risks insurance		5,925	
Typhoon and flood insurance		15,226	
Policy-oriented earthquake insurance		14,936	
Health insurance		13,623	
Total		<u>\$ 1,686,041</u>	

Union Insurance Co., LTD.
Statement of commission expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Reinsurance commission expense:			
Long-term dwelling fire insurance		\$ (7)	
Yearly renewable term commercial fire insurance		625	
Marine cargo insurance		102	
Fishing vessel insurance		348	
Personal automobile physical damage insurance		8	
Personal automobile liability insurance		3	
Commercial automobile liability insurance		1	
General liability insurance		161	
Professional indemnity insurance		13	
Engineering insurance		7,833	
Nuclear risks insurance		382	
Guarantee insurance		17	
Other property insurance		11	
Accident insurance		12	
Commercial earthquake insurance		288	
Personal all risks insurance		291	
Typhoon and flood insurance		253	
Policy-oriented earthquake insurance		62	
Reinsurance assumed business		<u>1,327</u>	
Total		<u>\$ 11,730</u>	

Union Insurance Co., LTD.
Statement of finance costs
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Amount</u>
Deferred interest expense	Deferred interest payment due to claim disputation	\$ 4,336	
Interest expense of lease liability		354	
Total		<u>\$ 4,690</u>	

Statement of general expenses

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Remarks</u>
Salary expense	Employee salary and year-end bonuses	\$ 574,842	
Taxes	Value-added and stamp tax	246,545	
Entertainment expense		229,999	
Advertisement expense		134,818	
Handling fee		119,279	
Others		342,018	Each item amount is less than 5% of account balance.
Total		<u>\$ 1,647,501</u>	

Union Insurance Co., LTD.
Statement of administrative expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary expense	Employee salary and year-end bonuses	\$ 208,964	
Professional service expense		63,988	
Postage expense		19,899	
Others		104,082	Each item amount is less than 5% of account balance.
Total		<u>\$ 396,933</u>	

Union Insurance Co., LTD.

**Summary of employee benefits, depreciation,
depletion and amortization expenses by functional
account**

For the year ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Function Nature	2021			2020		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employees Benefits						
Salaries	348,399	760,919	1,109,318	361,667	779,705	1,141,372
Labor and health insurance	-	83,637	83,637	-	77,988	77,988
Pension	-	41,735	41,735	-	41,488	41,488
Remuneration of directors	-	23,241	23,241	-	23,122	23,122
Others	-	45,688	45,688	-	44,905	44,905
Depreciation	4,226	46,778	51,004	4,262	49,735	53,997
Amortization	-	17,462	17,462	-	17,301	17,301

An additional information on the numbers of employees and employee benefits of The Company for 2021 and 2020 were as follow:

	<u>2021</u>	<u>2020</u>
Employees	<u>1,118</u>	<u>1,119</u>
Numbers of directors-non-employees	<u>7</u>	<u>7</u>
Average expense employee benefits	\$ <u>1,152</u>	\$ <u>1,174</u>
Average employee salary expense	\$ <u>998</u>	\$ <u>1,026</u>
Adjustment to average employee salaries and wages	<u>(2.73)%</u>	
Supervisor's remuneration	<u>-</u>	<u>-</u>

Remuneration policy (includes directors, managers and employees):

(1) Directors and appointed managers:

(a) It is handled in accordance with the Company's "Salary and Remuneration Committee Organizational Rules", "Performance and Salary and Remuneration Evaluation Methods for Directors and Managers" and "Performance System and Evaluation Mechanism for the Chairman and General Manager".

(b) Directors:

(i) The salary and remuneration of the Company's directors is based on a monthly salary system, and transportation fees are paid based on actual attendance of the board of directors and their respective functional committees.

- (ii) The remuneration of the chairman of the Board also includes an annual performance bonus and is handled in accordance with the "Performance System and Evaluation Mechanism for the Chairman and General Manager".
 - (iii) The remuneration of the Company's directors (including transportation fees) is based on the provisions of the Articles of Incorporation, and the amount is authorized to be paid by the Board of Directors according to usual standards of the industry.
- (c) Appointed managers:
- (i) The remuneration of appointed managers is based on a monthly salary system plus various bonuses; they are in nature to motivate or reward appointed managers ; and depend on the Company's overall operating performance during the year and the achievement of the unit. They include year-end and variable performance bonuses, etc.
 - (ii) The remuneration of the general manager is handled in accordance with the content stipulated in the appointment contract, and "Performance System and Evaluation Mechanism for the Chairman and General Manager".
 - (iii) The remuneration of the Company's appointed managers is based on the regulations of the Articles of Incorporation, which shall be submitted to the Board of Directors for discussion.
- (d) Regarding the distribution of flexible bonuses to the Company's directors and appointed managers, the Company's overall operating results for the year and the comprehensive evaluation of the operating performance of the units under its jurisdiction shall be considered. Reasonableness and fairness and the provisions of the Articles of Incorporation shall be paid attention to during the evaluation.
- (e) The salary and remuneration of the directors and appointed managers of the Company shall be discussed by the salary and remuneration committee before the board of directors resolution.
- (2) Employee:

The employees' annual salary includes 12-months salary, year-end bonus and employee compensation. Year-end bonuses are paid based on the Company's operating performance and individual employee performance for the year; employee compensation is based on the Company's Articles of Incorporation. If the Company makes a profit during the year, one to five percent shall be allocated as employee compensation. However, if the Company still has accumulated losses, it shall first make up for the accumulated losses before the balance can be allocated and distributed.

Union Insurance Co., LTD.
Statement of non-operating income and expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Recovery claim		\$ 13,156	
Reclassification of overdue liabilities to income		1,653	
Miscellaneous income		1,053	Each item amount is less than 5% of account balance.
Recovery service expense		(3,688)	
Other expense		(30)	Each item amount is less than 5% of account balance.
Total		<u>\$ 12,144</u>	

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

UNION INSURANCE CO., LTD.

Other Disclosures in Financial Reports

For the Year Ended December 31, 2021



安侯建業聯合會計師事務所

KPMG

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Union Insurance Co., LTD.

Review Report of Other Disclosures in Financial Reports

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

We have audited the financial statements of Union Insurance Co., LTD. for the year ended December 31, 2021. Our audit was made in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Republic of China generally accepted auditing standards, and we issued the audit report thereon on March 24, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached “Other Disclosures in Financial Reports” (Other Disclosures) is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. We have reviewed the information included in the Other Disclosures in accordance with article 25 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Based on our review, the Other Disclosures in Financial Reports of Union Insurance Co., LTD. for the year ended December 31, 2021, are in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The financial information disclosed is consistent with the basic financial statements, and does not need any modification.

The engagement partners on the reviews resulting in this independent auditors’ review report are WU, CHENG YEN and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2022

Notes to Readers

The accompanying other disclosures in financial reports 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 other disclosures in financial reports are those generally accepted and applied in the Republic of China.

The independent auditors’ audit report and the accompanying other disclosures in financial reports 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 other disclosures in financial reports, the Chinese version shall prevail.

(English Translation of Other Disclosures in Financial Reports and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

UNION INSURANCE CO., LTD.

Other Disclosures in Financial Reports

For the year ended December 31, 2021

(1) Information on business conditions

(a) Significant business matters

- (i) Acquisition or merger: None.
- (ii) Demerger: None.
- (iii) Change in management rights (equity) reaching 10% or more: None.
- (iv) Transfer of business: None.
- (v) Investments in affiliated enterprises arising over the most recent 5 fiscal years

(In Thousands of New Taiwan Dollars/shares)

Name of investee	Year	2021		2020		2019		2018		2017	
		Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
China Insurance (Thai) Public Company Limited		-	-	-	-	39,080	3,743	38,794	3,743	41,140	3,743

Note: 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.

- (vi) Reorganization: None
- (vii) Acquisition or disposal of major assets arising over the most recent 5 fiscal years
 - 1) Acquisition of major assets

(In Thousands of New Taiwan Dollars)

Type of property	Acquisition date		Amount	Counterparty	Relationship	Previous transfer information, as the counterparty is a related party				Reference for price	Purpose of acquisition	Current condition
	Date of contract	Occurrence date				Counterparty	Relations with the Company	Date	Amount			
Property	2021.5.12	2021.8.4	167,020	Natural person	Non related parties	-	-	-	-	Appraisal report	Owner-occupied property	Owner-occupied property

- 2) Disposal of major assets: None

- (viii) Significant changes in operation method (including sales system) or business activity

The Company's main business is property insurance, engaging in the sales of various insurances and related business operations. There was no major change in the last five years.

(Continued)

(b) Remuneration to directors, supervisors, president, vice presidents, and Chairmen of the board and presidents rehired as consultants after retiring from the insurance enterprise or its affiliate enterprises and related information

(i) Remuneration paid to directors, supervisors, president, vice presidents, and consultants

1) Remuneration to directors (include independent directors)

(In Thousands of New Taiwan Dollars)

Title	Name	Remuneration of directors						Ratio of total remuneration (A+B+C+D) to net income				Relevant remuneration received by directors who are also employees						Ratio of total remuneration (A+B+C+D+E+F+G) to net income				Compensation paid to directors from an invested company other than the Company's subsidiary				
		Compensation (A)		Retirement pension (B)		Bonus to directors (C)		Business execution fee (D)		Salary, bonuses, and allowances (E)		Retirement pension (F)		Employees' compensation (G)		The Company		All companies in the consolidated								
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The Company	All companies in the consolidated					
		Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio					
Director	Director of the Board WANT-WANT Co., Ltd. President of WANT-WANT Co., Ltd. (legal representative, HUNG, CHI-HSIUNG)	11,800	-	-	-	6,500	-	1,731	-	20,031	2.88 %	-	-	7,452	-	108	-	249	-	-	-	27,840	4.00 %	-	-	None
Independent Director	Independent Director WANG, TUNG-LIANG	2,340	-	-	-	-	-	870	-	3,210	0.46 %	-	-	-	-	-	-	-	-	-	-	3,210	0.46 %	-	-	None
	Independent Director KUO, PING-SHEN																									
	Independent Director MA, YU-FENG																									

Except listed above, there are 0 thousand dollars remuneration for services directors provided to all companies in financial statements, such as being consultants who are non-employees.

Note1: The relationship between the policy, the regulation, the structure, and the standard of remuneration paid to independent directors and the amount of remuneration:

- (1) According to Art. 36.2 of the Articles of Incorporation of the Company, the remuneration paid to independent directors is reasonably decided by the Board. Independent directors would not participate in earning distribution. Regarding to the amount of remuneration(including the amount of reward for driver), by Art. 28 of the Articles of Incorporation of the Company, is decided by the Board, which refers to the standard of the same trade.
- (2) According to the regulation of remuneration paid to directors and functional committee members, independent directors are given fixed payment without participating in earning distribution.
- (3) According to the regulation of performance and remuneration of directors and managers, they should follow the principle of sustainable development and stable profits and keep from high-risk operating mode and high-volatility investment strategy.

Note2: Employment data of the year 2021.

Note3: Retirement pension contains provision and payment.

Note4: The amount of reward for driver of \$1,564 was excluded.

(Continued)

Range of remuneration

Range of remuneration paid to directors	Name of directors			
	Total of remuneration (A+B+C+D)		Total of remuneration (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements (H)	The Company	All companies in the consolidated financial statements (I)
Under TWD 1,000,000	Legal representative of WANT-WANT Co., Ltd. ; SYU,SHIH-WEI ; HSU, HAI-LUN ; MA, CHIA-YING ; LIU, CHIH-MING	-	Legal representative of WANT-WANT Co., Ltd. ; SYU,SHIH-WEI ; HSU, HAI-LUN ; MA, CHIA-YING	-
TWD 1,000,000 (included)~ TWD 2,000,000 (excluded)	WANG, TUNG-LIANG ; KUO, PING-SHEN ; MA, YU-FENG ;	-	WANG, TUNG-LIANG ; KUO, PING-SHEN ; MA, YU-FENG ;	-
TWD 2,000,000 (included)~ TWD 3,500,000 (excluded)	-	-	-	-
TWD 3,500,000 (included)~ TWD 5,000,000 (excluded)	-	-	-	-
TWD 5,000,000 (included)~ TWD 10,000,000 (excluded)	WANT-WANT Co., Ltd.	-	WANT-WANT Co., Ltd. and Legal representative of WANT-WANT Co., Ltd. ; LIU, CHIH-MING	-
TWD10,000,000 (included)~ TWD 15,000,000 (excluded)	Legal representative of WANT-WANT Co., Ltd. ; HUNG, CHI-HSIUNG	-	Legal representative of WANT-WANT Co., Ltd. ; HUNG, CHI-HSIUNG	-
TWD15,000,000 (included)~ TWD 30,000,000 (excluded)	-	-	-	-
TWD30,000,000 (included)~ TWD 50,000,000 (excluded)	-	-	-	-
TWD50,000,000 (included)~ TWD100,000,000 (excluded)	-	-	-	-
Over TWD100,000,000	-	-	-	-
Total	9 people	-	9 people	-

Note: Listing legal director and representative respectively.

2) Remuneration paid to supervisors: None.

(Continued)

3) Remuneration paid to president and vice presidents

(In Thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Retirement pension (B)		Bonuses, and Allowances (C)		Employees' compensation (D)				Ratio of total remuneration (A+B+C+D) to net income				Compensation paid to president and vice presidents from an invested company other than the Company's subsidiary
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company		All companies in the consolidated		
								Cash	Stock	Cash	Stock	Amount	Ratio	Amount	Ratio	
President	LIU, CHIH-MING	10,737	-	546	-	7,413	-	686	-	-	-	19,382	2.78 %	-	-	None
Vice President	TSAO, SHENG-KUANG															
Vice President	WU,FU-CHENG															
Vice President	PAN, SHAO-YUN(Note 1)															
Chief Audit Officer	WANG, LI-HUNG															
Chief Compliance Officer	KO, CHING-HUA															

Note1: Dismissed on May 1, 2021.

Note2: The amount of reward for driver of \$980 was excluded.

Note3: Retirement pension contains provision and payment.

(Continued)

Range of remuneration

Range of remuneration paid to president and vice presidents	Name of president and vice presidents	
	The Company	All companies in the consolidated financial statements (E)
Under TWD 1,000,000	-	-
TWD 1,000,000 (included)~ TWD 2,000,000 (excluded)	PAN, SHAO-YUN ;	
TWD 2,000,000 (included)~ TWD 3,500,000 (excluded)	KO, CHING-HUA ; WANG, LI-HUNG ; WU, FU-CHENG ;	-
TWD 3,500,000 (included)~ TWD 5,000,000 (excluded)	TSAO, SHENG-KUANG	-
TWD 5,000,000 (included)~ TWD 10,000,000 (excluded)	LIU, CHIH-MING ;	-
TWD10,000,000 (included)~ TWD 15,000,000 (excluded)	-	-
TWD15,000,000 (included)~ TWD 30,000,000 (excluded)	-	-
TWD30,000,000 (included)~ TWD 50,000,000 (excluded)	-	-
TWD50,000,000 (included)~ TWD100,000,000 (excluded)	-	-
Over TWD100,000,000	-	-
Total	6 people	-

4) Top 5 managers' remuneration of the listed insurance companies : Not applicable.

(Continued)

5) Employees' compensation distributed to managers

(In Thousands of New Taiwan Dollars)

Item	Title	Name	Bonus - in Stock	Bonus - in Cash	Total	Ratio of total amount to net income (%)
Management	President	LIU, CHIH-MING	-	3,532	3,532	0.51 %
	Vice President	TSAO, SHENG-KUANG				
	Vice President	WU, FU-CHENG				
	Chief Audit Officer	WANG, LI-HUNG				
	Chief Compliance Officer	KO, CHING-HUA				
	Senior Manager	CHEN, TAI-LUNG				
	Senior Manager	LAI, HUNG-TE				
	Senior Manager	HUANG, CHIN-PIN				
	Manager	CHANG, HUI-KUO				
	Senior Manager	LAI, SUNG-YEN				
	Senior Manager	LO, YU-CHENG				
	Manager	YEN, HSU-NAN				
	Senior Manager	LAI, TUNG-I				
	Manager	LIN, CHING HSIN				
	Manager	WU, PI-TU				
	Senior Manager	YEN, KUO-CHUNG				
	Manager	CHENG, KUO JUNG				
	Manager	LU, TSUNG HSUN (Note 4)				
	Senior Manager	HSU, JUI-LIN				
	Manager	SU, CHIEN-JUNG (Note 3)				
	Manager	LAI, CHIN FANG				
	Manager	TSENG, MEI-HUI				
	Manager	WU, SHU CHUAN				
	Senior Manager	TSAI, WAN-HUA				
	Manager	CHANG, SUNG TSE				
	Manager	LIN, HOUNG HUA				
	Manager	LIU, SEN JUNG				
	Manager	LI, HUI YING				
	Manager	LIN, TSANG CHING				
	Senior Manager	HSU, CHE CHANG				
	Senior Manager	TSUI, CHUAN SHENG				
	Manager	HUNG, KUO CHUN				
	Manager	WU, HSING-KUN				
	Senior Manager	WU, TA-CHUN				
Senior Manager	LI, WEN-JUI					
Manager	HSU, CHUN-YU					
Manager	WU, YI CHENG					
Manager	HSU, MIN YUAN					
Chief Financial Officer	HSUEH, CHANG HSIAO					
Chief Accounting Officer	KUO, FEI WEN					

Note 1: Employment data on December 31, 2021.

Note 2: Estimated with percentage which is calculated by actual payment last year.

Note 3: Dismissed on January 1, 2022.

Note 4: Dismissed on March 1, 2022.

(Continued)

- 6) Chairmen of the board and presidents rehired as consultants after retirement: None.
- (ii) The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.
- (c) Labor-management relations
 - (i) Agreements between labor and management and the implementation
 - 1) Employee benefit policies

The Company established Employees' Welfare Committee, which is comprised of employees recommend. They hold various of welfare activities in accordance with Rules for Employees' Welfare.
 - 2) Professional development and training

The Company provides employees systematic and professional education training in concert with interdisciplinary learning program, multiple training program, and self-learning program.
 - 3) Retirement programs

In compliance with the Labor Standards Act and Labor Pension Act, the Company shall make a monthly contribution to the labor pension reserve funds and labor pension funds. The calculation of the defined benefit obligations is performed annually by a qualified actuary with actuarial report to protect the workers' rights and interests.
 - 4) Other major agreements: None.
 - (ii) Loss sustained as a result of labor disputes in the most recent 3 fiscal years: None.
 - (iii) Violation of the Labor Standards Act found during the labor inspection: None.
- (d) Cyber Security Management
 - (i) Implementation of Cyber Security Management
 - 1) Structure of cyber security risk management

The Company has established the Cyber Security Management Promotion Committee, which is responsible for the discussion and resolution of matters related to the cyber security management system. The cyber security management promotion committee includes the cyber security executive team, the cyber security audit team and the cyber security incident notification team. The cyber security executive team is responsible for planning, establishment, implementation, maintenance, review and continuously improving the Company's cyber security management system in accordance with the resolutions of the Committee. The cyber security audit team is responsible for evaluating the implementation and compliance of the cyber security management system and conducting audits. The cyber security incident notification team performs cyber incident reporting and business continuity management projects.

2) Policy of cyber security

To ensure a normal, safe and stable operation of the Company's information system services, the cyber security management system that regulates the maintenance and operation process of the Company's information platform is the highest guideline to establish secure and reliable information system services, to ensure the confidentiality, integrity and availability of information assets, to meet the requirements of relevant laws and regulations, to maintain the continuous operation of the information platform, to reduce information operation risks, and to protect the rights of information system service users.

a) Information Security Policy Statement

The ultimate goal of the Company's information security work is to ensure the safety and effective operation of the information processing operations of the information platform through the management of personnel, operations and information technology, as well as to prevent security incidents affecting the confidentiality, integrity and availability of information during the information processing operations in order to protect the privacy rights of customers and personal information.

- i) The Information Management Promotion Committee was established to be responsible for the establishment and promotion of the Company's information security management system.
- ii) Evaluate the relevant laws and regulations and operational requirements, conduct information risk assessment of information assets, determine information operation security requirements, establish operation standard procedures, and adopt appropriate information security measures to ensure information asset security.
- iii) Establish an evaluation or assessment system based on the roles and functions of personnel, and conduct information security education and training and promotional activities according to actual needs.
- iv) Grant access rights to information assets according to business needs, taking into account the limit of authorization, segregation of authorization and responsibility, as well as independence review.
- v) Establish information on security incident management procedures to ensure proper incident response, control and handling, develop business continuity plans, as well as conduct regular drills to ensure the continued operation on information systems or services.
- vi) Handle and protect personal information and intellectual property rights in accordance with the relevant provisions of the Personal Information Protection Act and the Intellectual Property Rights.
- vii) Perform information security audits regularly to review the implementation of the information security management system.
- viii) All employees of the Company shall be responsible for information security and comply with the relevant information security management regulations.
- ix) The policy shall be effective upon announcement after being approved by the Board of Directors, and shall also be effective upon amendment.

(Continued)

- b) Information Security Goal
 - i) The Company aims to protect the confidentiality, integrity and availability of information assets in order to:
 - 1. Maintain the business continuity of the information platform maintenance process.
 - 2. Protect the information assets related to the information platform maintenance process from improper or illegal use, and stop hackers, viruses, and other intrusive and destructive behaviors.
 - 3. Establish standard operating procedures for information platform maintenance processes to avoid human errors and accidents, as well as to enhance the awareness of information security among employees.
 - ii) This policy shall be evaluated at least once a year to reflect the latest developments in relevant laws and regulations, technology and the Company's business, and shall be revised as appropriate.
- 3) Specific Management Solutions
 - a) The Information Security Promotion Committee shall convene a management review meeting at least once a year, and if necessary, an ad hoc meeting.
 - b) The minutes of the meeting which the management reviews should include the following:
 - i) Status of implementation of resolutions at the previous management review meeting: Follow-up on the issues resolved at the previous meeting.
 - ii) Changes on internal and external issues related to information security management system: Review on the entire identification results of the organization.
 - iii) Feedback on information security performance, including the following trends:
 - 1. Non-conforming items and corrective measures: Proper handling of information on safety events and improvement operations.
 - 2. Supervision and measurement results.
 - 3. Audit results: Information security internal and external audit results and suggested improvement items.
 - 4. Achievement of information on security objectives: Implementation of status report regarding the information security objectives.
 - iv) Feedback from observers: Suggestions from employees, third parties and other stakeholder groups.
 - v) Risk assessment results and status of risk management plan: Risk assessment and feedback review.
 - vi) Opportunities for continuous improvement: Suggestions for improving information security that can be provided.

(Continued)

- c) The conclusion of the minutes of the meeting should include that the output of the management review should include decisions related to continuous improvement concerning opportunities and any need for changes on the information security management system.
 - d) Management review is an important activity of the information security management system, and the review records should be handled in accordance with the record management requirements of the information security management system.
- 4) Input resources for Ares security management
- a) WAF information security device protection
 - b) HiNet DDoS protection
 - c) Annual evaluation on information security evaluation
 - d) Annual exercises on social engineering
 - e) Annual implementation of ISO27001 certification
 - f) Import of Microsoft WVD two-factor certificate
 - g) Introduction on privilege tools
 - h) Adaption of employee account behavior pattern analysis system
 - i) Adaption of credit card identification mechanism
- (ii) Losses due to significant information security incidents in the most recent year: None.
 - (iii) Impact of Ares security risk on the Company's financial operations and measures to address it.

The Company has established internal operation regulations related to information security to strengthen the implementation of internal audit and internal control. It promptly controls any information security incidents to effectively reduce any damage in order to protect customer data security and achieve sustainable business operation.

- (e) Changes in president, chief audit officer and actuaries in the most recent 2 years
 - (i) Changes in president, chief audit officer: None
 - (ii) Changes in qualified actuaries

The Company's Board of Directors approved on October 30, 2020 that the appointed actuary was switched from chief actuary LIN, CHIN-YUAN, to manager WU, YI-CHENG. This case was approved by the governmental authority for review on February 23, 2021.

- (f) Changes in the method for provision of all kinds of reserves: None.
- (g) The situation in the most recent year where its shareholders meeting has adopted the resolution to carry out capital increase or decrease or its Board of Directors (council) has adopted the resolution to issue new shares but the application (or filing) has not been approved (or has not been approved for record) by the FSC, or where its application for capital change registration has not been approved by the Ministry of Economic Affairs: None.

(Continued)

- (h) Cases of claim payment and claim recovery from reinsurer involving amount exceeding NT\$20 million in the most recent 3 years and financial impact analysis

For the year ended December 31, 2021			
Insurance	Insurance Claim Payment (A)	Claims Recoverable from Reinsurers (B)	Retained Claim Payment (C)=(A)-(B)
Commercial fire insurance	570,600	548,100	22,500
Hull insurance	30,011	30,004	7
	\$ 600,611	578,104	22,507
For the year ended December 31, 2020			
Insurance	Insurance Claim Payment (A)	Claims Recoverable from Reinsurers (B)	Retained Claim Payment (C)=(A)-(B)
Accident insurance	\$ 26,000	19,000	7,000
Commercial fire insurance	109,000	30,700	78,300
	\$ 135,000	49,700	85,300
For the year ended December 31, 2019			
Insurance	Insurance Claim Payment (A)	Claims Recoverable from Reinsurers (B)	Retained Claim Payment (C)=(A)-(B)
Commercial fire insurance	208,000	158,000	50,000
Engineering insurance	54,000	50,970	3,030
	\$ 262,000	208,970	53,030

- (i) Names of reinsurers to whom the reinsurance premium expenses paid in the most recent year account for more than 1% of total premium income and the credit rating of those reinsurers

Reinsurer	Credit Rating	Credit Rating Agency
Central Reinsurance Corporation	A	S & P
Transatlantic Reinsurance Company, Hong Kong Branch	A+	S & P
Swiss Re Asia Pte. Ltd, Hong Kong Branch	AA-	S & P

(Continued)

(j) Entrust credit rating agency to rating reinsurers

The Company entrusted Taiwan Ratings to make the credit rating in connection with financial condition and issuer. On September 22, 2021, the result of Taiwan Ratings is twAA, and the credit rating vision is stable. On September 22, 2021, the result of Standard & Poor 's is A-, and the credit rating vision is stable. On June 4, 2021, the result of A.M. Best Company is A-, and the credit rating vision is stable.

(2) Market price of securities, dividend and dispersion of ownership

(a) Per share market price, net worth, earnings per share, dividends in the past 2 years

(New Taiwan Dollars/in Thousands of shares)

Item	Year		2021	2020
	Market price per share	Highest		22.20
Lowest		19.10	15.60	
Average		20.23	19.49	
Net worth per share	Before distribution		28.81	26.15
	After distribution		27.81	25.35
Earnings per share	Weighted average number of ordinary shares		223,608	223,608
	Earnings per share		3.12	3.14
Dividends per share	Cash dividend		1.00	0.80
	Issuance of bonus shares	Stock dividend from retained earnings	-	-
		Stock dividend from capital reserve	-	-
	Accumulated undistributed dividends		-	-
Analysis of return on investment	Price-earnings ratio		6.48	6.21
	Price-dividend ratio		20.23	24.36
	Cash dividend yield		4.94 %	4.10 %

(Continued)

(b) Dispersion of ownership

(i) Common shares

Ordinary Par Value Per Share NT10		As of December 31, 2021		
Class of Shareholding		Number of Shareholders	Shareholding	Percentage
1 ~	999	8,640	1,679,045	0.7509 %
1,000 ~	5,000	3,470	7,265,693	3.2493 %
5,001 ~	10,000	705	5,148,501	2.3025 %
10,001 ~	15,000	282	3,375,032	1.5094 %
15,001 ~	20,000	138	2,485,730	1.1116 %
20,001 ~	30,000	161	3,996,481	1.7873 %
30,001 ~	40,000	77	2,726,106	1.2191 %
40,001 ~	50,000	47	2,124,794	0.9502 %
50,001 ~	100,000	109	7,615,671	3.4058 %
100,001 ~	200,000	56	7,910,174	3.5375 %
200,001 ~	400,000	21	5,785,135	2.5872 %
400,001 ~	600,000	18	8,824,157	3.9463 %
600,001 ~	800,000	3	1,878,757	0.8402 %
800,001 ~	1,000,000	4	3,947,191	1.7652 %
1,000,001 or over		8	158,845,533	71.0375 %
Total		13,739	223,608,000	100.00 %

(ii) Preferred shares: The Company have no preferred share.

(c) Net change in shareholding of directors, supervisors, managerial officers, and shareholders with 10% shareholdings or more.

(i) Net change in shareholding of directors, supervisors, managerial officers, and shareholders with 10% shareholdings or more

Title	Name	2021		As of February 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior manager	CHEN, TAI-LUNG	(6,000)	-	-	-
Manager	WU, PI-TU	(6,054)	-	-	-

Note 1: Employment data on December 31, 2021.

(Continued)

(ii) Shares Transferring

(New Taiwan Dollars, Shares)

Name	Reason for transfer	Date of transaction	Transferee	Relationship between transferee and the Company as well as the Company's directors, supervisors, and shareholders holding more than 10% of the entire shares	Shares	Transaction Price
None	-				-	

(iii) Shares Pledge

(New Taiwan Dollars, Shares)

Name	Reason for pledge	Date of transaction	Transferee	Relationship between transferee and the Company as well as the Company's directors, supervisors, and shareholders holding more than 10% of the entire shares	Shares	Shares holding (%)	Shares pledged (%)	Pledged amount
None					-	- %	- %	-

(d) Information for shelf registration: Not applicable.

(Continued)

(3) Financial Information

(a) Concise balance sheet and statement of comprehensive income

(i) Concise Balance Sheet from 2017 to 2021

(In Thousands of New Taiwan Dollars)

Item	Year	Financial summary for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Cash and cash equivalents		3,648,227	2,386,542	2,117,261	2,268,129	2,585,164
Account receivables		680,984	667,810	858,220	888,537	711,557
Assets classified as held-for-sale		-	-	39,080	-	-
Financial assets and loans		8,639,744	8,730,438	8,344,160	7,793,073	7,002,017
Reinsurance assets		3,860,017	3,920,832	4,149,186	4,510,868	4,151,807
Property and equipment		1,262,061	1,165,781	1,127,260	1,037,396	816,841
Intangible assets		120,574	136,982	133,831	134,484	74,893
Other assets		809,330	736,347	764,990	708,472	880,406
Total assets		19,020,937	17,744,732	17,533,988	17,340,959	16,222,685
Accounts payable		1,237,685	1,256,750	1,283,230	1,209,944	1,254,165
Liabilities related to assets classified as held-for-sale		-	-	-	-	-
Financial liabilities		-	-	-	-	-
Insurance liabilities and reserve for insurance with nature of financial instrument		10,958,474	10,326,662	10,404,545	10,899,072	10,284,374
Provisions		179,077	214,043	233,432	275,649	254,150
Other liabilities		203,928	100,084	194,940	118,486	115,590
Total liabilities	Before distribution	12,579,164	11,897,539	12,116,147	12,503,151	11,908,279
	After distribution	12,802,772	12,076,425	12,303,552	12,694,815	12,057,351
Ordinary share		2,236,080	2,236,080	2,129,600	2,129,600	2,129,600
Capital surplus		-	-	-	-	-
Retained earnings	Before distribution	4,126,209	3,552,655	3,164,913	2,652,316	2,171,062
	After distribution	3,902,601	3,373,769	2,871,028	2,460,652	2,021,990
Other equity interest		79,484	58,458	123,328	55,892	13,744
Total equity	Before distribution	6,441,773	5,847,193	5,417,841	4,837,808	4,314,406
	After distribution	6,218,165	5,668,307	5,230,436	4,646,144	4,165,334

Note 1: Financial summary for the most recent five years has been audited by CPA.

(Continued)

(ii) Concise comprehensive income statement from 2017 to 2021

(In Thousands of New Taiwan Dollars)

Item	Year	Financial summary for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Operating revenue		8,809,911	8,237,782	8,065,998	7,695,690	7,220,409
Operating cost		6,004,143	5,509,703	5,346,030	5,160,294	4,727,178
Operating expense		2,011,651	2,054,189	2,032,547	1,942,719	1,834,876
Non-operating income and expense		12,144	32,162	13,930	34,069	5,103
Income before tax		806,261	706,052	701,351	626,746	663,458
Net income (after tax)		696,668	702,097	703,782	605,620	663,458
Other comprehensive income		76,798	(82,387)	67,915	55,757	45,305
Earnings per share (Note 2) (in New Taiwan dollars)		3.12	3.14	3.15	2.84	3.12

Note 1: Financial summary for the most recent five years has been audited by CPA.

Note 2: Earnings(Loss) per share is calculated by retrospective-adjusted weighted average number of ordinary shares. If capital increase by retained earning or share premium, or capital decrease due to reverse share split happened, the shares will be retrospective-adjusted according to ratio of increased and decreased capital, regardless of the outstanding period.

(b) Financial ratios analysis

Item	Year	Financial ratios analysis for the most recent five years(Note 1)				
		2021	2020	2019	2018	2017
Business analysis (%)	Rate of change in direct written premiums	4.29	3.96	0.08	8.12	7.21
	Rate of change in claims paid	(0.36)	(1.38)	15.65	(3.47)	10.92
	Rate of change in net premiums	8.29	5.45	(0.28)	5.21	15.58
	Rate of net value	33.87	32.95	30.90	27.90	26.59
Profitability analysis (%)	Return on assets	3.81	3.99	4.05	3.62	4.21
	Return on equity	11.34	12.47	13.72	13.23	16.75
	Net return on fund	3.47	3.24	2.91	2.04	2.18
	Return on investment	3.16	2.93	2.63	1.84	1.96
	Net combined ratio	95.49	96.03	96.83	93.39	93.21
	Net expense ratio	41.02	42.17	42.90	40.80	40.79
Overall operation analysis (%)	Net loss ratio	54.47	53.86	53.93	52.59	52.42
	Net premiums to shareholders' equity	124.12	126.27	129.24	145.13	154.68
	Gross premiums to shareholders' equity	172.22	182.00	188.89	211.63	223.90
	Net reinsurance commission to equity	5.13	7.85	8.69	10.11	10.85
	Reserves to equity	170.12	176.61	192.04	225.29	238.37
	Rate of change in equity	10.17	7.92	11.99	12.13	19.66
	Expense rate	33.63	34.70	35.08	33.97	34.19

Note 1: Financial summary for the most recent five years has been audited by CPA.

(Continued)

The reason why change in financial business indicator for the most recent two years

(i) Rate of change in net premiums:

The increase in the rate of change in net premiums resulted from the fact that the written premium on automobile insurance benefited from the promotion of various car manufacturers and the government's replacement subsidy program.

(ii) Net reinsurance commission to equity ratio:

Net reinsurance commission to equity ratio decreased due to the decrease in auto reinsurance commission income driven by the decrease in auto reinsurance ceded ratio.

(c) Other significant information sufficient to enhance understanding of its financial position, financial performance and cash flows or trends of change (e.g. the effects of exchange rate fluctuation): None.

(4) Financial position and financial performance analysis

(a) Financial position analysis

(In Thousands of New Taiwan Dollars)

Item	Year	2021	2020	Difference	
				Amount	%
Cash and cash equivalents		3,648,227	2,386,542	1,261,685	52.87
Account Receivables		680,984	667,810	13,174	1.97
Assets classified as held-for-sale		-	-	-	-
Financial assets and loans		8,639,744	8,730,438	(90,694)	(1.04)
Reinsurance assets		3,860,017	3,920,832	(60,815)	(1.55)
Property and equipment		1,262,061	1,165,781	96,280	8.26
Intangible assets		120,574	136,982	(16,408)	(11.98)
Other assets		809,330	736,347	72,983	9.91
Total assets		19,020,937	17,744,732	1,276,205	7.19
Accounts payable		1,237,685	1,256,750	(19,065)	(1.52)
Liabilities related to assets classified as held-for-sale		-	-	-	-
Financial liabilities		-	-	-	-
Insurance liabilities and reserve for insurance with nature of financial instrument		10,958,474	10,326,662	631,812	6.12
Provisions		179,077	214,043	(34,966)	(16.34)
Other liabilities		203,928	100,084	103,844	103.76
Total liabilities		12,579,164	11,897,539	681,625	5.73
Capital stock		2,236,080	2,236,080	-	-
Capital surplus		-	-	-	-
Retained earnings		4,126,209	3,552,655	573,554	16.14
Other equity interest		79,484	58,458	21,026	35.97
Total equity		6,441,773	5,847,193	594,580	10.17

(Continued)

Analysis of change over 20%:

(i) Cash and cash equivalents:

The increase in the current period compared with the previous period was mainly due to profits from investment portfolio and continued growth in the property insurance market as a result of a significant increase in cash and cash equivalents.

(ii) Other liabilities:

The increase in the current period compared with the previous period was mainly due to the decrease in the deductible loss carryforward, resulting in an increase in tax liabilities.

(iii) Other equity interest:

The financial assets measured at fair value through other comprehensive income resulted in the increase in unrealized gains.

(b) Financial performance analysis

(In Thousands of New Taiwan Dollars)

Item	Year		Change in amount	Change of rate (%)
	2021	2020		
Operating revenue	8,809,911	8,237,782	572,129	6.95
Operating cost	6,004,143	5,509,703	494,440	8.97
Operating expense	2,011,651	2,054,189	(42,538)	(2.07)
Income from operation	794,117	673,890	120,227	17.84
Non-operating income and expense	12,144	32,162	(20,018)	(62.24)
Profit (loss) from continuing operations before tax	806,261	706,052	100,209	14.19
Tax (income) expense	109,593	3,955	105,638	2,671.00
Profit (loss) from continuing operations	696,668	702,097	(5,429)	(0.77)

Analysis of change over 20%:

(i) Income from operation:

The increase in the current period compared with the previous period was mainly due to the growth of the overall general property insurance market driven by the increase in retained premium income.

(ii) Non-operating income and expense:

The decrease in the current period compared with the previous period was mainly due to the receipt of the second creditor's rights allocation from Walsun Insurance Ltd in the prior period.

(iii) Income tax expense:

The increase in the current period compared with the previous period was mainly due to the decrease in the deductible loss carryforward resulting in an increase in tax expense.

(Continued)

(5) CPA information**(a) Information on Accountants' Fees**

- (i) Audit fees and non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firms.

(In Thousands of New Taiwan Dollars)

Accounting firm	Name of accountant	Audit period	Audit fee	Non-audit fee	Total	Note
KPMG	WU, CHENG-YEN	2021.01.01~	3,950	16,500	20,450	Change of accountant in accordance with the organizational restructuring of the firm
	CHUNG, TAN-TAN	2021.12.31				

Non-audit services mainly include tax compliance audit and project services.

- (ii) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
- (iii) The audit fee is reduced by over 10% compared with the previous year: None.
- (b) Alternation of CPA.
- (i) About the Former CPA

Date of change	2021.3.26		
Reasons and explanation of changes	In accordance with the organizational restructuring of the firm		
State whether the appointment is terminated or rejected by the consignor or CPAs	Status	CPA	Consignor
	Appointment terminated automatically	✓	
	Appointment rejected (discontinued)		
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	No	✓	
	Explanation		
Other revealed matters (Disclosure according to Article 24.2.1.4 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.)	None		

(ii) About successor CPA

Name of the accounting firm	KPMG
Name of CPA	WU, CHENG-YEN & CHUNG, TAN-TAN
Date of appointment	2021.3.26
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Successor CPA's written opinion of disagreement toward the former CPA	None

(iii) The former accountant's response to the matters required by Article 24.2.1 and Article 24.2.2.3 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises: None.

Union Insurance Co., LTD.

Chairman: HUNG, CHI-HSIUNG

President: LIU, CHIH-MING

Chief Accounting Officer: KUO, FEI-WEN