

UNION INSURANCE CO., LTD.**Financial Statements****With Independent Auditors' Report
For the Six Months Ended June 30, 2022 and 2021**

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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
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11~12
(6) Explanation of significant accounts	12~66
(7) Related-party transactions	66~69
(8) Pledged assets	69
(9) Commitments and contingencies	69
(10) Losses Due to Major Disasters	70
(11) Subsequent Events	70
(12) Other	70~79
(13) Other disclosures	
(a) Information on significant transactions	80
(b) Information on investees	80
(c) Information on investment in mainland China	80
(d) Major shareholders	80
(14) Segment information	81



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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 June 30, 2022, December 31 and June 30, 2021, and the statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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 June 30, 2022, December 31 and June 30, 2021, and its financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34, “Interim Financial Reporting” 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 for the years ended December 31, 2021, Note 5(a) for accounting assumptions and estimation uncertainty of insurance liability for the years ended December 31, 2021, and Note 6(n) 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 for the six months ended June 30, 2022 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)
August 25, 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

June 30, 2022, December 31, 2021, and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2022		December 31, 2021		June 30, 2021			June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
11000 Cash and cash equivalents (note 6(a))	\$ 2,940,910	15	3,648,227	19	3,137,888	16	21000 Accounts payable (note 6(b) and (c))	\$ 1,430,946	8	1,237,685	7	1,381,464	7
12000 Receivables (note 6(b))	1,092,132	6	680,984	4	1,039,272	6	21700 Current tax liabilities	3,467	-	102,936	-	49,418	-
12600 Current tax assets	-	-	-	-	302	-	24000 Insurance liabilities (note 6(n))	12,088,321	63	10,958,474	58	11,245,622	59
14110 Financial assets at fair value through profit or loss (note 6(f))	1,129,869	6	1,879,359	10	1,787,268	9	27000 Provisions	163,790	1	179,077	1	197,035	1
14190 Financial assets at fair value through other comprehensive income (note 6(f))	2,291,892	12	2,080,399	11	2,194,979	12	23800 Lease liabilities (note 6(j))	16,568	-	18,257	-	20,627	-
14145 Financial assets at amortized cost (note 6(f))	2,090,291	11	1,396,058	7	1,396,226	7	28000 Deferred tax liabilities	63,920	-	63,920	-	63,920	-
14180 Other financial assets, net (note 6(f))	2,471,620	13	2,427,420	13	2,323,420	12	25000 Other liabilities	15,005	-	18,815	-	64,056	1
16700 Right-of-use assets (note 6(i))	16,411	-	18,127	-	20,565	-	Total liabilities	<u>13,782,017</u>	<u>72</u>	<u>12,579,164</u>	<u>66</u>	<u>13,022,142</u>	<u>68</u>
14200 Investment property (note 6(g))	854,102	4	856,508	4	797,238	4	Equity						
15000 Reinsurance assets (note 6(c))	4,089,642	21	3,860,017	20	4,416,016	23	31100 Ordinary share (note 6(p))	2,236,080	12	2,236,080	12	2,236,080	12
16000 Property and equipment (note 6(h))	1,259,866	7	1,262,061	7	1,153,059	6	33100 Legal reserve (note 6(p))	1,004,854	5	854,366	4	718,040	4
17000 Intangible assets	112,552	1	120,574	1	131,538	1	33200 Special reserve (note 6(n) and (p))	2,459,525	13	2,459,890	13	2,235,431	12
18000 Other assets	789,565	4	791,203	4	814,817	4	33300 Unappropriated retained earnings (note 6(p))	(377,351)	(2)	811,953	4	905,225	4
							34210 Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	33,727	-	79,484	1	95,670	-
Total assets	<u>\$ 19,138,852</u>	<u>100</u>	<u>19,020,937</u>	<u>100</u>	<u>19,212,588</u>	<u>100</u>	Total equity	<u>5,356,835</u>	<u>28</u>	<u>6,441,773</u>	<u>34</u>	<u>6,190,446</u>	<u>32</u>
							Total liabilities and equity	<u>\$ 19,138,852</u>	<u>100</u>	<u>19,020,937</u>	<u>100</u>	<u>19,212,588</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)

UNION INSURANCE CO., LTD.

Statements of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

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

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
41000	Operating revenue:								
41110	Written premium	\$ 2,849,931	154	2,786,846	128	5,671,356	146	5,636,154	127
41120	Reinsurance premium	106,774	6	110,506	5	226,003	6	213,877	5
41100	Premium	2,956,705	160	2,897,352	133	5,897,359	152	5,850,031	132
51100	Less: Reinsurance expense	850,627	46	794,832	36	1,551,794	40	1,734,939	39
51310	Net change in unearned premiums reserve	102,001	6	150,355	7	321,928	8	338,604	8
41130	Retained earned premium	2,004,077	108	1,952,165	90	4,023,637	104	3,776,488	85
41300	Reinsurance commission received	111,346	6	95,444	4	226,531	6	250,283	6
41500	Net income (loss) from investments								
41510	Interest income	20,059	1	17,576	1	37,566	1	35,150	1
41521	Gain (losses) on financial assets at fair value through profit or loss	(333,962)	(18)	109,955	5	(470,057)	(12)	340,729	8
41527	Realized gains (losses) on financial assets at fair value through other comprehensive income	27,362	2	-	-	27,362	1	-	-
41550	Foreign exchange gains (losses), investments	6	-	(4)	-	12	-	(49)	-
41570	Gains (losses) on investment property	7,433	-	5,693	-	14,908	-	11,169	-
41585	Expected credit losses or reversal of expected credit losses of investments (note 6(f))	(206)	-	127	-	(196)	-	218	-
41800	Other operating income	12,422	1	4,168	-	17,579	-	6,128	-
	Total operating revenue	1,848,537	100	2,185,124	100	3,877,342	100	4,420,116	100
51000	Operating costs:								
51200	Insurance claim payment	1,558,703	84	1,779,922	81	2,926,215	75	3,134,590	71
41200	Less: Claims recovered from reinsurers	401,629	22	625,793	29	793,114	20	1,048,508	24
51260	Retained claim payment	1,157,074	62	1,154,129	52	2,133,101	55	2,086,082	47
51300	Net change in other insurance liability (note6(n))								
51320	Net change in claim reserve	767,845	42	(50,481)	(2)	849,137	22	53,414	1
51340	Net change in special claim reserve	(282,306)	(15)	4,470	-	(254,535)	(7)	3,221	-
51500	Commission expense	448,551	24	430,961	20	908,983	23	868,068	20
51800	Other operating costs	11,450	1	11,150	1	20,965	1	18,007	1
51700	Finance costs	1,282	-	1,206	-	3,287	-	2,469	-
	Total operating costs	2,103,896	114	1,551,435	71	3,660,938	94	3,031,261	69
58000	Operating expenses:								
58100	General expenses	424,919	23	412,471	19	848,098	22	820,398	18
58200	Administrative expenses	88,049	5	103,087	5	174,280	5	213,785	5
58300	Staff training expenses	457	-	547	-	610	-	720	-
58400	Expected credit losses or reversal of expected credit losses of non-investments (note 6(b))	3,586	-	(255)	-	5,813	-	710	-
	Total operating expenses	517,011	28	515,850	24	1,028,801	27	1,035,613	23
	Net operating (loss) income	(772,370)	(42)	117,839	5	(812,397)	(21)	353,242	8
59000	Non-operating income and expenses:								
59900	Other non-operating income and expenses, net	1,846	-	3,598	-	4,100	-	6,779	-
	Total non-operating income and expenses	1,846	-	3,598	-	4,100	-	6,779	-
62000	Net (loss) income before income tax	(770,524)	(42)	121,437	5	(808,297)	(21)	360,021	8
63000	Less: Income tax (income) expenses (note6(o))	(16,999)	(1)	27,245	1	7,276	-	53,821	1
	Net (Loss) Income	(753,525)	(41)	94,192	4	(815,573)	(21)	306,200	7
83000	Other comprehensive income:								
83100	Components of other comprehensive income that will not be reclassified to profit or loss								
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(52,912)	(3)	15,445	1	(45,757)	(1)	37,053	1
	Components of other comprehensive income that will not be reclassified to profit or loss	(52,912)	(3)	15,445	1	(45,757)	(1)	37,053	1
83000	Other comprehensive income (after tax)	(52,912)	(3)	15,445	1	(45,757)	(1)	37,053	1
	Total comprehensive income	\$ (806,437)	(44)	109,637	5	(861,330)	(22)	343,253	8
97500	Basic (loss) earnings per share (note 6(q))	\$ (3.37)		0.42		(3.65)		1.37	
98500	Diluted (loss) earnings per share (note 6(q))	\$ (3.37)		0.42		(3.64)		1.36	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

UNION INSURANCE CO., LTD.**Statements of Changes in Equity****For the six months ended June 30, 2022 and 2021****(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	
Balance at January 1, 2021	\$ 2,236,080	718,040	2,235,431	599,184	58,458	5,847,193
Net income	-	-	-	306,200	-	306,200
Other comprehensive income	-	-	-	-	37,053	37,053
Total comprehensive income	-	-	-	306,200	37,053	343,253
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(159)	159	-
Balance at June 30, 2021	\$ 2,236,080	718,040	2,235,431	905,225	95,670	6,190,446
Balance at January 1, 2022	\$ 2,236,080	854,366	2,459,890	811,953	79,484	6,441,773
Net loss	-	-	-	(815,573)	-	(815,573)
Other comprehensive income	-	-	-	-	(45,757)	(45,757)
Total comprehensive income	-	-	-	(815,573)	(45,757)	(861,330)
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	150,488	-	(150,488)	-	-
Cash dividends of ordinary share	-	-	-	(223,608)	-	(223,608)
Special reserve on reversal-employee training and transferring plan	-	-	(365)	365	-	-
Balance at June 30, 2022	\$ 2,236,080	1,004,854	2,459,525	(377,351)	33,727	5,356,835

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 six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from (used in) operating activities:		
Net (loss) income before income tax	\$ (808,297)	360,021
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	26,635	24,902
Amortization expense	8,625	8,821
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	477,078	(337,335)
Interest expense	3,287	2,469
Interest income	(37,566)	(35,150)
Dividend income	(34,383)	(3,394)
Net change in insurance liabilities	1,131,033	921,283
Net change in other provisions	(15,287)	(17,008)
(Reversal of) expected credit loss of investments	196	(218)
Expected credit loss of non-investments	5,813	710
Total adjustments to reconcile profit (loss)	<u>1,565,431</u>	<u>565,080</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(791)	(28,373)
Increase in premiums receivable	(317,016)	(380,440)
(Increase) decrease in other receivables	(73,153)	29,255
Decrease in financial assets at fair value through profit or loss	272,412	516,610
(Increase) decrease in financial assets at fair value through other comprehensive income	(257,250)	198,558
(Increase) decrease in financial assets at amortized cost	(694,501)	40,000
Increase in other financial assets	(44,200)	(201,783)
Increase in reinsurance assets	(229,625)	(495,184)
Decrease (increase) in other assets	2,841	(292)
Total changes in operating assets	<u>(1,341,283)</u>	<u>(321,649)</u>
Changes in operating liabilities:		
(Decrease) increase in other payable	(30,347)	124,714
(Decrease) increase in other liabilities	(3,810)	35,935
Total changes in operating liabilities	<u>(34,157)</u>	<u>160,649</u>
Cash (outflow) inflow generated from (used in) operations	(618,306)	764,101
Interest received	41,701	42,556
Dividends received	4,262	3,529
Interest paid	(3,287)	(2,469)
Income taxes paid	(106,745)	(4,583)
Net Cash flows from (used in) operating activities	<u>(682,375)</u>	<u>803,134</u>
Cash flows from (used in) investing activities:		
Increase in prepayments	(2,880)	(33,404)
Acquisition of property and equipment	(13,788)	(9,959)
Acquisition of intangible assets	(55)	(855)
Net cash flows used in investing activities	<u>(16,723)</u>	<u>(44,218)</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(8,219)	(7,570)
Net cash flows used in financing activities	<u>(8,219)</u>	<u>(7,570)</u>
Net (decrease) increase in cash and cash equivalents	(707,317)	751,346
Cash and cash equivalents at beginning of period	3,648,227	2,386,542
Cash and cash equivalents at end of period	<u>\$ 2,940,910</u>	<u>3,137,888</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 six months ended June 30, 2022 and 2021

(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 August 25, 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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its financial statements:

- 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

- (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”

(Continued)

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

(4) Summary of significant accounting policies:

(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 guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2021.

(b) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(c) Employee benefits

The pension cost in the interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for subsequent significant market fluctuations and for significant workforce reduction, settlements, or other significant one-off events.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC 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. Actual results may differ from these estimates.

In these financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the financial statements for the year ended December 31, 2021.

(Continued)

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

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.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the financial statements for the current period and the 2021 financial statements. Please refer to Note 6 of the 2021 annual financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 478	500	484
Petty cash	13,010	13,050	12,850
Cash in bank	2,486,207	2,857,262	2,062,906
Bonds purchased under resale agreements	441,215	777,415	1,061,648
Total	<u>\$ 2,940,910</u>	<u>3,648,227</u>	<u>3,137,888</u>

(b) Receivables and Payables

(i) Receivables

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable	\$ 246,840	246,082	264,817
Premiums receivable	607,753	292,770	654,576
Other receivables	237,539	142,132	119,879
Total	<u>\$ 1,092,132</u>	<u>680,984</u>	<u>1,039,272</u>

(ii) Payables

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Commission payable	\$ 212,500	178,446	200,067
Due to ceding companies	105,977	96,636	146,503
Reinsurance premium payable	529,227	521,836	572,969
Reinsurance commission payable	1,459	1,611	1,508
Insurance claims payable	19,737	2,849	15,691
Other payables	562,046	436,307	444,726
Total	<u>\$ 1,430,946</u>	<u>1,237,685</u>	<u>1,381,464</u>

(Continued)

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

(iii) Receivables of insurance contracts

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable	\$ 248,323	247,532	266,359
Less : Loss allowance	(1,483)	(1,450)	(1,542)
Total	<u>\$ 246,840</u>	<u>246,082</u>	<u>264,817</u>

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Premiums receivable			
Fire insurance	\$ 250,969	66,101	280,259
Marine insurance	35,817	39,286	36,142
Hull and fishing vessel insurance	12,368	9,043	19,439
Other accident insurance	190,934	128,088	226,792
Compulsory pure premium	9,430	9,466	10,242
Voluntary automobile insurance	52,227	3,236	46,370
Compulsory automobile liability insurance	4,098	4,551	4,582
Overdue receivables	57,930	36,986	35,442
Subtotal	613,773	296,757	659,268
Less : Loss allowance	(6,020)	(3,987)	(4,692)
Total	<u>\$ 607,753</u>	<u>292,770</u>	<u>654,576</u>

(iv) Other receivables

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other receivables	\$ 275,668	176,514	150,512
Less : Loss allowance	(38,129)	(34,382)	(30,633)
Total	<u>\$ 237,539</u>	<u>142,132</u>	<u>119,879</u>

(Continued)

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

As of June 30, 2022, December 31 and June 30, 2021, the overdue receivables in notes receivable, premiums receivable and other receivables were \$95,564, \$71,802 and \$67,599, which provisioned the loss allowance \$45,632, \$39,819 and \$36,867, respectively. The movements of the loss allowance for receivables were as follows:

	For the six months ended June 30,	
	2022	2021
Beginning balance	\$ 39,819	36,157
Loss recognized	5,813	710
Ending balance	<u>\$ 45,632</u>	<u>36,867</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Under 90 days	\$ 1,079,662	663,368	1,026,478
91~270 days	24,901	26,887	22,338
More than 271 days	33,201	30,548	27,323

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

(v) Payables of insurance contracts

Item	June 30, 2022	December 31, 2021	June 30, 2021
Commission payable	<u>\$ 212,500</u>	<u>178,446</u>	<u>200,067</u>

(c) Reinsurance assets

	June 30, 2022	December 31, 2021	June 30, 2021
Claims recoverable from reinsurers (Note 6(d))	\$ 223,117	249,297	345,902
Due from reinsurers and ceding companies — net (Note 6(e))	285,673	244,371	324,169
Reinsurance reserve assets (Note 6(n))			
Ceded unearned premiums reserve	1,774,469	1,742,957	2,196,265
Ceded claim reserve	<u>1,806,383</u>	<u>1,623,392</u>	<u>1,549,680</u>
Total	<u>\$ 4,089,642</u>	<u>3,860,017</u>	<u>4,416,016</u>

(Continued)

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

(d) Claims recoverable from reinsurers

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Fire insurance	\$ 6,484	9,633	4,255
Marine insurance	620	1,279	2,197
Land and air insurance	96	6	29
Liability insurance	70,799	69,309	79,308
Surety insurance	595	(1,701)	705
Other property insurance	81,942	95,164	144,183
Accident insurance	11,618	21,571	47,777
Health insurance	2,341	2,289	1,023
Compulsory automobile liability insurance	48,550	51,658	65,877
Overdue receivables	72	89	548
Less : Loss allowance	-	-	-
Total	\$ <u>223,117</u>	<u>249,297</u>	<u>345,902</u>

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

(i) Receivables of insurance contracts

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Due from ceding companies	\$ 136,367	151,236	162,782
Reinsurance premium receivable	69,492	78,663	70,042
Reinsurance commission receivable	72,888	8,638	83,819
Overdue receivables	<u>6,926</u>	<u>5,834</u>	<u>45,439</u>
Subtotal	285,673	244,371	362,082
Less : Loss allowance	-	-	(37,913)
Total	\$ <u>285,673</u>	<u>244,371</u>	<u>324,169</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	37,913
(Reversal of) loss recognized	-	-
Ending balance	\$ <u>-</u>	<u>37,913</u>

(Continued)

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

(ii) Payables of insurance contracts

<u>Item</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Due to ceding companies	\$ 105,977	96,636	146,503
Reinsurance premium payable	529,227	521,836	572,969
Reinsurance commission payable	1,459	1,611	1,508
Total	<u>\$ 636,663</u>	<u>620,083</u>	<u>720,980</u>

(f) Financial assets

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Beneficiary certificate	\$ 265,019	131,006	78,147
Real estate investment trust beneficiary certificate	340,020	342,856	340,587
Domestic listed stocks and OTC stocks	524,830	1,405,497	1,368,534
Total	<u>\$ 1,129,869</u>	<u>1,879,359</u>	<u>1,787,268</u>

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 the six months ended June 30, 2022 and 2021 will increase \$11,299 and \$17,873, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks and OTC stocks	\$ 2,275,736	2,065,027	2,180,265
Domestic unlisted stocks	16,156	15,372	14,714
Total	<u>\$ 2,291,892</u>	<u>2,080,399</u>	<u>2,194,979</u>

(Continued)

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

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represented those investments that the Company intended to hold not for trading purposes.

During the three months and six months then ended June 30, 2022 and 2021, the dividends of \$27,362, \$0, \$27,362 and \$0, respectively, related to equity investments at fair value through other comprehensive income, were recognized; no dividend income was recognized for equity investments derecognized during the six months ended June 30, 2022 and 2021, respectively.

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 three months and six months ended June 30, 2022 and 2021, were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fair value	\$ -	8,731	-	198,558
Cumulative gain (losses) on \$ disposal	-	330	-	(159)

The cumulative gain (losses) on disposal above had 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 the six months ended June 30, 2022 and 2021 will increase \$22,919 and \$21,950, respectively. Conversely, if there is a decrease in the securities' price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(iii) Financial assets at amortized cost

	<u>June 30, 2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30, 2021</u>
	Government bonds	\$ 964,839	570,353
Financial bonds	600,000	300,000	300,000
Corporate bonds	950,000	950,000	950,000
Subtotal	2,514,839	1,820,353	1,820,463
Less: Security deposits	(423,698)	(423,641)	(423,582)
Loss allowance	(850)	(654)	(655)
Total	<u>\$ 2,090,291</u>	<u>1,396,058</u>	<u>1,396,226</u>

- 1) The Company assessed 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 were classified as measured at amortized cost.

(Continued)

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

- 2) Please refer to Note 6(u) 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 for the six months ended June 30, 2022 and 2021, the amounts of the expected credit loss recognized (reversal of credit loss) were as follows:

	For the six months ended June 30,	
	2022	2021
Beginning balance	\$ 654	873
(Reversal of) loss recognized	196	(218)
Ending balance	\$ 850	655

- (iv) Other financial assets, net:

	December 31,		
	June 30, 2022	2021	June 30, 2021
Time deposits—initial maturity date over than three months	\$ 2,638,620	2,594,420	2,490,420
Less: Security deposits	(167,000)	(167,000)	(167,000)
Total	\$ 2,471,620	2,427,420	2,323,420

The Company's time deposits were provided as pledged assets and were reclassified to refundable deposits, please refer to Note 8 for further information.

- (v) Capital outsourcing information

As of June 30, 2022, December 31 and June 30, 2021, the Company had outsourced to Securities Investment Trust to manage investment project and capital amount. Further information were as follows:

Investment Trust Company	Investment	December 31,		
		June 30, 2022	2021	June 30, 2021
		Amount	Amount	Amount
Nomura Asset Management	Domestic listed stocks and OTC stocks, bonds purchased under resale agreements, short term bills, etc.	\$ 600,000	600,000	600,000
Fuh Hwa Securities Investment Trust	"	600,000	600,000	600,000
Capital Investment Trust Corporation	"	600,000	600,000	600,000
		\$ 1,800,000	1,800,000	1,800,000

(Continued)

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

The investment project was mentioned above, and the carrying amount as of June 30, 2022, December 31 and June 30, 2021 were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 1,105,587	682,233	1,322,325
Financial assets at fair value through profit or loss - stocks	<u>356,670</u>	<u>1,220,996</u>	<u>1,048,844</u>
	<u>\$ 1,462,257</u>	<u>1,903,229</u>	<u>2,371,169</u>

(g) Investment property

The cost, accumulated depreciation, and accumulated impairment loss of the investment property of the Company for the six months ended June 30, 2022 and 2021, were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost or deemed cost:			
Balance at June 30, 2022 (Same as January 1, 2022)	<u>\$ 727,887</u>	<u>217,104</u>	<u>944,991</u>
Balance at January 1, 2021	\$ 681,525	187,636	869,161
Reclassification form property, plant and equipment	<u>2,523</u>	<u>6,662</u>	<u>9,185</u>
Balance at June 30, 2021	<u>\$ 684,048</u>	<u>194,298</u>	<u>878,346</u>
Accumulated depreciation and impairment loss			
Balance at January 1, 2022	\$ 2,359	86,124	88,483
Depreciation	<u>-</u>	<u>2,406</u>	<u>2,406</u>
Balance at June 30, 2022	<u>\$ 2,359</u>	<u>88,530</u>	<u>90,889</u>
Balance at January 1, 2021	\$ 2,359	74,922	77,281
Depreciation	<u>-</u>	<u>2,088</u>	<u>2,088</u>
Reclassification form property, plant and equipment	<u>-</u>	<u>1,739</u>	<u>1,739</u>
Balance at June 30, 2021	<u>\$ 2,359</u>	<u>78,749</u>	<u>81,108</u>
Carrying amount:			
January 1, 2022	<u>\$ 725,528</u>	<u>130,980</u>	<u>856,508</u>
June 30, 2022	<u>\$ 725,528</u>	<u>128,574</u>	<u>854,102</u>
January 1, 2021	<u>\$ 679,166</u>	<u>112,714</u>	<u>791,880</u>
June 30, 2021	<u>\$ 681,689</u>	<u>115,549</u>	<u>797,238</u>

(Continued)

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

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Fair value:			
January 1, 2022			\$ <u><u>1,770,222</u></u>
June 30, 2022			\$ <u><u>1,570,117</u></u>
January 1, 2021			\$ <u><u>1,695,676</u></u>
June 30, 2021			\$ <u><u>1,711,980</u></u>

On June 30, 2022, December 31 and June 30, 2021, the assessment of fair value of investment property mainly referred to the market trade.

As of June 30, 2022, December 31 and June 30, 2021, the Company's investment property had not been pledged as collateral.

(h) Property, plant and equipment

The cost, accumulated depreciation, and accumulated impairment loss of the property, plant and equipment of the Company for the six months ended June 30, 2022 and 2021, were as follows:

	<u>Land</u>	<u>Buildings and construction</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, 2022	\$ 915,591	499,059	190,640	579	54,308	2,004	1,662,181
Additions	-	4,534	8,449	-	805	-	13,788
Scrap	-	-	(5,474)	-	(1,394)	-	(6,868)
Balance at June 30, 2022	<u>915,591</u>	<u>503,593</u>	<u>193,615</u>	<u>579</u>	<u>53,719</u>	<u>2,004</u>	<u>1,669,101</u>
Balance at January 1, 2021	825,946	480,196	183,601	579	51,799	2,004	1,544,125
Additions	-	7,371	1,709	-	879	-	9,959
Reclassification to investment property	(2,523)	(6,662)	-	-	-	-	(9,185)
Scrap	-	-	(1,042)	-	(620)	-	(1,662)
Balance at June 30, 2021	<u>823,423</u>	<u>480,905</u>	<u>184,268</u>	<u>579</u>	<u>52,058</u>	<u>2,004</u>	<u>1,543,237</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	15,196	171,052	166,551	579	45,426	1,316	400,120
Depreciation	-	7,329	6,325	-	2,100	229	15,983
Scrap	-	-	(5,474)	-	(1,394)	-	(6,868)
Balance at June 30, 2022	<u>15,196</u>	<u>178,381</u>	<u>167,402</u>	<u>579</u>	<u>46,132</u>	<u>1,545</u>	<u>409,235</u>
Balance at January 1, 2021	15,196	163,931	155,754	564	42,041	858	378,344
Depreciation	-	6,849	6,096	15	2,046	229	15,235
Reclassification to investment property	-	(1,739)	-	-	-	-	(1,739)
Scrap	-	-	(1,042)	-	(620)	-	(1,662)
Balance at June 30, 2021	<u>15,196</u>	<u>169,041</u>	<u>160,808</u>	<u>579</u>	<u>43,467</u>	<u>1,087</u>	<u>390,178</u>
Carrying amount:							
January 1, 2022	\$ <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>
June 30, 2022	\$ <u>900,395</u>	<u>325,212</u>	<u>26,213</u>	<u>-</u>	<u>7,587</u>	<u>459</u>	<u>1,259,866</u>
January 1, 2021	\$ <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>
June 30, 2021	\$ <u>808,227</u>	<u>311,864</u>	<u>23,460</u>	<u>-</u>	<u>8,591</u>	<u>917</u>	<u>1,153,059</u>

As of June 30, 2022, December 31 and June 30, 2021, the Company's property, plant and equipment had not been pledged as collateral.

(Continued)

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

(i) Right-of-use assets

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

	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
January 1, 2022	\$ 27,381	4,435	31,816
Additions	2,698	3,840	6,538
Derecognition	(3,488)	-	(3,488)
June 30, 2022	<u>\$ 26,591</u>	<u>8,275</u>	<u>34,866</u>
January 1, 2021	\$ 27,162	5,434	32,596
Additions	17,625	2,811	20,436
Derecognition	(16,962)	(1,802)	(18,764)
June 30, 2021	<u>\$ 27,825</u>	<u>6,443</u>	<u>34,268</u>
Depreciation of right-of-use assets:			
January 1, 2022	\$ 12,884	805	13,689
Depreciation	6,973	1,273	8,246
Derecognition	(3,480)	-	(3,480)
June 30, 2022	<u>\$ 16,377</u>	<u>2,078</u>	<u>18,455</u>
January 1, 2021	\$ 20,835	3,951	24,786
Depreciation	6,331	1,248	7,579
Derecognition	(16,860)	(1,802)	(18,662)
June 30, 2021	<u>\$ 10,306</u>	<u>3,397</u>	<u>13,703</u>
Carrying amount:			
January 1, 2022	<u>\$ 14,497</u>	<u>3,630</u>	<u>18,127</u>
June 30, 2022	<u>\$ 10,214</u>	<u>6,197</u>	<u>16,411</u>
January 1, 2021	<u>\$ 6,327</u>	<u>1,483</u>	<u>7,810</u>
June 30, 2021	<u>\$ 17,519</u>	<u>3,046</u>	<u>20,565</u>

(j) Lease liabilities

The Company's lease liabilities were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Less than one year	\$ 11,219	12,760	12,162
Between one and five years	5,349	5,497	8,465
Total	<u>\$ 16,568</u>	<u>18,257</u>	<u>20,627</u>

The maturity analysis please refer to Note 6(u) financial instruments.

(Continued)

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>96</u>	<u>102</u>	<u>198</u>	<u>160</u>

The amounts recognized in the statement of cash flows were as follows:

	<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>8,417</u>	<u>7,730</u>

(i) Leases of buildings and construction

The Company leases buildings and construction as offices with usual lease terms of 1 to 3 years.

(ii) Other leases

The Company leases transportation equipment with lease terms of 1 to 3 years.

(k) Operating lease

The Company leases out its investment properties, during the six months ended June 30, 2022 and 2021, there are no significant new operating lease agreements, please refer to Notes 6(l) of the financial statements for the year ended December 31, 2021 for related information.

(l) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material workforce reduction, reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The Company's expenses recognized in profit or loss amounted to \$2,034, \$2,073, \$4,069 and \$4,145 for the three months and six months ended June 30, 2022 and 2021, respectively.

(ii) Defined contribution plan

The pension costs of the Company incurred from the contributions to the Bureau of the Labor Insurance amounted to \$8,404, \$7,989, \$16,464 and \$16,047 for the three months and six months ended June 30, 2022 and 2021, respectively.

(Continued)

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

(m) 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 three months and six months ended June 30, 2022 and 2021, the Company estimated its employee remuneration and director's remuneration amounting to \$0, \$7,125, \$0, \$14,250 and \$0, \$1,625, \$0, \$3,250, respectively. The estimated amounts mentioned above were 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 expenses for each period. 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 amount, 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 2021 and 2020 were \$28,500 and \$6,500 for both periods respectively. There is no difference in the actual distribution situation. Relevant information can be obtained from the Market Observation Post System.

(n) Insurance liability

	June 30, 2022	December 31, 2021	June 30, 2021
Unearned premium reserve	\$ 6,212,231	5,859,977	6,472,254
Claims reserve	4,963,796	3,931,668	3,616,196
Special reserve	912,294	1,166,829	1,157,172
Total	<u>\$ 12,088,321</u>	<u>10,958,474</u>	<u>11,245,622</u>

(Continued)

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

(i) Unearned premium reserve

1) Unearned premium reserve and ceded unearned premium reserves

June 30, 2022					
Item	Unearned premium reserve		Ceded unearned premium reserve		Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out		
Fire insurance	\$ 888,933	47,737	480,789		455,881
Marine insurance	43,880	1,836	35,789		9,927
Land and air insurance	28,617	51	18,579		10,089
Liability insurance	1,710,946	92,107	320,750		1,482,303
Surety insurance	9,103	745	4,376		5,472
Other property insurance	2,313,895	38,678	638,378		1,714,195
Accident insurance	457,535	4,071	45,526		416,080
Health insurance	46,533	-	13,076		33,457
Compulsory automobile liability insurance	361,995	165,569	217,206		310,358
Total	\$ 5,861,437	350,794	1,774,469		4,437,762

December 31, 2021					
Item	Unearned premium reserve		Ceded unearned premium 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

(Continued)

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

June 30, 2021

Item	Unearned premium reserve		Ceded unearned premium reserve		Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out		
Fire insurance	\$ 881,042	32,957	467,770		446,229
Marine insurance	43,901	1,473	37,643		7,731
Land and air insurance	26,452	-	14,442		12,010
Liability insurance	1,640,413	176,082	387,100		1,429,395
Surety insurance	11,179	394	5,793		5,780
Other property insurance	2,304,008	37,523	693,622		1,647,909
Accident insurance	738,054	2,151	356,109		384,096
Health insurance	42,034	-	11,821		30,213
Compulsory automobile liability insurance	369,926	164,665	221,965		312,626
Total	\$ 6,057,009	415,245	2,196,265		4,275,989

2) The Net change in reserve for unearned premiums and reserve for ceded unearned premiums

For the six months ended June 30, 2022													
Items	Premium revenue	Reinsurance premium	Reinsurance expense	Retained Premium	Direct business Unearned premium reserve		Reinsurance ceded in Unearned premium reserve		Net change in unearned premium reserve	Reinsurance ceded out Unearned premium reserve		Net change in ceded unearned premium reserve	Retained earned premium
					Provision	Recovery	Provision	Recovery		Provision	Recovery		
Compulsory insurance	\$ 472,944	152,269	199,997	425,216	361,995	366,445	165,569	165,105	(3,986)	217,206	219,878	(2,672)	426,530
Non-compulsory insurance	5,198,412	73,734	1,351,797	3,920,349	5,499,442	5,115,094	185,225	212,147	357,426	1,557,263	1,523,079	34,184	3,597,107
Total	\$ 5,671,356	226,003	1,551,794	4,345,565	5,861,437	5,481,539	350,794	377,252	353,440	1,774,469	1,742,957	31,512	4,023,637

For the six months ended June 30, 2021													
Items	Premium revenue	Reinsurance premium	Reinsurance expenses	Retained Premium	Direct business Unearned premium reserve		Reinsurance ceded in Unearned premium reserve		Net change in unearned premium reserve	Reinsurance ceded out Unearned premium reserve		Net change in ceded unearned premium reserve	Retained earned premium
					Provision	Recovery	Provision	Recovery		Provision	Recovery		
Compulsory insurance	\$ 479,347	150,944	203,777	426,514	369,926	372,987	164,665	163,593	(1,989)	221,965	223,802	(1,837)	426,666
Non-compulsory insurance	5,156,807	62,933	1,531,162	3,688,578	5,687,083	5,008,092	250,580	300,696	628,875	1,974,300	1,684,181	290,119	3,349,822
Total	\$ 5,636,154	213,877	1,734,939	4,115,092	6,057,009	5,381,079	415,245	464,289	626,886	2,196,265	1,907,983	288,282	3,776,488

(Continued)

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

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

<u>Item</u>	<u>For the six months ended June 30, 2022</u>	
	<u>Unearned premium reserve</u>	<u>Ceded unearned premium reserve</u>
Beginning balance	\$ 5,859,977	1,742,957
Provision	6,212,231	1,774,469
Recovery	<u>(5,859,977)</u>	<u>(1,742,957)</u>
Ending balance	<u>\$ 6,212,231</u>	<u>1,774,469</u>
	<u>For the six months ended June 30, 2021</u>	
<u>Item</u>	<u>Unearned premium reserve</u>	<u>Ceded unearned premium reserve</u>
Beginning balance	\$ 5,847,692	1,907,983
Provision	6,472,254	2,196,265
Recovery	<u>(5,847,692)</u>	<u>(1,907,983)</u>
Ending balance	<u>\$ 6,472,254</u>	<u>2,196,265</u>

The provision methods of unearned premium 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 premium reserve on Letter (Wang) Zong Jing Suan No. 1112 on October 24, 2011 and had been approved by Financial Supervisory Commission, R.O.C. (Taiwan) Insurance Bureau Jin Guan Bao Cai Zi No. 10002518120.

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

(Continued)

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

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 grant 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 June 30, 2022, December 31 and June 30, 2021, the relevant unearned premium reserve from the business transfer and intangible assets were \$17,294, \$12,142 and \$18,982 and \$13,328, \$22,312 and \$15,650, 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.
- 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.

(Continued)

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

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.

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.

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

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 six months ended June 30,	
	2022	2021
Beginning balance	\$ 17,943	-
Provision	49,764	45,437
Recovery	(1,787)	(39,704)
Ending balance	<u>\$ 65,920</u>	<u>5,733</u>

Special reserve – Non-Compulsory Automobile Liability Insurance

Item	For the six months ended June 30, 2022						
	Liability			Special reserve			
	Catastrophic risk	Contingency risk	Total	Contingency risk	Contingency risk	Travel Insurance	Total
Beginning balance	\$ 106,545	1,038,185	1,144,730	790,535	1,650,413	4,289	2,445,237
Recovery	(2,512)	(300,000)	(302,512)	-	-	-	-
Ending balance	<u>\$ 104,033</u>	<u>738,185</u>	<u>842,218</u>	<u>790,535</u>	<u>1,650,413</u>	<u>4,289</u>	<u>2,445,237</u>

Item	For the six months ended June 30, 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
Recovery	(2,512)	-	(2,512)	-	-	-	-
Ending balance	<u>\$ 109,098</u>	<u>1,038,185</u>	<u>1,147,283</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, Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No.11101405951, which is the base of recovered special reserve for the six months ended June 30, 2022 and 2021.

(Continued)

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

2) Special reserve -Other

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

(iii) Claims reserve

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

Item	June 30, 2022			
	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ 58	981,628	77,592	1,059,220
Marine insurance	168	112,167	59,028	171,195
Land and air insurance	-	65,696	16,898	82,594
Liability insurance	4,903	991,515	291,242	1,282,757
Surety insurance	1	17,299	5,508	22,807
Other property insurance	6,846	792,414	50,043	842,457
Accident insurance	1,578	44,179	182,084	226,263
Health insurance	4,990	31,483	527,347	558,830
Compulsory automobile liability insurance	1,193	178,314	539,359	717,673
Total	\$ 19,737	3,214,695	1,749,101	4,963,796

(Continued)

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

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	\$ 2,849	2,720,462	1,211,206	3,931,668

June 30, 2021				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ -	547,241	45,636	592,877
Marine insurance	962	104,137	44,891	149,028
Land and air insurance	-	76,361	8,479	84,840
Liability insurance	5,096	805,971	232,057	1,038,028
Surety insurance	-	20,386	8,258	28,644
Other property insurance	7,995	535,551	53,694	589,245
Accident insurance	798	95,538	227,945	323,483
Health insurance	96	570	5,770	6,340
Compulsory automobile liability insurance	744	170,965	632,746	803,711
Total	\$ 15,691	2,356,720	1,259,476	3,616,196

(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

June 30, 2022			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 643,803	24,827	668,630
Marine insurance	87,340	44,007	131,347
Land and air insurance	53,880	11,522	65,402
Liability insurance	156,538	68,556	225,094
Surety insurance	7,852	1,680	9,532
Other property insurance	345,308	8,768	354,076
Accident insurance	7,670	50,823	58,493
Health insurance	56	1,846	1,902
Compulsory automobile liability insurance	63,566	228,341	291,907
Total	\$ 1,366,013	440,370	1,806,383

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

(Continued)

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

June 30, 2021			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 416,315	14,354	430,669
Marine insurance	95,523	30,274	125,797
Land and air insurance	67,551	2,712	70,263
Liability insurance	143,685	37,404	181,089
Surety insurance	9,963	3,740	13,703
Other property insurance	229,571	16,745	246,316
Accident insurance	47,949	89,560	137,509
Health insurance	36	1,273	1,309
Compulsory automobile liability insurance	64,985	278,040	343,025
Total	\$ 1,075,578	474,102	1,549,680

3) The net change of claims reserve and ceded claims reserve

For the six months ended June 30, 2022								
Item	Direct underwrite business		Reinsurance ceded-in		The net change in claims reserve	Reinsurance ceded-out		The net change in ceded claims reserve
	Provision	Recovery	Provision	Recovery		Provision	Recovery	
Fire insurance	\$ 1,041,975	636,718	17,245	17,377	405,125	668,630	497,495	171,135
Marine insurance	167,317	160,068	3,878	4,233	6,894	131,347	135,972	(4,625)
Land and air insurance	80,182	91,293	2,412	2,444	(11,143)	65,402	78,311	(12,909)
Liability insurance	1,264,978	1,236,198	17,779	10,609	35,950	225,094	228,122	(3,028)
Surety insurance	21,284	22,318	1,523	1,402	(913)	9,532	10,027	(495)
Other property insurance	839,347	723,902	3,110	3,067	115,488	354,076	290,810	63,266
Accident insurance	216,178	260,828	10,085	5,457	(40,022)	58,493	77,699	(19,206)
Health insurance	557,887	5,515	943	-	553,315	1,902	1,151	751
Compulsory automobile liability insurance	486,867	506,341	230,806	243,898	(32,566)	291,907	303,805	(11,898)
Total	\$ 4,676,015	3,643,181	287,781	288,487	1,032,128	1,806,383	1,623,392	182,991

For the six months ended June 30, 2021								
Item	Direct underwrite business		Reinsurance ceded-in		The net change in claims reserve	Reinsurance ceded-out		The net change in ceded claims reserve
	Provision	Recovery	Provision	Recovery		Provision	Recovery	
Fire insurance	\$ 586,116	351,230	6,761	4,139	237,508	430,669	172,939	257,730
Marine insurance	139,502	132,881	9,526	7,554	8,593	125,797	115,786	10,011
Land and air insurance	82,781	75,598	2,059	1,754	7,488	70,263	64,134	6,129
Liability insurance	1,032,405	951,224	5,623	12,007	74,797	181,089	175,591	5,498
Surety insurance	27,293	23,283	1,351	1,764	3,597	13,703	10,931	2,772
Other property insurance	585,700	578,526	3,545	3,158	7,561	246,316	258,284	(11,968)
Accident insurance	309,927	316,489	13,556	2,854	4,140	137,509	138,324	(815)
Health insurance	6,340	7,065	-	258	(983)	1,309	965	344
Compulsory automobile liability insurance	572,701	625,276	231,010	229,959	(51,524)	343,025	374,963	(31,938)
Total	\$ 3,342,765	3,061,572	273,431	263,447	291,177	1,549,680	1,311,917	237,763

(Continued)

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

4) The movements in claims reserve and ceded claims reserve

Item	For the six months ended June 30,			
	2022		2021	
	Claims reserve	Ceded claims reserve	Claims reserve	Ceded claims reserve
Beginning balance	\$ 3,931,668	1,623,392	3,325,019	1,311,917
Provision	4,963,796	1,806,383	3,616,196	1,549,680
Recovery	<u>(3,931,668)</u>	<u>(1,623,392)</u>	<u>(3,325,019)</u>	<u>(1,311,917)</u>
Ending balance	<u>\$ 4,963,796</u>	<u>1,806,383</u>	<u>3,616,196</u>	<u>1,549,680</u>

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

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

(iv) Premium deficiency reserve

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 June 30, 2022, December 31 and June 30, 2021, the Company had no provision for premium deficiency reserve recognized.

(o) Income tax

The components of the Company's income tax for the three months and six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Current income tax (income) expenses	<u>\$ (16,999)</u>	<u>27,245</u>	<u>7,276</u>	<u>53,821</u>

The Company's tax returns for the year through 2020 were assessed by the Taipei National Tax Administration tax authorities.

(Continued)

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

(p) Capital and other equity

(i) Share capital

As of June 30, 2022, December 31 and June 30, 2021, 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, 2012, when the Company distributes retained surplus that transferred from the special reserve of unrealized revaluation increment \$12,143, it should be accounted a decrease in other equity, with the same amount of the prior years' inappropriate retained earning provision being equal to current year's net income. The amount of decrease in other equity belonged to the prior accumulation, the same amount of special reserve should be not appropriated. However, the Company's has provisioned the special reserve based on former standard, the difference between the provision amount and the decrease in other equity has been provision special reserve. Then, if a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

According to the letter from the Financial Supervisory 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 June 30, 2022, December 31 and June 30, 2021 the special reserve distributed by the Company in accordance with the regulations were \$2,145, \$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.

The amount of cash dividends on the appropriations of earnings for 2021 had been approved during the board meeting on March 24, 2022, and earnings distribution for 2020 was decided by the resolution adopted, at the general meeting of shareholders held on July 30, 2021. The relevant dividend distributions to shareholders were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Allotment per share</u>	<u>Total Amount</u>	<u>Allotment per share</u>	<u>Total Amount</u>
Dividends distributed to ordinary shareholders :				
Cash	\$ 1.00	<u>223,608</u>	0.80	<u>178,886</u>

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

(Continued)

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

(q) (Loss) earnings per share

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Basic (loss) earnings per share				
Net (loss) income attributable to ordinary shareholders of the Company	\$ <u>(753,525)</u>	<u>94,192</u>	<u>(815,573)</u>	<u>306,200</u>
Weighted average number of ordinary shares (thousands shares)	<u>223,608</u>	<u>223,608</u>	<u>223,608</u>	<u>223,608</u>
Basic (loss) earnings per share (in dollars)	\$ <u>(3.37)</u>	<u>0.42</u>	<u>(3.65)</u>	<u>1.37</u>
Diluted (loss) earnings per share				
Net (loss) income attributable to ordinary shareholders of the Company	\$ <u>(753,525)</u>	<u>94,192</u>	<u>(815,573)</u>	<u>306,200</u>
Weighted average number of ordinary shares (thousands shares)	223,608	223,608	223,608	223,608
Employee share options	-	1,317	660	1,317
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	<u>223,608</u>	<u>224,925</u>	<u>224,268</u>	<u>224,925</u>
Diluted (loss) earnings per share (in dollars)	\$ <u>(3.37)</u>	<u>0.42</u>	<u>(3.64)</u>	<u>1.36</u>

(Continued)

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

(r) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

For the three months ended June 30, 2022						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 46,020	-	-	866	-	46,886
Marine insurance	6,344	-	-	65	-	6,409
Land and air insurance	700	-	-	-	-	700
Liability insurance	140,543	-	-	44	-	140,587
Surety insurance	767	-	-	-	-	767
Other property insurance	155,153	-	-	2,422	-	157,575
Accident insurance	55,958	-	-	-	-	55,958
Health insurance	8,385	-	-	-	-	8,385
Compulsory automobile liability insurance	31,284	-	-	-	-	31,284
Total	\$ 445,154	-	-	3,397	-	448,551

For the three months ended June 30, 2021						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 41,946	-	-	538	-	42,484
Marine insurance	5,485	-	-	93	-	5,578
Land and air insurance	1,111	-	-	-	-	1,111
Liability insurance	137,272	-	-	(1)	-	137,271
Surety insurance	625	-	-	-	-	625
Other property insurance	151,031	-	-	1,995	-	153,026
Accident insurance	52,079	-	-	12	-	52,091
Health insurance	7,756	-	-	-	-	7,756
Compulsory automobile liability insurance	31,019	-	-	-	-	31,019
Total	\$ 428,324	-	-	2,637	-	430,961

(Continued)

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

For the six months ended June 30, 2022						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 77,814	-	-	657	-	78,471
Marine insurance	14,282	-	-	192	-	14,474
Land and air insurance	1,663	-	-	(93)	-	1,570
Liability insurance	297,642	-	-	128	-	297,770
Surety insurance	1,314	-	-	21	-	1,335
Other property insurance	324,368	-	-	4,965	-	329,333
Accident insurance	113,952	-	-	111	-	114,063
Health insurance	9,881	-	-	-	-	9,881
Compulsory automobile liability insurance	62,086	-	-	-	-	62,086
Total	<u>\$ 903,002</u>	<u>-</u>	<u>-</u>	<u>5,981</u>	<u>-</u>	<u>908,983</u>
For the six months ended June 30, 2021						
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 69,277	-	-	1,135	-	70,412
Marine insurance	12,289	-	-	283	-	12,572
Land and air insurance	1,899	-	-	-	-	1,899
Liability insurance	286,549	-	-	145	-	286,694
Surety insurance	1,397	-	-	17	-	1,414
Other property insurance	315,467	-	-	4,367	-	319,834
Accident insurance	103,575	-	-	12	-	103,587
Health insurance	8,662	-	-	-	-	8,662
Compulsory automobile liability insurance	62,994	-	-	-	-	62,994
Total	<u>\$ 862,109</u>	<u>-</u>	<u>-</u>	<u>5,959</u>	<u>-</u>	<u>868,068</u>

(Continued)

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

(s) Disclosure of insurance cost-benefit analysis

(i) Direct written business cost-benefit analysis

For the three months ended June 30, 2022						
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	\$ 561,556	198,308	46,020	88,927	355,897	(127,596)
Marine insurance	42,010	(20,062)	6,344	35,420	99	20,209
Land and air insurance	21,562	(1,220)	700	22,974	(10,228)	9,336
Liability insurance	779,955	(9,224)	140,543	439,247	(7,710)	217,099
Surety insurance	5,381	1,299	767	2,097	(2,375)	3,593
Other property insurance	922,702	(23,559)	155,153	440,516	60,671	289,921
Accident insurance	229,299	5,620	55,958	105,631	(10,913)	73,003
Health insurance	47,866	31,730	8,385	185,783	552,270	(730,302)
Compulsory automobile liability insurance	239,600	(1,263)	31,284	165,744	(18,325)	62,160
Total	\$ 2,849,931	181,629	445,154	1,486,339	919,386	(182,577)
For the three months ended June 30, 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	\$ 543,556	208,181	41,946	262,343	(151,086)	182,172
Marine insurance	53,921	(10,530)	5,485	44,822	(17,255)	31,399
Land and air insurance	20,083	(2,717)	1,111	2,192	9,472	10,025
Liability insurance	769,677	5,856	137,272	467,972	27,881	130,696
Surety insurance	4,392	(671)	625	2,217	(1,003)	3,224
Other property insurance	895,896	(27,280)	151,031	559,989	(43,917)	256,073
Accident insurance	220,698	(78,070)	52,079	169,547	(8,659)	85,801
Health insurance	38,387	34,099	7,756	3,809	(620)	(6,657)
Compulsory automobile liability insurance	240,236	(2,820)	31,019	177,645	(39,718)	74,110
Total	\$ 2,786,846	126,048	428,324	1,690,536	(224,905)	766,843

(Continued)

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

For the six months ended June 30, 2022

<u>Item</u>	<u>Written premium</u>	<u>The net change in unearned premium reserve</u>	<u>Insurance contract acquisition cost</u>	<u>Claims</u>	<u>The net change in claims reverse</u>	<u>Gain (Loss)</u>
Fire insurance	\$ 899,351	184,507	77,814	133,460	405,257	98,313
Marine insurance	91,372	(39,320)	14,282	52,349	7,249	56,812
Land and air insurance	31,265	(13,658)	1,663	24,513	(11,111)	29,858
Liability insurance	1,682,778	112,467	297,642	851,283	28,780	392,606
Surety insurance	9,621	1,652	1,314	2,399	(1,034)	5,290
Other property insurance	1,940,295	68,027	324,368	947,666	115,445	484,789
Accident insurance	489,461	50,651	113,952	239,127	(44,650)	130,381
Health insurance	54,269	20,022	9,881	191,810	552,372	(719,816)
Compulsory automobile liability insurance	472,944	(4,450)	62,086	311,041	(19,474)	123,741
Total	\$ <u>5,671,356</u>	<u>379,898</u>	<u>903,002</u>	<u>2,753,648</u>	<u>1,032,834</u>	<u>601,974</u>

For the six months ended June 30, 2021

<u>Item</u>	<u>Written premium</u>	<u>The net change in unearned premium reserve</u>	<u>Insurance contract acquisition cost</u>	<u>Claims</u>	<u>The net change in claims reverse</u>	<u>Gain (Loss)</u>
Fire insurance	\$ 817,978	151,093	69,277	286,848	234,886	75,874
Marine insurance	108,190	(25,608)	12,289	51,009	6,621	63,879
Land and air insurance	28,370	(19,770)	1,899	4,559	7,183	34,499
Liability insurance	1,629,294	129,499	286,549	860,285	81,181	271,780
Surety insurance	9,759	(313)	1,397	2,426	4,010	2,239
Other property insurance	1,891,581	59,528	315,467	1,063,089	7,174	446,323
Accident insurance	629,422	353,449	103,575	299,539	(6,562)	(120,579)
Health insurance	42,213	31,113	8,662	8,676	(725)	(5,513)
Compulsory automobile liability insurance	479,347	(3,061)	62,994	358,180	(52,575)	113,809
Total	\$ <u>5,636,154</u>	<u>675,930</u>	<u>862,109</u>	<u>2,934,611</u>	<u>281,193</u>	<u>882,311</u>

(Continued)

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

(ii) Reinsurance cost-benefit analysis

For the three months ended June 30, 2022						
Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claims reverse	Ceded in Gain (Loss)
Fire insurance	\$ 20,025	3,041	866	188	(235)	16,165
Marine insurance	3,343	1,408	65	263	(600)	2,207
Land and air insurance	-	(312)	-	(644)	(295)	1,251
Liability insurance	629	(18,508)	44	1,619	1,025	16,449
Surety insurance	158	(28)	-	(316)	43	459
Other property insurance	9,918	3,964	2,422	2,663	(33)	902
Accident insurance	1,715	889	-	422	(6,804)	7,208
Health insurance	-	-	-	-	758	(758)
Compulsory automobile liability insurance	70,986	(670)	-	68,169	(2,115)	5,602
Total	\$ 106,774	(10,216)	3,397	72,364	(8,256)	49,485
For the three months ended June 30, 2021						
Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claims reverse	Ceded in Gain (Loss)
Fire insurance	\$ 22,334	2,243	538	47	909	18,597
Marine insurance	2,899	624	93	294	901	987
Land and air insurance	-	(419)	-	-	(166)	585
Liability insurance	944	(23,592)	(1)	27,766	(11,034)	7,805
Surety insurance	195	(96)	-	16	(929)	1,204
Other property insurance	10,666	1,472	1,995	1,815	1,222	4,162
Accident insurance	1,566	102	12	537	9,889	(8,974)
Health insurance	-	-	-	-	(284)	284
Compulsory automobile liability insurance	71,902	(1,158)	-	58,911	18,903	(4,754)
Total	\$ 110,506	(20,824)	2,637	89,386	19,411	19,896

(Continued)

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

For the six months ended June 30, 2022

Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claims reverse	Ceded in Gain (Loss)
Fire insurance	\$ 42,483	4,699	657	685	(132)	36,574
Marine insurance	4,594	1,007	192	348	(355)	3,402
Land and air insurance	(579)	(620)	(93)	(533)	(32)	699
Liability insurance	2,092	(38,112)	128	18,958	7,170	13,948
Surety insurance	987	397	21	(273)	121	721
Other property insurance	19,661	3,432	4,965	5,918	43	5,303
Accident insurance	4,496	2,275	111	1,741	4,628	(4,259)
Health insurance	-	-	-	-	943	(943)
Compulsory automobile liability insurance	152,269	464	-	145,723	(13,092)	19,174
Total	\$ 226,003	(26,458)	5,981	172,567	(706)	74,619

For the six months ended June 30, 2021

Item	Reinsurance premium	The net change in unearned premium reserve	Reinsurance commission expense	Reinsurance Claims	The net change in claims reverse	Ceded in Gain (Loss)
Fire insurance	\$ 34,631	(2,161)	1,135	271	2,622	32,764
Marine insurance	4,146	351	283	174	1,972	1,366
Land and air insurance	-	(1,026)	-	-	305	721
Liability insurance	1,411	(47,789)	145	57,610	(6,384)	(2,171)
Surety insurance	634	32	17	756	(413)	242
Other property insurance	18,975	235	4,367	6,031	387	7,955
Accident insurance	3,136	242	12	869	10,702	(8,689)
Health insurance	-	-	-	-	(258)	258
Compulsory automobile liability insurance	150,944	1,072	-	134,268	1,051	14,553
Total	\$ 213,877	(49,044)	5,959	199,979	9,984	46,999

(Continued)

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

(iii) Gain/Loss on reinsurance contracts

For the three months ended June 30, 2022						
Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claims reserve	Ceded out Gain (Loss)
Fire insurance	\$ (388,470)	120,507	38,980	76,135	160,138	7,290
Marine insurance	(19,120)	(18,078)	2,430	30,200	(11,426)	(15,994)
Land and air insurance	(16,378)	(95)	348	21,690	(13,077)	(7,512)
Liability insurance	(105,150)	(22,975)	27,305	71,722	(3,548)	(32,646)
Surety insurance	(2,033)	441	330	1,140	(1,238)	(1,360)
Other property insurance	(195,666)	(13,521)	39,154	83,738	25,588	(60,707)
Accident insurance	(16,093)	(4,167)	2,799	16,785	(2,772)	(3,448)
Health insurance	(6,288)	8,061	-	2,344	692	4,809
Compulsory automobile liability insurance	(101,429)	(761)	-	97,875	(11,072)	(15,387)
Total	\$ (850,627)	69,412	111,346	401,629	143,285	(124,955)
For the three months ended June 30, 2021						
Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claims reserve	Ceded out Gain (Loss)
Fire insurance	\$ (320,940)	109,554	43,092	165,782	(121,471)	(123,983)
Marine insurance	(35,360)	(6,811)	2,773	19,214	(15,718)	(35,902)
Land and air insurance	(12,543)	(3,645)	327	1,361	5,998	(8,502)
Liability insurance	(111,482)	(27,019)	22,129	99,180	4,430	(12,762)
Surety insurance	(1,804)	(290)	218	1,192	(1,112)	(1,796)
Other property insurance	(171,851)	(42,646)	20,631	159,577	(11,929)	(46,218)
Accident insurance	(29,713)	(83,196)	6,303	72,459	8,627	(25,520)
Health insurance	(8,990)	10,614	(29)	1,022	334	2,951
Compulsory automobile liability insurance	(102,149)	(1,692)	-	106,006	(24,172)	(22,007)
Total	\$ (794,832)	(45,131)	95,444	625,793	(155,013)	(273,739)

(Continued)

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

For the six months ended June 30, 2022

Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claims reserve	Ceded out Gain (Loss)
Fire insurance	\$ (602,526)	107,816	66,905	107,586	171,135	(149,084)
Marine insurance	(36,055)	(37,712)	5,001	38,320	(4,625)	(35,071)
Land and air insurance	(20,542)	(10,545)	561	22,297	(12,909)	(21,138)
Liability insurance	(235,155)	(23,337)	62,298	166,465	(3,028)	(32,757)
Surety insurance	(3,663)	400	668	1,232	(495)	(1,858)
Other property insurance	(393,950)	(13,886)	82,329	213,649	63,266	(48,592)
Accident insurance	(52,818)	4,913	8,769	53,217	(19,206)	(5,125)
Health insurance	(7,088)	6,535	-	4,679	751	4,877
Compulsory automobile liability insurance	(199,997)	(2,672)	-	185,669	(11,898)	(28,898)
Total	\$ (1,551,794)	31,512	226,531	793,114	182,991	(317,646)

For the six months ended June 30, 2021

Item	Reinsurance expense	The net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	The net change in ceded claims reserve	Ceded out Gain (Loss)
Fire insurance	\$ (544,323)	78,866	40,039	182,022	257,730	14,334
Marine insurance	(62,679)	(24,642)	5,674	22,552	10,011	(49,084)
Land and air insurance	(16,378)	(18,273)	443	1,444	6,129	(26,635)
Liability insurance	(247,301)	(28,450)	70,260	199,540	5,498	(453)
Surety insurance	(3,810)	(538)	685	1,235	2,772	344
Other property insurance	(403,342)	(41,254)	87,176	308,443	(11,968)	(60,945)
Accident insurance	(243,408)	314,575	46,041	117,502	(815)	233,895
Health insurance	(9,921)	9,835	(35)	2,076	344	2,299
Compulsory automobile liability insurance	(203,777)	(1,837)	-	213,694	(31,938)	(23,858)
Total	\$ (1,734,939)	288,282	250,283	1,048,508	237,763	89,897

(t) Disclosure of insurance contract risk

Except for the following disclosure, there were no significant changes in the Company's objectives, policies, procedures and methods used to manage the risk management of insurance contracts and the credit risk, liquidity risk and market risk of insurance contracts for the six months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(u) of the financial statements for the year ended December 31, 2021.

(Continued)

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

(i) Insurance risk information

1) Sensitivity analysis of insurance risk

Item	For the six months ended June 30, 2022			
	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	\$ 941,834	65.92 %	7,538	2,591
Marine insurance	95,966	62.73 %	1,343	605
Land and air insurance	30,686	68.18 %	450	139
Liability insurance	1,684,870	66.06 %	16,105	13,520
Surety insurance	10,608	72.60 %	86	53
Other property insurance	1,959,956	64.51 %	18,885	14,807
Accident insurance	493,957	72.98 %	4,410	3,931
Health insurance	54,269	64.79 %	342	337
Compulsory automobile liability insurance	625,213	No applicable	No applicable	No applicable
For the six months ended June 30, 2021				
Item	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	\$ 852,609	66.24 %	7,060	2,405
Marine insurance	112,336	64.32 %	1,376	503
Land and air insurance	28,370	67.08 %	492	145
Liability insurance	1,630,705	66.03 %	15,490	12,732
Surety insurance	10,393	72.48 %	107	63
Other property insurance	1,910,556	64.80 %	18,508	14,062
Accident insurance	632,558	74.50 %	2,789	3,500
Health insurance	42,213	76.39 %	111	110
Compulsory automobile liability insurance	630,291	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 52.86% and 52.82% for the six months ended June 30, 2022 and 2021, 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 six months ended June 30,			
	2022		2021	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Fire insurance	\$ 478,242	8.11 %	425,201	7.27 %
Marine cargo insurance	81,440	1.38 %	71,699	1.23 %
Hull, fishing vessel and aviation insurance	44,308	0.75 %	67,748	1.16 %
Voluntary automobile insurance	3,117,510	52.86 %	3,090,272	52.82 %
Compulsory automobile liability insurance	625,213	10.60 %	630,291	10.78 %
Liability insurance	215,183	3.65 %	182,548	3.12 %
Engineering and nuclear insurance	264,008	4.48 %	219,508	3.75 %
Surety and credit insurance	10,608	0.18 %	10,393	0.18 %
Other property insurance	31,725	0.54 %	33,901	0.58 %
Accident insurance	493,957	8.38 %	632,558	10.81 %
Typhoon, flood and earthquake insurance	463,830	7.86 %	424,784	7.26 %
Personal and commercial all-risk insurance	16,358	0.28 %	15,118	0.26 %
Health insurance	54,269	0.92 %	42,213	0.72 %
Overseas ceded-in reinsurance	708	0.01 %	3,797	0.06 %
Total	\$ 5,897,359	100.00 %	5,850,031	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 62.34% and 63.94% for the six months ended June 30, 2022 and 2021, 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 six months ended June 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 185,562	4.27 %	168,872	4.10 %
Marine cargo insurance	65,978	1.52 %	57,151	1.39 %
Hull, fishing vessel and aviation insurance	4,307	0.10 %	4,403	0.11 %
Voluntary automobile insurance	2,709,067	62.34 %	2,631,020	63.94 %
Compulsory automobile liability insurance	425,216	9.79 %	426,514	10.36 %
Liability insurance	137,036	3.15 %	117,692	2.86 %
Engineering and nuclear insurance	127,864	2.94 %	100,086	2.43 %
Surety and credit insurance	6,945	0.16 %	6,583	0.16 %
Other property insurance	26,438	0.61 %	27,328	0.66 %
Accident insurance	441,139	10.15 %	389,150	9.46 %
Typhoon, flood and earthquake insurance	153,985	3.54 %	136,789	3.32 %
Personal and commercial all-risk insurance	15,274	0.35 %	14,551	0.35 %
Health insurance	47,182	1.09 %	32,292	0.79 %
Overseas ceded-in reinsurance	(428)	(0.01)%	2,661	0.07 %
Total	\$ 4,345,565	100.00 %	4,115,092	100.00 %

(Continued)

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

3) Claims trend

For the six months ended June 30, 2022

Occurrence year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	38,110,201	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623	4,201,280	4,120,597	4,742,416	2,447,861
2	38,426,550	2,885,933	3,216,949	3,615,016	4,483,260	4,058,010	4,804,267	4,901,074	4,890,228	5,243,708	
3	38,277,122	2,855,978	3,161,079	3,557,644	4,338,968	3,989,815	4,784,261	4,774,671	4,914,580		
4	38,232,192	2,837,248	3,151,586	3,530,087	4,331,187	3,997,617	4,714,228	4,766,599			
5	38,188,054	2,835,816	3,151,839	3,505,206	4,348,353	3,972,187	4,706,817				
6	38,132,348	2,830,761	3,130,980	3,518,795	4,300,980	3,971,165					
7	38,113,784	2,834,001	3,155,004	3,501,489	4,301,007						
8	38,095,426	2,849,616	3,128,978	3,501,484							
9	38,410,214	2,833,969	3,127,962								
10	38,070,353	2,833,116									
11	38,066,683										
Estimates	38,066,683	2,833,116	3,127,962	3,501,484	4,301,007	3,971,165	4,706,817	4,766,599	4,914,580	5,243,708	2,447,861
Actual	38,026,484	2,828,961	3,118,427	3,496,582	4,287,147	3,928,179	4,653,249	4,653,974	4,685,203	4,099,602	1,079,010
Subtotal	40,199	4,155	9,535	4,902	13,860	42,986	53,568	112,625	229,377	1,144,106	1,368,851
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	40,199	4,155	9,535	4,902	13,860	42,986	53,568	112,625	229,377	1,144,106	1,368,851

For the six months ended June 30, 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	2,087,285
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	4,844,058	
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	4,821,786		
4	35,322,695	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187	3,997,617	4,722,410			
5	35,297,200	2,908,274	2,835,816	3,151,839	3,505,206	4,348,353	3,974,079				
6	35,279,780	2,881,191	2,830,761	3,130,980	3,518,795	4,312,378					
7	35,251,157	2,880,642	2,834,001	3,155,004	3,501,528						
8	35,233,142	2,875,661	2,849,616	3,129,054							
9	35,219,765	2,900,934	2,834,063								
10	35,509,280	2,877,073									
11	35,190,363										
Estimates	35,190,363	2,877,073	2,834,063	3,129,054	3,501,528	4,312,378	3,974,079	4,722,410	4,821,786	4,844,058	2,087,285
Actual	35,171,311	2,853,326	2,829,308	3,118,819	3,494,335	4,292,380	3,921,968	4,564,452	4,562,164	4,260,252	1,057,663
Subtotal	19,052	23,747	4,755	10,235	7,193	19,998	52,111	157,958	259,622	583,806	1,029,622
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	19,052	23,747	4,755	10,235	7,193	19,998	52,111	157,958	259,622	583,806	1,029,622

(Continued)

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

(ii) Credit risk of insurance contracts

1) Credit risk

- a) 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:
- i) The summary of unauthorized reinsurance contracts and types of reinsurance.
 - ii) The reinsurance premium expense of unauthorized reinsurance contracts.
 - iii) General description of the amount of unauthorized reserve and its components.
- b) The abstract and related insurance of unauthorized reinsurance contracts in the Company were as follows:

As of June 30, 2022

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
S-Squared Insurance Company, Inc.	Facultative reinsurance of fire insurance

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

(Continued)

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

As of June 30, 2021

<u>Company</u>	<u>Annotation</u>
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

- c) For the six months ended June 30, 2022 and 2021, the reinsurance premium expenses (reversal) for unauthorized reinsurance in the Company amounted to \$4,802 and \$(48), respectively.
- d) The principal summary of amounts and component items of unauthorized reinsurance reserve in the Company were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unearned premium reserve	\$ 4,604	-	-
Claims recoverable from reinsurers of paid claims overdue in nine months	-	-	130
Claims recoverable from reinsurers reported but unpaid	2,259	4,465	4,598
The unauthorized reinsurance reserves- Total	<u>\$ 6,863</u>	<u>4,465</u>	<u>4,728</u>

2) 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.

(Continued)

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

3) 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.

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

Maximum credit risk exposure was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Cash and cash equivalents	\$ 2,940,910	3,648,227	3,137,888
Receivables	1,092,132	680,984	1,039,272
Financial assets at fair value through profit or loss	1,129,869	1,879,359	1,787,268
Financial assets at fair value through other comprehensive income	2,291,892	2,080,399	2,194,979
Financial assets at amortized cost	2,090,291	1,396,058	1,396,226
Other financial assets	2,471,620	2,427,420	2,323,420
Reinsurance contract assets	508,790	493,668	670,071
Other assets	704,703	702,841	696,799
Total	<u>\$ 13,230,207</u>	<u>13,308,956</u>	<u>13,245,923</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

2) Impairment loss of receivables

The expected credit losses of receivables were as follows:

	June 30, 2022				Total
	Not overdue	Overdue under 90 days	Overdue for 91-270 days	Overdue 271 over days	
Notes receivable:					
Expected credit loss rate	0.10%	100%	100%	100%	
Carrying amount	\$ 247,100	86	-	1,137	248,323
Expected credit loss amount	260	86	-	1,137	1,483
Premiums receivable:					
Expected credit loss rate	0.45%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 555,843	35,264	21,437	1,229	613,773
Expected credit loss amount	2,508	1,280	1,003	1,229	6,020
Other receivables:					
Carrying amount	\$ 239,257	2,112	3,464	30,835	275,668
Expected credit loss amount	2,696	1,400	3,198	30,835	38,129
	December 31, 2021				Total
	Not overdue	Overdue under 90 days	Overdue for 91-270 days	Overdue 271 over days	
Notes receivable:					
Expected credit loss rate	0.12%	100%	100%	100%	
Carrying amount	\$ 246,374	21	-	1,137	247,532
Expected credit loss amount	292	21	-	1,137	1,450
Premiums receivable:					
Expected credit loss rate	0.53%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 259,771	11,741	24,031	1,214	296,757
Expected credit loss amount	1,379	380	1,014	1,214	3,987
Other receivables:					
Carrying amount	\$ 142,856	2,605	2,856	28,197	176,514
Expected credit loss amount	2,275	1,559	2,351	28,197	34,382

(Continued)

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

	June 30, 2021				Total
	Not overdue	Overdue under 90 days	Overdue for 91-270 days	Overdue 271 over days	
Notes receivable:					
Expected credit loss rate	0.12%	100%	100%	100%	
Carrying amount	\$ 265,140	82	-	1,137	266,359
Expected credit loss amount	323	82	-	1,137	1,542
Premiums receivable:					
Expected credit loss rate	0.12%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 623,826	15,171	19,016	1,255	659,268
Expected credit loss amount	775	1,465	1,197	1,255	4,692
Other receivables:					
Carrying amount	\$ 119,574	2,685	3,322	24,931	150,512
Expected credit loss amount	1,765	1,502	2,435	24,931	30,633

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 six months ended June 30, 2022				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)	
Beginning balance	\$ 654	-	-	654	654
Changes	196	-	-	196	196
Ending balance	<u>\$ 850</u>	<u>-</u>	<u>-</u>	<u>850</u>	<u>850</u>

(Continued)

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

For the six months ended June 30, 2021

	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.	Total
Beginning balance	\$ 873	-	-	873	-	873
Changes	(218)	-	-	(218)	-	(218)
Ending balance	\$ 655	-	-	655	-	655

b) The information of credit quality

	June 30, 2022										
	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)	\$ 2,514,839	-	-	2,514,839	-	-	-	-	-	850	2,513,989

	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)	\$ 1,820,353	-	-	1,820,353	-	-	-	-	-	654	1,819,699

	June 30, 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)	\$ 1,820,463	-	-	1,820,463	-	-	-	-	-	655	1,819,808

(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.

		June 30, 2022				
Non-derivative financial liabilities	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	\$ 19,737	19,737	17,055	42	56	2,584
Commissions payable	212,500	212,500	212,500	-	-	-
Due to ceding companies	636,663	636,663	575,318	55,499	-	5,846
Other payables	562,046	562,046	481,238	80,160	81	567
Lease liabilities	16,568	16,856	3,892	6,485	1,054	5,425
Other liabilities						
Guarantee deposits received	6,880	6,880	1,189	149	407	5,135
Total	\$ 1,454,394	1,454,682	1,291,192	142,335	1,598	19,557
		December 31, 2021				
Non-derivative financial liabilities	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	\$ 1,266,426	1,266,714	1,165,353	83,414	2,940	15,007

(Continued)

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

	June 30, 2021					
	Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
Non-derivative financial liabilities						
Payables						
Claims payable	\$ 15,691	15,691	13,102	670	949	970
Commissions payable	200,067	200,067	200,067	-	-	-
Due to ceding companies	720,980	720,980	677,011	36,306	2,980	4,683
Other payables	444,726	444,726	352,226	75,000	17,500	-
Lease liabilities	20,627	20,976	3,849	6,104	2,475	8,548
Other liabilities						
Guarantee deposits received	6,629	6,629	1,349	1,166	192	3,922
Reinsurance liability reserve deposits	49,345	49,345	21,345	28,000	-	-
Total	\$ 1,458,065	1,458,414	1,268,949	147,246	24,096	18,123

(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:

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets			
Monetary items			
USD	\$ 5,715	6,777	3,651
EUR	78	63	60
JPY	120	120	185
HKD	38	50	73
KRW	17	153	37
CNY	-	40	3
GBP	43	25	26
THB	127	1,322	1,334
Financial liability			
Monetary items			
USD	1,394	4,040	2,524
KRW	497	365	210
THB	79	-	-

(Continued)

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

Important rate:

	Rates		
	June 30, 2022	December 31, 2021	June 30, 2021
	USD	\$ 29.72	27.68
EUR	31.05	31.32	33.15
JPY	0.2182	0.2405	0.2521
HKD	3.79	3.55	3.59
KRW	0.0231	0.0235	0.0249
CNY	4.44	4.34	4.31
GBP	36.07	37.30	38.54
THB	0.8469	0.8347	0.8744

2) Sensitivity analysis

As of June 30, 2022 and 2021, 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:

	June 30, 2022	June 30, 2021
USD(increases 1%)	\$ 1,027	251
EUR(increases 1%)	19	16
HKD(increases 1%)	1	2
GBP(increases 1%)	12	8
THB(increases 1%)	-	9

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 June 30, 2022 and 2021.

(Continued)

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

(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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Variable interest rate instrument:			
Term deposit	\$ <u>704,220</u>	<u>457,000</u>	<u>1,021,220</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Increase 10 basis points	\$ 704	457	1,021
Decrease 10 basis points	(704)	(457)	(1,021)

(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.

(Continued)

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

ii) Level 2

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

iii) Level 3

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

2) Based on fair value measurement

a) Hierarchy information of fair value

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

Assets and liabilities	June 30, 2022			
	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</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 265,019	265,019	-	-
Real estate investment trust beneficiary certificates	340,020	340,020	-	-
Stocks	524,830	524,830	-	-
Financial assets at fair value through other comprehensive income				
Stocks	2,291,892	2,275,736	-	16,156
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</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

(Continued)

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

Assets and liabilities	June 30, 2021			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Repeatable fair value measurement				
<u>Non-derivative financial assets</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 78,147	78,147	-	-
Real estate investment trust beneficiary certificates	340,587	340,587	-	-
Stocks	1,368,534	1,368,534	-	-
Financial assets at fair value through other comprehensive income				
Stocks	2,194,979	2,180,265	-	14,714

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 six months ended June 30, 2022 and 2021.

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

Name	For the six months ended June 30, 2022							
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		Balance at the end of the year
		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	\$ 15,372	-	784	-	-	-	-	16,156

Name	For the six months ended June 30, 2021							
	Balance at the beginning of the year	Gains and losses on valuation		Increase		Decrease		Balance at the end of the year
		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	-	770	-	-	-	-	14,714

(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>
June 30, 2022		
Financial assets fair value through other comprehensive income	\$ <u>162</u>	<u>(162)</u>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>154</u>	<u>(154)</u>
June 30, 2021		
Financial assets fair value through other comprehensive income	\$ <u>147</u>	<u>(147)</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 amount of financial instruments not measured at fair value, such as cash and cash equivalents, receivables, reinsurance assets, other financial assests, 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>
June 30, 2022		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	\$ 2,513,989	2,499,798
Investment Property	854,102	1,570,117
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
June 30, 2021		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	1,819,808	1,847,904
Investment Property	797,238	1,711,980

(Continued)

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

2) Fair value information

June 30, 2022				
Item	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortized cost (included statutory deposits)	\$ 2,499,798	-	2,499,798	-
Investment property	1,570,117	-	-	1,570,117
December 31, 2021				
Item	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortized cost (included statutory deposits)	\$ 1,831,958	-	1,831,958	-
Investment property	1,770,222	-	-	1,770,222
June 30, 2021				
Item	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortized cost (included statutory deposits)	\$ 1,847,904	-	1,847,904	-
Investment property	1,711,980	-	-	1,711,980

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.

(Continued)

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

- 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 for the six months ended June 30, 2022 and 2021.

- (v) Financial risk management

There were no significant changes in the Company's financial risk management objectives and policies as disclosed in Note 6(w) of the financial statements for the year ended December 31, 2021.

- (w) Capital Management

Management believes that the objectives, policies and processes of capital management of the Company has been applied consistently with those described in the financial statements for the year ended December 31, 2021. For the related information, please refer to Note 6(x) of the financial statements for the year ended December 31, 2021.

- (x) 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 June 30, 2022, December 31 and June 30, 2021, were as follows:

<u>June 30, 2022</u>	<u>Asset securitization products-REITS</u>
Assets possessed by the Company	
– Financial assets at fair value through profit or loss	\$ <u>340,020</u>
Total assets possessed by the company	\$ <u><u>340,020</u></u>

(Continued)

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

December 31, 2021	Asset securitization products-REITS
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>342,856</u>
June 30, 2021	Asset securitization products-REITS
Assets possessed by the Company	
– Financial assets at fair value through profit or loss	\$ <u>340,587</u>
Total assets possessed by the company	\$ <u>340,587</u>

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

- (iii) The Company did not provide any financial support for the asset securitization products not included in the financial statements for the six months ended June 30, 2022 and 2021.

(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.

Name of Related Party	Relationship with the Company
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
Times Travel Service Co., Ltd. (Previous Company Name : 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
Media Sphere Communications Ltd.	Material related party
K Venture 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>
TY Star Network Technology Co., Ltd.	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
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
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
Daywant Biomedicl Co., Ltd.	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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 8,541	10,287	17,091	20,836
Short-term employee benefits-paid leave	32	(124)	620	519
Post-employment benefits	123	136	245	301
Total	<u>\$ 8,696</u>	<u>10,299</u>	<u>17,956</u>	<u>21,656</u>

(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 three months ended June 30,	
	2022	2021
	Amount	Amount
Written premium		
Other related parties	\$ 11,659	11,069
Key management personnel	<u>249</u>	<u>289</u>
Total	<u>\$ 11,908</u>	<u>11,358</u>

	For the six months ended June 30,	
	2022	2021
	Amount	Amount
Written premium		
Other related parties	\$ 12,179	11,643
Key management personnel	<u>372</u>	<u>467</u>
Total	<u>\$ 12,551</u>	<u>12,110</u>

2) Account receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Premiums receivable:			
Other related parties	\$ 10,466	214	10,365
Key management personnel	<u>-</u>	<u>6</u>	<u>-</u>
Total	<u>\$ 10,466</u>	<u>220</u>	<u>10,365</u>

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

3) Prepaid expenses

Related parties	June 30, 2022	December 31, 2021	June 30, 2021
Other related parties	<u>\$ -</u>	<u>-</u>	<u>2,001</u>

(Continued)

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

(ii) The details of general expense were as follows:

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>416</u>	<u>1,169</u>	<u>1,306</u>	<u>3,747</u>

(iii) The details of rental revenue and guarantee deposits received were as follows:

1) Rental revenue

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Key Management personnel	\$ <u>15</u>	<u>15</u>	<u>30</u>	<u>30</u>

2) Guarantee deposits received

<u>Related parties</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Key Management personnel	\$ <u>5</u>	<u>5</u>	<u>5</u>

The above-mentioned leases were operating leases and the terms transactions were similar to those with non-related parties.

(8) Pledged assets:

As of June 30, 2022, December 31 and June 30, 2021, the assets pledged or guaranteed were as follows:

<u>Pledged Assets</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>	<u>Purpose of pledge</u>
Other financial assets - Time deposit	\$ 167,000	167,000	167,000	Guarantee for the insurance business
Financial assets at amortized cost	423,698	423,641	423,582	Guarantee for operating business, suit, and contract performance
Total	\$ <u>590,698</u>	<u>590,641</u>	<u>590,582</u>	

(9) Commitments and contingencies:

- (a) The Company had several significant insurance lawsuits and was required to pay indemnities of \$151,510, of which approximately \$110,606 were reinsured. The remain had been accrued. These cases have not been resolved with District Court of Appeal as of June 30, 2022.
- (b) In order to improve computer equipment and IT systems, the Company is in contract with several IT companies. As of June 30, 2022, there is \$76,138 unpaid.

(Continued)

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

(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 three months ended June 30,					
	2022			2021		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Nature						
Employees Benefits:						
Salaries	95,197	181,406	276,603	88,247	188,187	276,434
Labor and health insurance	-	19,403	19,403	-	19,750	19,750
Pension	-	10,438	10,438	-	10,062	10,062
Remuneration of directors	-	4,228	4,228	-	5,855	5,855
Others	-	10,784	10,784	-	11,539	11,539
Depreciation	1,203	12,277	13,480	1,056	11,762	12,818
Amortization	-	4,311	4,311	-	4,444	4,444

Function	For the six months ended June 30,					
	2022			2021		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Nature						
Employees Benefits:						
Salaries	196,742	368,342	565,084	181,787	383,892	565,679
Labor and health insurance	-	43,017	43,017	-	43,259	43,259
Pension	-	20,533	20,533	-	20,192	20,192
Remuneration of directors	-	8,471	8,471	-	11,746	11,746
Others	-	22,166	22,166	-	23,331	23,331
Depreciation	2,406	24,229	26,635	2,088	22,814	24,902
Amortization	-	8,625	8,625	-	8,821	8,821

(Continued)

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

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

For the three months ended June 30, 2022						
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	\$ 239,600	70,986	101,429	209,157	(1,172)	210,329
Non-compulsory insurance	2,610,331	35,788	749,198	1,896,921	103,173	1,793,748
Total	<u>\$ 2,849,931</u>	<u>106,774</u>	<u>850,627</u>	<u>2,106,078</u>	<u>102,001</u>	<u>2,004,077</u>
For the three months ended June 30, 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	\$ 240,236	71,902	102,149	209,989	(2,286)	212,275
Non-compulsory insurance	2,546,610	38,604	692,683	1,892,531	152,641	1,739,890
Total	<u>\$ 2,786,846</u>	<u>110,506</u>	<u>794,832</u>	<u>2,102,520</u>	<u>150,355</u>	<u>1,952,165</u>
For the six months ended June 30, 2022						
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	\$ 472,944	152,269	199,997	425,216	(1,314)	426,530
Non-compulsory insurance	5,198,412	73,734	1,351,797	3,920,349	323,242	3,597,107
Total	<u>\$ 5,671,356</u>	<u>226,003</u>	<u>1,551,794</u>	<u>4,345,565</u>	<u>321,928</u>	<u>4,023,637</u>
For the six months ended June 30, 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	\$ 479,347	150,944	203,777	426,514	(152)	426,666
Non-compulsory insurance	5,156,807	62,933	1,531,162	3,688,578	338,756	3,349,822
Total	<u>\$ 5,636,154</u>	<u>213,877</u>	<u>1,734,939</u>	<u>4,115,092</u>	<u>338,604</u>	<u>3,776,488</u>

(Continued)

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

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

For the three months ended June 30, 2022				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 165,744	68,169	97,875	136,038
Non-compulsory insurance	1,320,595	4,195	303,754	1,021,036
Total	<u>\$ 1,486,339</u>	<u>72,364</u>	<u>401,629</u>	<u>1,157,074</u>
For the three months ended June 30, 2021				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 177,645	58,911	106,006	130,550
Non-compulsory insurance	1,512,891	30,475	519,787	1,023,579
Total	<u>\$ 1,690,536</u>	<u>89,386</u>	<u>625,793</u>	<u>1,154,129</u>
For the six months ended June 30, 2022				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 311,041	145,723	185,669	271,095
Non-compulsory insurance	2,442,607	26,844	607,445	1,862,006
Total	<u>\$ 2,753,648</u>	<u>172,567</u>	<u>793,114</u>	<u>2,133,101</u>
For the six months ended June 30, 2021				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 358,180	134,268	213,694	278,754
Non-compulsory insurance	2,576,431	65,711	834,814	1,807,328
Total	<u>\$ 2,934,611</u>	<u>199,979</u>	<u>1,048,508</u>	<u>2,086,082</u>

(Continued)

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

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

For the six months ended June 30, 2022

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 399,078	396,385	399,078	396,385	
Compulsory motorcycle liability insurance	132,472	131,179	132,472	131,179	
Special reserve					
Compulsory automobile liability insurance	(276,929)	46,918	-	(230,011)	
Compulsory motorcycle liability insurance	294,872	2,846	1,787	295,931	
Claim reserve					
Compulsory automobile liability insurance	569,388	548,955	569,388	548,955	
Compulsory motorcycle liability insurance	180,851	168,718	180,851	168,718	
Total	\$ 1,299,732	1,295,001	1,283,576	1,311,157	

(Continued)

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

For the six months ended June 30, 2021

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 394,655	398,156	394,655	398,156	
Compulsory motorcycle liability insurance	141,925	136,435	141,925	136,435	
Special reserve					
Compulsory automobile liability insurance	(300,611)	43,998	27,528	(284,141)	
Compulsory motorcycle liability insurance	300,611	1,439	12,176	289,874	
Claim reserve					
Compulsory automobile liability insurance	667,234	624,676	667,234	624,676	
Compulsory motorcycle liability insurance	188,001	179,035	188,001	179,035	
Total	\$ 1,391,815	1,383,739	1,431,519	1,344,035	

(Continued)

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

(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	
	June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021
<u>Asset</u>			<u>Liabilities</u>		
Cash and cash in bank	\$ 754,681	714,097	Claims payable	\$ 1,193	744
Notes receivable	7,418	9,102	Due to reinsurers and ceding companies	68,353	69,137
Premiums receivable	9,430	10,242	Unearned premium reserve	527,564	534,591
Claim recoverable from reinsures	48,550	65,877	Claims reserve	717,673	803,711
Due from reinsurers and ceding companies	50,071	49,403	Special reserve	65,920	5,733
Ceded unearned premium reserve	217,206	221,965			
Ceded claims reserve	291,907	343,025			
Temporary payments	1,440	205			
Total assets	\$ 1,380,703	1,413,916	Total liabilities	\$ 1,380,703	1,413,916

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

Item	For the six months ended June 30,	
	2022	2021
Operating revenue	286,987	286,696
Pure premium	333,320	339,613
Reinsurance premium	152,269	150,944
Premium	485,589	490,557
Less: Reinsurance expense	(199,997)	(203,777)
Net change in unearned premium reserve	1,314	152
Retained earned premium	286,906	286,932
Interest income	81	(236)
Operating costs	298,404	292,429
Insurance claim payment	311,041	358,180
Reinsurance claim payment	145,723	134,268
Less: Claim recovered from reinsurers	(185,669)	(213,694)
Retained claim payment	271,095	278,754
Net change in claim reserve	(20,668)	(19,586)
Net change in special reserve	47,977	33,261

(Continued)

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

- (f) The amounts of total assets and liabilities which will be recovered or paid within or over 12 months of the balance sheet date are as follows:

<u>Assets</u>	June 30, 2022		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,940,910	-	2,940,910
Receivables	1,092,132	-	1,092,132
Financial assets at fair value through profit or loss	1,129,869	-	1,129,869
Financial assets at fair value through other comprehensive income	-	2,291,892	2,291,892
Financial assets at amortized cost	70,362	2,019,929	2,090,291
Other financial assets	2,343,620	128,000	2,471,620
Right-of-use assets	-	16,411	16,411
Investment property	-	854,102	854,102
Reinsurance assets	3,795,748	293,894	4,089,642
Property and equipment	-	1,259,866	1,259,866
Intangible assets	-	112,552	112,552
Other assets	279,074	510,491	789,565
Total assets	\$ 11,651,715	7,487,137	19,138,852

<u>Liabilities</u>	June 30, 2022		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,421,949	8,997	1,430,946
Current tax liabilities	3,467	-	3,467
Insurance liabilities	10,954,777	1,133,544	12,088,321
Provisions	-	163,790	163,790
Lease liabilities	11,219	5,349	16,568
Deferred tax liabilities	-	63,920	63,920
Other liabilities	9,870	5,135	15,005
Total liabilities	\$ 12,401,282	1,380,735	13,782,017

(Continued)

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

<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>	June 30, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,137,888	-	3,137,888
Receivables	1,039,272	-	1,039,272
Current tax assets	302	-	302
Financial assets at fair value through profit or loss	1,787,268	-	1,787,268
Financial assets at fair value through other comprehensive income	-	2,194,979	2,194,979
Financial assets at amortized cost	-	1,396,226	1,396,226
Other financial assets	2,208,920	114,500	2,323,420
Right-of-use assets	-	20,565	20,565
Investment property	-	797,238	797,238
Reinsurance assets	4,019,163	396,853	4,416,016
Property and equipment	-	1,153,059	1,153,059
Intangible assets	-	131,538	131,538
Other assets	-	814,817	814,817
Total assets	\$ <u>12,192,813</u>	<u>7,019,775</u>	<u>19,212,588</u>

<u>Liabilities</u>	June 30, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,375,811	5,653	1,381,464
Current tax liabilities	49,418	-	49,418
Insurance liabilities	10,582,948	662,674	11,245,622
Provisions	-	197,035	197,035
Lease liabilities	12,162	8,465	20,627
Deferred tax liabilities	-	63,920	63,920
Other liabilities	60,134	3,922	64,056
Total liabilities	\$ <u>12,080,473</u>	<u>941,669</u>	<u>13,022,142</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 six months ended June 30, 2022 and 2021, the influence for not applying the notification on net income, liabilities, and equity of the Company resulted in an decrease of \$256,767, an increase of \$68,346, a increase of \$256,767, a decrease of \$68,346, an decrease of \$256,767, an increase of \$68,346, respectively. The influence on the Company for not applying the notification resulted in an decrease and increase in the EPS by \$1.15 and \$0.31, respectively.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

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

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

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.