

UNION INSURANCE CO., LTD.**Financial Statements**

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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The independent auditors' review 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' review 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' Review 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	12~62
(7) Related-party transactions	62~65
(8) Pledged assets	65
(9) Commitments and contingencies	65
(10) Losses Due to Major Disasters	65
(11) Subsequent Events	65
(12) Other	66~73
(13) Other disclosures	
(a) Information on significant transactions	74
(b) Information on investees	74
(c) Information on investment in mainland China	74
(d) Major shareholders	74
(14) Segment information	75



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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying balance sheets of Union Insurance Co., LTD. as of March 31, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Union Insurance Co., LTD. as of March 31, 2022 and 2021, and of its financial performance and its cash flows for the three months ended March 31, 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.



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

KPMG

Taipei, Taiwan (Republic of China)
April 28, 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 review such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review 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' review report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

UNION INSURANCE CO., LTD.

Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021			March 31, 2022		December 31, 2021		March 31, 2021		
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	
Assets														
11000 Cash and cash equivalents (note 6(a))	\$ 3,320,016	17	3,648,227	19	2,581,936	14	21000	Accounts payable (note 6(b) and (e))	\$ 1,322,819	7	1,237,685	7	1,330,222	7
12000 Receivables (note 6(b))	868,361	5	680,984	4	966,668	5	21700	Current tax liabilities	126,315	1	102,936	-	25,748	-
12600 Current tax assets	-	-	-	-	302	-	24000	Insurance liabilities (note 6(n))	11,288,678	59	10,958,474	58	11,342,585	60
14110 Financial assets at fair value through profit or loss (note 6(f))	1,756,178	9	1,879,359	10	2,361,090	12	27000	Provisions	163,670	1	179,077	1	199,958	1
14190 Financial assets at fair value through other comprehensive income (note 6(f))	2,087,554	11	2,080,399	11	2,188,265	11	23800	Lease liabilities (note 6(j))	19,391	-	18,257	-	21,656	-
14145 Financial assets at amortized cost (note 6(f))	1,790,456	9	1,396,058	7	1,473,746	8	28000	Deferred tax liabilities	63,920	-	63,920	-	63,920	-
14180 Other financial assets, net (note 6(f))	2,384,120	12	2,427,420	13	2,256,421	12	25000	Other liabilities	15,547	-	18,815	-	68,608	-
16700 Right-of-use assets (note 6(i))	19,242	-	18,127	-	21,681	-		Total liabilities	13,000,340	68	12,579,164	66	13,052,697	68
14200 Investment property (note 6(g))	855,305	5	856,508	4	792,889	4		Equity						
15000 Reinsurance assets (note 6(c))	3,910,298	20	3,860,017	20	4,468,158	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))	1,258,789	7	1,262,061	7	1,156,258	6	33100	Legal reserve (note 6(p))	854,366	4	854,366	4	718,040	4
17000 Intangible assets	115,668	1	120,574	1	137,144	1	33200	Special reserve (note 6(n) and (p))	2,459,890	13	2,459,890	13	2,235,431	12
18000 Other assets	797,625	4	791,203	4	728,948	4	33300	Unappropriated retained earnings (note 6(p))	526,297	3	811,953	4	810,703	4
							34210	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	86,639	-	79,484	1	80,555	-
								Total equity	6,163,272	32	6,441,773	34	6,080,809	32
Total assets	\$ 19,163,612	100	19,020,937	100	19,133,506	100		Total liabilities and equity	\$ 19,163,612	100	19,020,937	100	19,133,506	100

(English Translation of Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

UNION INSURANCE CO., LTD.

Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
41000	Operating revenue:				
41110	Written premium	\$ 2,821,425	139	2,849,308	127
41120	Reinsurance premium	119,229	6	103,371	5
41100	Premium	2,940,654	145	2,952,679	132
51100	Less: Reinsurance expense	701,167	34	940,107	42
51310	Net change in unearned premiums reserve	219,927	11	188,249	8
41130	Retained earned premium	2,019,560	100	1,824,323	82
41300	Reinsurance commission received	115,185	6	154,839	7
41500	Net income(loss) from investments				
41510	Interest income	17,507	1	17,574	1
41521	Gains on financial assets or liabilities at fair value through profit or loss	(136,095)	(7)	230,774	10
41550	Foreign exchange gains (losses), investments	6	-	(45)	-
41570	Gains (losses) on investment property	7,475	-	5,476	-
41585	Expected credit losses or reversal of expected credit losses of investments (note 6(f))	10	-	91	-
41800	Other operating income	5,157	-	1,960	-
	Total operating revenue	2,028,805	100	2,234,992	100
51000	Operating costs:				
51200	Insurance claim payment	1,367,512	67	1,354,668	61
41200	Less: Claims recovered from reinsurers	391,485	19	422,715	19
51260	Retained claim payment	976,027	48	931,953	42
51300	Net change in other insurance liability (note6(n))				
51320	Net change in claim reserve	81,292	4	103,895	5
51340	Net change in special claim reserve	27,771	2	(1,249)	-
51500	Commission expense	460,432	23	437,107	19
51800	Other operating costs	9,515	-	6,857	-
51700	Finance costs	2,005	-	1,263	-
	Total operating costs	1,557,042	77	1,479,826	66
58000	Operating expenses:				
58100	General expenses	423,179	21	407,927	18
58200	Administrative expenses	86,231	4	110,698	5
58300	Staff training expenses	153	-	173	-
58400	Expected credit losses or reversal of expected credit losses of non-investments	2,227	-	965	-
	Total operating expenses	511,790	25	519,763	23
	Net operating (loss) income	(40,027)	(2)	235,403	11
59000	Non-operating income and expenses:				
59900	Other non-operating income and expenses, net	2,254	-	3,181	-
	Total non-operating income and expenses	2,254	-	3,181	-
62000	Net (loss) income before income tax	(37,773)	(2)	238,584	11
63000	Less: Income tax expenses (note6(o))	24,275	1	26,576	2
	Net (Loss) Income	(62,048)	(3)	212,008	9
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	7,155	-	21,608	1
	Components of other comprehensive income that will not be reclassified to profit or loss	7,155	-	21,608	1
83000	Other comprehensive income (after tax)	7,155	-	21,608	1
	Total comprehensive income	\$ (54,893)	(3)	\$ 233,616	10
97500	Basic (loss) earnings per share (note 6(q))	\$ (0.28)		\$ 0.95	
98500	Diluted (loss) earnings per share (note 6(q))	\$ (0.28)		\$ 0.94	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the three months ended March 31, 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	-	-	-	212,008	-	212,008
Other comprehensive income	-	-	-	-	21,608	21,608
Total comprehensive income	-	-	-	212,008	21,608	233,616
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(489)	489	-
Balance at March 31, 2021	<u>\$ 2,236,080</u>	<u>718,040</u>	<u>2,235,431</u>	<u>810,703</u>	<u>80,555</u>	<u>6,080,809</u>
Balance at January 1, 2022	\$ 2,236,080	854,366	2,459,890	811,953	79,484	6,441,773
Net loss	-	-	-	(62,048)	-	(62,048)
Other comprehensive income	-	-	-	-	7,155	7,155
Total comprehensive income	-	-	-	(62,048)	7,155	(54,893)
Appropriation and distribution of retained earnings:						
Cash dividends of ordinary share	-	-	-	(223,608)	-	(223,608)
Balance at March 31, 2022	<u>\$ 2,236,080</u>	<u>854,366</u>	<u>2,459,890</u>	<u>526,297</u>	<u>86,639</u>	<u>6,163,272</u>

(English Translation of Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

UNION INSURANCE CO., LTD.

Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from (used in) operating activities:		
Net (loss) income before income tax	\$ (37,773)	238,584
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	13,155	12,084
Amortization expense	4,314	4,377
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	138,923	(229,199)
Interest expense	2,005	1,263
Interest income	(17,507)	(17,574)
Dividend income	(2,828)	(1,575)
Net change in insurance liabilities	330,796	1,017,084
Net change in other provisions	(15,407)	(14,085)
Reversal of expected credit loss of investments	(10)	(91)
Expected credit loss of non-investments	2,227	965
Total adjustments to reconcile profit (loss)	455,668	773,249
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(27,335)	(42,853)
Increase in premiums receivable	(117,237)	(259,815)
(Increase) decrease in other receivables	(38,751)	6,848
Increase in financial assets at fair value through profit or loss	(15,742)	(165,348)
Decrease in financial assets at fair value through other comprehensive income	-	189,827
(Increase) decrease in financial assets at amortized cost	(394,501)	20,000
Decrease (increase) in other financial assets	43,300	(134,784)
Increase in reinsurance assets	(50,281)	(547,326)
Increase in other assets	(3,513)	(5,408)
Total changes in operating assets	(604,060)	(938,859)
Changes in operating liabilities:		
(Decrease) increase in other payable	(138,474)	73,472
(Decrease) increase in other liabilities	(3,268)	40,487
Total changes in operating liabilities	(141,742)	113,959
Cash (outflow) inflow generated from (used in) operations	(327,907)	186,933
Interest received	11,959	13,192
Dividends received	2,179	2,043
Interest paid	(2,005)	(1,263)
Income taxes paid	(896)	(1,008)
Net Cash flows from (used in) operating activities	(316,670)	199,897
Cash flows from (used in) investing activities:		
Increase in prepayments	(2,880)	-
Acquisition of property and equipment	(4,622)	(157)
Proceeds from disposal of property and equipment	-	(855)
Net cash flows used in investing activities	(7,502)	(1,012)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(4,039)	(3,491)
Net cash flows used in financing activities	(4,039)	(3,491)
Net (decrease) increase in cash and cash equivalents	(328,211)	195,394
Cash and cash equivalents at beginning of period	3,648,227	2,386,542
Cash and cash equivalents at end of period	\$ 3,320,016	2,581,936

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

UNION INSURANCE CO., LTD.

Notes to the Financial Statements

For the three months ended March 31, 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 April 28, 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”

(Continued)

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

- (b) 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:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 17 “Insurance Contracts”	The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to: <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. 	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

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

(4) Summary of significant accounting policies:

(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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 438	500	447
Petty cash	13,010	13,050	12,400
Cash in bank	2,401,234	2,857,262	1,787,727
Bonds purchased under resale agreements	905,334	777,415	781,362
Total	<u>\$ 3,320,016</u>	<u>3,648,227</u>	<u>2,581,936</u>

(b) Receivables and Payables

(i) Receivables

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 273,355	246,082	279,084
Premiums receivable	408,867	292,770	532,744
Other receivables	186,139	142,132	154,840
Total	<u>\$ 868,361</u>	<u>680,984</u>	<u>966,668</u>

(ii) Payables

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Commission payable	\$ 202,209	178,446	179,612
Due to ceding companies	268,719	96,636	279,993
Reinsurance premium payable	345,096	521,836	485,092
Reinsurance commission payable	1,107	1,611	1,053
Insurance claims payable	17,592	2,849	22,547
Other payables	488,096	436,307	361,925
Total	<u>\$ 1,322,819</u>	<u>1,237,685</u>	<u>1,330,222</u>

(Continued)

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

(iii) Receivables of insurance contracts

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 274,866	247,532	280,839
Less : Loss allowance	(1,511)	(1,450)	(1,755)
Total	<u>\$ 273,355</u>	<u>246,082</u>	<u>279,084</u>

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Premiums receivable			
Fire insurance	\$ 71,968	66,101	82,657
Marine insurance	55,675	39,286	49,898
Hull and fishing vessel insurance	10,217	9,043	16,711
Other accident insurance	162,533	128,088	273,823
Compulsory pure premium	9,342	9,466	9,729
Voluntary automobile insurance	39,485	3,236	40,874
Compulsory automobile liability insurance	3,933	4,551	4,202
Overdue receivables	60,842	36,986	60,749
Subtotal	413,995	296,757	538,643
Less : Loss allowance	(5,128)	(3,987)	(5,899)
Total	<u>\$ 408,867</u>	<u>292,770</u>	<u>532,744</u>

(iv) Other receivables

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other receivables	\$ 221,546	176,514	184,308
Less : Loss allowance	(35,407)	(34,382)	(29,468)
Total	<u>\$ 186,139</u>	<u>142,132</u>	<u>154,840</u>

As of March 31, 2022, December 31 and March 31, 2021, the overdue receivables in notes receivable, premiums receivable and other receivables were \$96,653, \$71,802 and \$91,849, which provisioned the loss allowance \$42,046, \$39,819 and \$37,122, respectively. The movements of the loss allowance for receivables were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 39,819	36,157
Loss recognized	2,227	965
Ending balance	<u>\$ 42,046</u>	<u>37,122</u>

(Continued)

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Under 90 days	\$ 842,417	663,368	932,206
90~270 days	36,635	26,887	44,760
More than 271 days	31,355	30,548	26,824

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

(v) Payables of insurance contracts

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Commission payable	\$ <u>202,209</u>	<u>178,446</u>	<u>179,612</u>

(c) Reinsurance assets

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Claims recoverable from reinsurers (Note 6(d))	\$ 256,116	249,297	300,514
Due from reinsurers and ceding companies — net (Note 6(e))	286,027	244,371	221,555
Reinsurance reserve assets (Note 6(n))			
Ceded unearned premiums reserve	1,705,057	1,742,957	2,241,396
Ceded claim reserve	<u>1,663,098</u>	<u>1,623,392</u>	<u>1,704,693</u>
Total	\$ <u>3,910,298</u>	<u>3,860,017</u>	<u>4,468,158</u>

(Continued)

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

(d) Claims recoverable from reinsurers

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Fire insurance	\$ 7,276	9,633	3,264
Marine insurance	1,445	1,279	(144)
Land and air insurance	79	6	103
Liability insurance	65,362	69,309	64,778
Surety insurance	(1,756)	(1,701)	41
Other property insurance	126,092	95,164	148,040
Accident insurance	12,874	21,571	21,842
Health insurance	2,352	2,289	1,054
Compulsory automobile liability insurance	42,340	51,658	60,729
Overdue receivables	52	89	807
Less : Loss allowance	-	-	-
Total	\$ 256,116	249,297	300,514

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

(i) Receivables of insurance contracts

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Due from ceding companies	\$ 112,597	151,236	43,470
Reinsurance premium receivable	64,043	78,663	58,933
Reinsurance commission receivable	103,619	8,638	119,023
Overdue receivables	5,768	5,834	38,042
Subtotal	286,027	244,371	259,468
Less : Loss allowance	-	-	(37,913)
Total	\$ 286,027	244,371	221,555

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	37,913
(Reversal of) loss recognized	-	-
Ending balance	\$ -	37,913

(Continued)

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

(ii) Payables of insurance contracts

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Due to ceding companies	\$ 268,719	96,636	279,993
Reinsurance premium payable	345,096	521,836	485,092
Reinsurance commission payable	1,107	1,611	1,053
Total	<u>\$ 614,922</u>	<u>620,083</u>	<u>766,138</u>

(f) Financial assets

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Beneficiary certificate	\$ 219,403	131,006	69,388
Real estate investment trust beneficiary certificate	362,902	342,856	353,258
Domestic listed stocks and OTC stocks	1,173,873	1,405,497	1,938,444
Total	<u>\$ 1,756,178</u>	<u>1,879,359</u>	<u>2,361,090</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 three months ended March 31, 2022 and 2021 will increase \$17,562 and \$23,611, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Equity investments at fair value through other comprehensive income			
Domestic listed stocks and OTC stocks	\$ 2,072,014	2,065,027	2,173,957
Domestic unlisted stocks	15,540	15,372	14,308
Total	<u>\$ 2,087,554</u>	<u>2,080,399</u>	<u>2,188,265</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 ended March 31, 2022 and 2021, no dividend income was recognized for equity investments measured at fair value through other comprehensive income held at the three months then ended, respectively; no dividend income was recognized for equity investments derecognized during the three months then ended March 31, 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 ended March 31, 2022 and 2021, were as follows:

	For the three months ended March 31,	
	2022	2021
Fair value	\$ -	189,827
Cumulative losses on disposal	\$ -	(489)

The cumulative 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 three months ended March 31, 2022 and 2021 will increase \$20,876 and \$21,883, 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

	March 31, 2022	December 31, 2021	March 31, 2021
	Government bonds	\$ 964,770	570,353
Financial bonds	300,000	300,000	300,000
Corporate bonds	950,000	950,000	950,000
Subtotal	2,214,770	1,820,353	1,840,530
Less: Security deposits	(423,670)	(423,641)	(366,002)
Loss allowance	(644)	(654)	(782)
Total	\$ 1,790,456	1,396,058	1,473,746

- 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 three months ended March 31, 2022 and 2021, the amounts of the expected credit loss recognized (reversal of credit loss) were as follows:

	For the three months ended March 31,	
	2022	2021
Beginning balance	\$ 654	873
(Reversal of) loss recognized	(10)	(91)
Ending balance	\$ 644	782

- (iv) Other financial assets, net:

	March 31, 2022	December 31, 2021	March 31, 2021
	Time deposits – initial maturity date over than three months	\$ 2,551,120	2,594,420
Less: Security deposits	(167,000)	(167,000)	(167,000)
Total	\$ 2,384,120	2,427,420	2,256,421

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 March 31, 2022, December 31 and March 31, 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	March 31, 2022 Amount	December 31, 2021 Amount	March 31, 2021 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 March 31, 2022, December 31 and March 31, 2021 were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Cash and cash equivalents	\$ 667,658	682,233	483,378
Financial assets at fair value through profit or loss - stocks	994,773	1,220,996	1,766,472
	\$ 1,662,431	1,903,229	2,249,850

(g) Investment property

The cost, depreciation, and impairment of the investment property of the Company for the three months ended March 31, 2022 and 2021, were as follows:

	Land and Improvement	Buildings and constructions	Total
Cost or deemed cost:			
Balance at March 31, 2022 (Same as January 1, 2022)	\$ 727,887	217,104	944,991
Balance at January 1, 2021	\$ 681,525	187,636	869,161
Reclassification form property, plant and equipment	1,096	1,821	2,917
Balance at March 31, 2021	\$ 682,621	189,457	872,078
Accumulated depreciation and impairments			
Balance at January 1, 2022	\$ 2,359	86,124	88,483
Depreciation	-	1,203	1,203
Balance at March 31, 2022	\$ 2,359	87,327	89,686
Balance at January 1, 2021	\$ 2,359	74,922	77,281
Depreciation	-	1,032	1,032
Reclassification form property, plant and equipment	-	876	876
Balance at March 31, 2021	\$ 2,359	76,830	79,189
Carrying amount:			
January 1, 2022	\$ 725,528	130,980	856,508
March 31, 2022	\$ 725,528	129,777	855,305
January 1, 2021	\$ 679,166	112,714	791,880
March 31, 2021	\$ 680,262	112,627	792,889

(Continued)

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

	Land and Improvement	Buildings and constructions	Total
Fair value :			
January 1, 2022			\$ <u><u>1,770,222</u></u>
March 31, 2022			\$ <u><u>1,736,605</u></u>
January 1, 2021			\$ <u><u>1,695,676</u></u>
March 31, 2021			\$ <u><u>1,697,976</u></u>

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

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

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the three months ended March 31, 2022 and 2021, were as follows:

	Land	Buildings and constructions	Computer Equipment	Transportation equipment	Other equipment	Leasehold improvement	Total
Cost:							
Balance at January 1, 2022	\$ 915,591	499,059	190,640	579	54,308	2,004	1,662,181
Additions	-	-	4,162	-	460	-	4,622
Scrap	-	-	(2,420)	-	(1,008)	-	(3,428)
Balance at March 31, 2022	<u>915,591</u>	<u>499,059</u>	<u>192,382</u>	<u>579</u>	<u>53,760</u>	<u>2,004</u>	<u>1,663,375</u>
Balance at January 1, 2021	825,946	480,196	183,601	579	51,799	2,004	1,544,125
Additions	-	-	33	-	124	-	157
Reclassification to investment property	(1,096)	(1,821)	-	-	-	-	(2,917)
Scrap	-	-	(20)	-	(17)	-	(37)
Balance at March 31, 2021	<u>824,850</u>	<u>478,375</u>	<u>183,614</u>	<u>579</u>	<u>51,906</u>	<u>2,004</u>	<u>1,541,328</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	-	3,670	3,051	-	1,059	114	7,894
Scrap	-	-	(2,420)	-	(1,008)	-	(3,428)
Balance at March 31, 2022	<u>15,196</u>	<u>174,722</u>	<u>167,182</u>	<u>579</u>	<u>45,477</u>	<u>1,430</u>	<u>404,586</u>
Balance at January 1, 2021	15,196	163,931	155,754	564	42,041	858	378,344
Depreciation	-	3,435	3,050	15	1,025	114	7,639
Reclassification to investment property	-	(876)	-	-	-	-	(876)
Scrap	-	-	(20)	-	(17)	-	(37)
Balance at March 31, 2021	<u>15,196</u>	<u>166,490</u>	<u>158,784</u>	<u>579</u>	<u>43,049</u>	<u>972</u>	<u>385,070</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>
March 31, 2022	\$ <u>900,395</u>	<u>324,337</u>	<u>25,200</u>	<u>-</u>	<u>8,283</u>	<u>574</u>	<u>1,258,789</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>
March 31, 2021	\$ <u>809,654</u>	<u>311,885</u>	<u>24,830</u>	<u>-</u>	<u>8,857</u>	<u>1,032</u>	<u>1,156,258</u>

As of March 31, 2022, December 31 and March 31, 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, constructions, and transportation equipment were as follows:

	<u>Buildings and Constructions</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
January 1, 2022	\$ 27,381	4,435	31,816
Additions	1,341	3,840	5,181
Derecognition	(2,299)	-	(2,299)
March 31, 2022	<u>\$ 26,423</u>	<u>8,275</u>	<u>34,698</u>
January 1, 2021	\$ 27,162	5,434	32,596
Additions	17,310	-	17,310
Derecognition	(16,879)	-	(16,879)
March 31, 2021	<u>\$ 27,593</u>	<u>5,434</u>	<u>33,027</u>
Depreciation of right-of-use assets:			
January 1, 2022	\$ 12,884	805	13,689
Depreciation	3,475	583	4,058
Derecognition	(2,291)	-	(2,291)
March 31, 2022	<u>\$ 14,068</u>	<u>1,388</u>	<u>15,456</u>
January 1, 2021	\$ 20,835	3,951	24,786
Depreciation	2,803	610	3,413
Derecognition	(16,853)	-	(16,853)
March 31, 2021	<u>\$ 6,785</u>	<u>4,561</u>	<u>11,346</u>
Carrying amount:			
January 1, 2022	<u>14,497</u>	<u>3,630</u>	<u>18,127</u>
March 31, 2022	<u>\$ 12,355</u>	<u>6,887</u>	<u>19,242</u>
January 1, 2021	<u>\$ 6,327</u>	<u>1,483</u>	<u>7,810</u>
March 31, 2021	<u>\$ 20,808</u>	<u>873</u>	<u>21,681</u>

(j) Lease liabilities

The Company's lease liabilities were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Less than one year	\$ 13,463	12,760	12,750
One to five years	5,928	5,497	8,906
Total	<u>\$ 19,391</u>	<u>18,257</u>	<u>21,656</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:

	For the three months ended March 31,	
	2022	2021
Interest on lease liabilities	\$ 102	58

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

	For the three months ended March 31,	
	2022	2021
Total cash outflow for leases	\$ 4,141	3,549

(i) Leases of buildings and constructions

The Company leases buildings and constructions 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 three months ended March 31, 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 recongnized in profit or loss amounted to \$2,035 and \$2,072 for the three months ended March 31, 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 \$8,060 and \$8,058 for the three months ended March 31, 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 ended March 31, 2022 and 2021, the Company estimated its employee remuneration and director's remuneration amounting to \$0, \$7,125 and \$0, \$1,625, 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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unearned premium reserve	\$ 6,041,412	5,859,977	6,368,193
Claims reserve	4,052,666	3,931,668	3,821,690
Special reserve	<u>1,194,600</u>	<u>1,166,829</u>	<u>1,152,702</u>
Total	<u>\$ 11,288,678</u>	<u>10,958,474</u>	<u>11,342,585</u>

(Continued)

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

(i) Unearned premium reserve

1) Unearned premium reserve and ceded unearned premium reserves

March 31, 2022					
Item	Unearned premium reserve		Ceded unearned premium reserve		Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out		
Fire insurance	\$ 691,219	44,696	360,282		375,633
Marine insurance	63,942	428	53,867		10,503
Land and air insurance	29,837	363	18,674		11,526
Liability insurance	1,720,170	110,615	343,725		1,487,060
Surety insurance	7,804	773	3,935		4,642
Other property insurance	2,337,454	34,714	651,899		1,720,269
Accident insurance	451,915	3,182	49,693		405,404
Health insurance	14,803	-	5,015		9,788
Compulsory automobile liability insurance	363,258	166,239	217,967		311,530
Total	\$ 5,680,402	361,010	1,705,057		4,336,355

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

March 31, 2021				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Reinsurance ceded in	Reinsurance ceded out	
Fire insurance	\$ 674,024	30,714	358,216	346,522
Marine insurance	54,431	849	44,454	10,826
Land and air insurance	29,169	419	18,087	11,501
Liability insurance	1,634,557	199,674	414,119	1,420,112
Surety insurance	11,850	490	6,083	6,257
Other property insurance	2,331,288	36,051	736,268	1,631,071
Accident insurance	816,124	2,049	439,305	378,868
Health insurance	7,935	-	1,207	6,728
Compulsory automobile liability insurance	372,746	165,823	223,657	314,912
Total	\$ 5,932,124	436,069	2,241,396	4,126,797

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

For the three months ended March 31, 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	\$ 233,344	81,283	98,568	216,059	363,258	366,445	166,239	165,105	(2,053)	217,967	219,878	(1,911)	216,201
Non-compulsory insurance	2,588,081	37,946	602,599	2,023,428	5,317,144	5,115,688	194,771	212,147	184,080	1,487,090	1,523,079	(35,989)	1,803,359
Total	\$ 2,821,425	119,229	701,167	2,239,487	5,680,402	5,482,133	361,010	377,252	182,027	1,705,057	1,742,957	(37,900)	2,019,560

For the three months ended March 31, 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	\$ 239,111	79,042	101,628	216,525	372,746	372,987	165,823	163,593	1,989	223,657	223,802	(145)	214,391
Non-compulsory insurance	2,610,197	24,329	838,479	1,796,047	5,559,378	5,009,255	270,246	300,696	519,673	2,017,739	1,684,181	333,558	1,609,932
Total	\$ 2,849,308	103,371	940,107	2,012,572	5,932,124	5,382,242	436,069	464,289	521,662	2,241,396	1,907,983	333,413	1,824,323

(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>	For the three months ended March 31, 2022	
	Unearned premium reserve	Ceded unearned premium reserve
Beginning balance	\$ 5,859,977	1,742,957
Provision	6,041,412	1,705,057
Recovery	<u>(5,859,977)</u>	<u>(1,742,957)</u>
Ending balance	<u>\$ 6,041,412</u>	<u>1,705,057</u>

<u>Item</u>	For the three months ended March 31, 2021	
	Unearned premium reserve	Ceded unearned premium reserve
Beginning balance	\$ 5,847,692	1,907,983
Provision	6,368,193	2,241,396
Recovery	<u>(5,847,692)</u>	<u>(1,907,983)</u>
Ending balance	<u>\$ 6,368,193</u>	<u>2,241,396</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 grants of \$67,451 from the Insurance and Security Fund of the Corporation. According to IFRS 4 "Insurance Contract" that paragraph of insurance contracts acquired in business combination or portfolio transfer: the intangible asset recognized was the difference of \$165,488 from the fair value of the contractual insurance rights acquired and insurance obligations assumed to a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issued. The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability.

As of March 31, 2022, December 31 and March 31, 2021, the relevant unearned premium reserve from the business transfer and intangible assets were \$18,139 and \$12,736, \$18,982 and \$13,328, \$23,979 and \$16,813, 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.

(Continued)

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

<u>Item</u>	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 17,943	-
Provision	33,998	21,996
Recovery	(4,978)	(21,996)
Ending balance	<u>\$ 46,963</u>	<u>-</u>

Special reserve – Non-Compulsory Automobile Liability Insurance

<u>Item</u>	<u>For the three months ended March 31, 2022</u>						
	<u>Liability</u>			<u>Special reserve</u>			
	<u>Catastrophic risk</u>	<u>Contingency risk</u>	<u>Total</u>	<u>Contingency risk</u>	<u>Contingency risk</u>	<u>Travel Insurance</u>	<u>Total</u>
Beginning balance	\$ 106,545	1,038,185	1,144,730	790,535	1,650,413	4,289	2,445,237
Recovery	(1,249)	-	(1,249)	-	-	-	-
Ending balance	<u>\$ 105,296</u>	<u>1,038,185</u>	<u>1,143,481</u>	<u>790,535</u>	<u>1,650,413</u>	<u>4,289</u>	<u>2,445,237</u>

<u>Item</u>	<u>For the three months ended March 31, 2021</u>						
	<u>Liability</u>			<u>Special reserve</u>			
	<u>Catastrophic risk</u>	<u>Contingency risk</u>	<u>Total</u>	<u>Contingency risk</u>	<u>Contingency risk</u>	<u>Travel Insurance</u>	<u>Total</u>
Beginning balance	\$ 111,610	1,038,185	1,149,795	703,784	1,516,706	-	2,220,490
Recovery	(1,249)	-	(1,249)	-	-	-	-
Ending balance	<u>\$ 110,361</u>	<u>1,038,185</u>	<u>1,148,546</u>	<u>703,784</u>	<u>1,516,706</u>	<u>-</u>	<u>2,220,490</u>

Note: The liability of special reserve mentioned above means non-compulsory automobile liability insurance reserve had been provisioned before January 1, 2011. In addition, Article 8 4 of Various Provisions of Insurance Industry and Financial Supervisory Commission, R.O.C. (Taiwan) Jin Guan Bao Cai Zi No.1002509161 on June, 16, 2011 also have set the standard that the business of commercial earthquake insurance and typhoon flood insurance should provision various reserve, which is the base of recovered special reserve for the three months ended March 31, 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	March 31, 2022			
	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
Fire insurance	\$ 33	646,848	56,710	703,558
Marine insurance	123	113,121	58,575	171,696
Land and air insurance	257	75,757	17,360	93,117
Liability insurance	2,399	999,882	289,560	1,289,442
Surety insurance	3	19,572	5,567	25,139
Other property insurance	8,437	734,136	47,683	781,819
Accident insurance	3,166	51,979	192,001	243,980
Health insurance	90	174	5,628	5,802
Compulsory automobile liability insurance	3,084	194,595	543,518	738,113
Total	\$ 17,592	2,836,064	1,216,602	4,052,666

(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
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

March 31, 2021				
Item	Insurance claims payable	Claims reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total
	Fire insurance	\$ -	703,284	39,770
Marine insurance	51	122,097	43,285	165,382
Land and air insurance	-	67,288	8,246	75,534
Liability insurance	5,887	804,543	216,638	1,021,181
Surety insurance	1	22,141	8,435	30,576
Other property insurance	13,257	589,067	42,873	631,940
Accident insurance	2,009	97,746	224,507	322,253
Health insurance	68	1,878	5,366	7,244
Compulsory automobile liability insurance	1,274	153,516	671,010	824,526
Total	\$ 22,547	2,561,560	1,260,130	3,821,690

(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

March 31, 2022			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 493,455	15,037	508,492
Marine insurance	98,775	43,998	142,773
Land and air insurance	66,917	11,562	78,479
Liability insurance	160,408	68,234	228,642
Surety insurance	9,095	1,675	10,770
Other property insurance	319,820	8,668	328,488
Accident insurance	10,520	50,745	61,265
Health insurance	50	1,160	1,210
Compulsory automobile liability insurance	72,646	230,333	302,979
Total	\$ 1,231,686	431,412	1,663,098
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

March 31, 2021			
Item	Reported but unpaid	IBNR	Total
Fire insurance	\$ 542,147	9,993	552,140
Marine insurance	112,834	28,681	141,515
Land and air insurance	61,529	2,736	64,265
Liability insurance	140,820	35,839	176,659
Surety insurance	11,016	3,799	14,815
Other property insurance	249,282	8,963	258,245
Accident insurance	44,788	84,094	128,882
Health insurance	43	932	975
Compulsory automobile liability insurance	65,344	301,853	367,197
Total	\$ 1,227,803	476,890	1,704,693

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

For the three months ended March 31, 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	\$ 686,078	636,718	17,480	17,377	49,463	508,492	497,495	10,997
Marine insurance	167,218	160,068	4,478	4,233	7,395	142,773	135,972	6,801
Land and air insurance	90,410	91,293	2,707	2,444	(620)	78,479	78,311	168
Liability insurance	1,272,688	1,236,198	16,754	10,609	42,635	228,642	228,122	520
Surety insurance	23,659	22,318	1,480	1,402	1,419	10,770	10,027	743
Other property insurance	778,676	723,902	3,143	3,067	54,850	328,488	290,810	37,678
Accident insurance	227,091	260,828	16,889	5,457	(22,305)	61,265	77,699	(16,434)
Health insurance	5,617	5,515	185	-	287	1,210	1,151	59
Compulsory automobile liability insurance	505,192	506,341	232,921	243,898	(12,126)	302,979	303,805	(826)
Total	\$ 3,756,629	3,643,181	296,037	288,487	120,998	1,663,098	1,623,392	39,706

For the three months ended March 31, 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	\$ 737,202	351,230	5,852	4,139	387,685	552,140	172,939	379,201
Marine insurance	156,757	132,881	8,625	7,554	24,947	141,515	115,786	25,729
Land and air insurance	73,309	75,598	2,225	1,754	(1,818)	64,265	64,134	131
Liability insurance	1,004,524	951,224	16,657	12,007	57,950	176,659	175,591	1,068
Surety insurance	28,296	23,283	2,280	1,764	5,529	14,815	10,931	3,884
Other property insurance	629,617	578,526	2,323	3,158	50,256	258,245	258,284	(39)
Accident insurance	318,586	316,489	3,667	2,854	2,910	128,882	138,324	(9,442)
Health insurance	6,960	7,065	284	258	(79)	975	965	10
Compulsory automobile liability insurance	612,419	625,276	212,107	229,959	(30,709)	367,197	374,963	(7,766)
Total	\$ 3,567,670	3,061,572	254,020	263,447	496,671	1,704,693	1,311,917	392,776

(Continued)

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

4) The movements in claims reserve and ceded claims reserve

Item	For the three months ended March 31,			
	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	4,052,666	1,663,098	3,821,690	1,704,693
Recovery	(3,931,668)	(1,623,392)	(3,325,019)	(1,311,917)
Ending balance	\$ 4,052,666	1,663,098	3,821,690	1,704,693

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 March 31, 2022, December 31 and March 31, 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 ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Current income tax expenses	\$ 24,275	26,576

The Company's tax returns for the year through 2019 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 March 31, 2022, December 31 and March 31, 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, 2011, when the Company distributes retained surplus that transferred from the special reserve of unrealized revaluation increment \$12,143, it should be accounted a decrease in other equity, with the same amount of the prior years' inappropriate retained earning provision being equal to current year's net income. The amount of decrease in other equity belonged to the prior accumulation, the same amount of special reserve should be not appropriated. However, the Company's has provisioned the special reserve based on former standard, the difference between the provision amount and the decrease in other equity has been provision special reserve. Then, if a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

According to the letter from the Financial Supervisory Commission Jin Guan Bao Cai Zi No. 10502066464 on July 13, 2016. The insurance industry should allocate a special surplus reserve from 0.5% to 1% of the net profit after tax when the 2016-2018 fiscal year surplus is distributed. Moreover, since 2017, the expense of employee transferring training, transferring occupation, and settle down during the development of financial technology should be reversal. As of March 31, 2022, December 31 and March 31, 2021, the special reserve distributed by the Company in accordance with the regulations were \$2,510, \$2,510 and \$2,798, respectively.

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.

(Continued)

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

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:

	For the three months ended March 31,			
	2021		2020	
	Allotment per share	Total Amount	Allotment per share	Total Amount
Dividends distributed to ordinary shareholders :				
Cash	\$ 1.00	223,608	0.80	178,886

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:

	For the three months ended March 31,	
	2022	2021
Basic (loss) earnings per share		
Net (loss) income attributable to ordinary shareholders of the Company	\$ (62,048)	212,008
Weighted average number of ordinary shares (thousands shares)	223,608	223,608
Basic (loss) earnings per share (in dollars)	\$ (0.28)	0.95
Diluted (loss) earnings per share		
Net (loss) income attributable to ordinary shareholders of the Company	\$ (62,048)	212,008
Weighted average number of ordinary shares (thousands shares)	223,608	223,608
Employee share options	1,327	1,601
Weighted average number of ordinary shares (Dilutive potential common shares)(thousands shares)	224,935	225,209
Diluted (loss) earnings per share (in dollars)	\$ (0.28)	0.94

(r) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

Item	For the three months ended March 31, 2022					
	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 31,794	-	-	(209)	-	31,585
Marine insurance	7,938	-	-	127	-	8,065
Land and air insurance	963	-	-	(93)	-	870
Liability insurance	157,099	-	-	84	-	157,183
Surety insurance	547	-	-	21	-	568
Other property insurance	169,215	-	-	2,543	-	171,758
Accident insurance	57,994	-	-	111	-	58,105
Health insurance	1,496	-	-	-	-	1,496
Compulsory automobile liability insurance	30,802	-	-	-	-	30,802
Total	\$ 457,848	-	-	2,584	-	460,432

(Continued)

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

For the three months ended March 31, 2021

Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 27,331	-	-	597	-	27,928
Marine insurance	6,804	-	-	190	-	6,994
Land and air insurance	788	-	-	-	-	788
Liability insurance	149,277	-	-	146	-	149,423
Surety insurance	772	-	-	17	-	789
Other property insurance	164,436	-	-	2,372	-	166,808
Accident insurance	51,496	-	-	-	-	51,496
Health insurance	906	-	-	-	-	906
Compulsory automobile liability insurance	31,975	-	-	-	-	31,975
Total	<u>\$ 433,785</u>	<u>-</u>	<u>-</u>	<u>3,322</u>	<u>-</u>	<u>437,107</u>

(s) Disclosure of insurance cost-benefit analysis

(i) Direct written business cost-benefit analysis

For the three months ended March 31, 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	\$ 337,795	(13,801)	31,794	44,533	49,360	225,909
Marine insurance	49,362	(19,258)	7,938	16,929	7,150	36,603
Land and air insurance	9,703	(12,438)	963	1,539	(883)	20,522
Liability insurance	902,823	121,691	157,099	412,036	36,490	175,507
Surety insurance	4,240	353	547	302	1,341	1,697
Other property insurance	1,017,593	91,586	169,215	507,150	54,774	194,868
Accident insurance	260,162	45,031	57,994	133,496	(33,737)	57,378
Health insurance	6,403	(11,708)	1,496	6,027	102	10,486
Compulsory automobile liability insurance	233,344	(3,187)	30,802	145,297	(1,149)	61,581
Total	<u>\$ 2,821,425</u>	<u>198,269</u>	<u>457,848</u>	<u>1,267,309</u>	<u>113,448</u>	<u>784,551</u>

(Continued)

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

For the three months ended March 31, 2021

Item	Written premium	The net change in unearned premium reserve	Insurance contract acquisition cost	Claims	The net change in claims reverse	Gain (Loss)
Fire insurance	\$ 274,422	(57,088)	27,331	24,505	385,972	(106,298)
Marine insurance	54,269	(15,078)	6,804	6,187	23,876	32,480
Land and air insurance	8,287	(17,053)	788	2,367	(2,289)	24,474
Liability insurance	859,617	123,643	149,277	392,313	53,300	141,084
Surety insurance	5,367	358	772	209	5,013	(985)
Other property insurance	995,685	86,808	164,436	503,100	51,091	190,250
Accident insurance	408,724	431,519	51,496	129,992	2,097	(206,380)
Health insurance	3,826	(2,986)	906	4,867	(105)	1,144
Compulsory automobile liability insurance	239,111	(241)	31,975	180,535	(12,857)	39,699
Total	<u>\$ 2,849,308</u>	<u>549,882</u>	<u>433,785</u>	<u>1,244,075</u>	<u>506,098</u>	<u>115,468</u>

(ii) Reinsurance cost-benefit analysis

For the three months ended March 31, 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	\$ 22,458	1,658	(209)	497	103	20,409
Marine insurance	1,251	(401)	127	85	245	1,195
Land and air insurance	(579)	(308)	(93)	111	263	(552)
Liability insurance	1,463	(19,604)	84	17,339	6,145	(2,501)
Surety insurance	829	425	21	43	78	262
Other property insurance	9,743	(532)	2,543	3,255	76	4,401
Accident insurance	2,781	1,386	111	1,319	11,432	(11,467)
Health insurance	-	-	-	-	185	(185)
Compulsory automobile liability insurance	81,283	1,134	-	77,554	(10,977)	13,572
Total	<u>\$ 119,229</u>	<u>(16,242)</u>	<u>2,584</u>	<u>100,203</u>	<u>7,550</u>	<u>25,134</u>

(Continued)

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

For the three months ended March 31, 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	\$ 12,297	(4,404)	597	224	1,713	14,167
Marine insurance	1,247	(273)	190	(120)	1,071	379
Land and air insurance	-	(607)	-	-	471	136
Liability insurance	467	(24,197)	146	29,844	4,650	(9,976)
Surety insurance	439	128	17	740	516	(962)
Other property insurance	8,309	(1,237)	2,372	4,216	(835)	3,793
Accident insurance	1,570	140	-	332	813	285
Health insurance	-	-	-	-	26	(26)
Compulsory automobile liability insurance	79,042	2,230	-	75,357	(17,852)	19,307
Total	<u>\$ 103,371</u>	<u>(28,220)</u>	<u>3,322</u>	<u>110,593</u>	<u>(9,427)</u>	<u>27,103</u>

(iii) Gain/Loss on reinsurance contracts

For the three months ended March 31, 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	\$ (214,056)	(12,691)	27,925	31,451	10,997	(156,374)
Marine insurance	(16,935)	(19,634)	2,571	8,120	6,801	(19,077)
Land and air insurance	(4,164)	(10,450)	213	607	168	(13,626)
Liability insurance	(130,005)	(362)	34,993	94,743	520	(111)
Surety insurance	(1,630)	(41)	338	92	743	(498)
Other property insurance	(198,284)	(365)	43,175	129,911	37,678	12,115
Accident insurance	(36,725)	9,080	5,970	36,432	(16,434)	(1,677)
Health insurance	(800)	(1,526)	-	2,335	59	68
Compulsory automobile liability insurance	(98,568)	(1,911)	-	87,794	(826)	(13,511)
Total	<u>\$ (701,167)</u>	<u>(37,900)</u>	<u>115,185</u>	<u>391,485</u>	<u>39,706</u>	<u>(192,691)</u>

(Continued)

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

For the three months ended March 31, 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	\$ (223,383)	(30,688)	(3,053)	16,240	379,201	138,317
Marine insurance	(27,319)	(17,831)	2,901	3,338	25,729	(13,182)
Land and air insurance	(3,835)	(14,628)	116	83	131	(18,133)
Liability insurance	(135,819)	(1,431)	48,131	100,360	1,068	12,309
Surety insurance	(2,006)	(248)	467	43	3,884	2,140
Other property insurance	(231,491)	1,392	66,545	148,866	(39)	(14,727)
Accident insurance	(213,695)	397,771	39,738	45,043	(9,442)	259,415
Health insurance	(931)	(779)	(6)	1,054	10	(652)
Compulsory automobile liability insurance	(101,628)	(145)	-	107,688	(7,766)	(1,851)
Total	<u>\$ (940,107)</u>	<u>333,413</u>	<u>154,839</u>	<u>422,715</u>	<u>392,776</u>	<u>363,636</u>

(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 three months ended March 31, 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 three months ended March 31, 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	\$ 360,253	67.30 %	3,730	1,462	
Marine insurance	50,613	62.56 %	703	337	
Land and air insurance	9,124	64.37 %	219	73	
Liability insurance	904,286	66.18 %	8,022	6,718	
Surety insurance	5,069	72.49 %	43	26	
Other property insurance	1,027,336	64.45 %	9,363	7,376	
Accident insurance	262,943	74.69 %	2,165	1,889	
Health insurance	6,403	64.93 %	181	158	
Compulsory automobile liability insurance	314,627	No applicable	No applicable	No applicable	

Item	For the three months ended March 31, 2021				
	Written premium	Expected rate of loss	Effect of profit or loss on 1% movement of expected rate of loss		
			Before reinsurance	After reinsurance	
Fire insurance	\$ 286,719	69.01 %	3,494	953	
Marine insurance	55,516	64.03 %	709	257	
Land and air insurance	8,287	64.69 %	259	75	
Liability insurance	860,084	66.08 %	7,606	6,234	
Surety insurance	5,806	72.40 %	53	31	
Other property insurance	1,003,994	64.69 %	9,184	6,883	
Accident insurance	410,294	75.60 %	(214)	1,627	
Health insurance	3,826	81.60 %	68	51	
Compulsory automobile liability insurance	318,153	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 55.45% and 54.36% for the three months ended March 31, 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 three months ended March 31,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 183,812	6.25 %	140,595	4.76 %
Marine cargo insurance	44,717	1.52 %	36,932	1.25 %
Hull, fishing vessel and aviation insurance	15,614	0.53 %	26,768	0.91 %
Voluntary automobile insurance	1,630,514	55.45 %	1,605,176	54.36 %
Compulsory automobile liability insurance	314,627	10.70 %	318,153	10.77 %
Liability insurance	128,621	4.37 %	105,652	3.58 %
Engineering and nuclear insurance	145,412	4.94 %	127,506	4.32 %
Surety and credit insurance	5,069	0.17 %	5,806	0.20 %
Other property insurance	18,113	0.62 %	19,545	0.66 %
Accident insurance	262,943	8.94 %	410,294	13.90 %
Typhoon, flood and earthquake insurance	177,196	6.03 %	143,891	4.87 %
Personal and commercial all-risk insurance	8,921	0.30 %	6,280	0.21 %
Health insurance	6,403	0.22 %	3,826	0.13 %
Overseas ceded-in reinsurance	(1,308)	(0.04)%	2,255	0.08 %
Total	\$ 2,940,654	100.00 %	2,952,679	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 63.56% and 67.84% for the three months ended March 31, 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 three months ended March 31,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 90,013	4.02 %	24,946	1.24 %
Marine cargo insurance	37,404	1.67 %	30,955	1.54 %
Hull, fishing vessel and aviation insurance	1,467	0.06 %	1,600	0.08 %
Voluntary automobile insurance	1,423,485	63.56 %	1,365,459	67.84 %
Compulsory automobile liability insurance	216,059	9.65 %	216,525	10.76 %
Liability insurance	81,040	3.62 %	65,470	3.25 %
Engineering and nuclear insurance	75,891	3.39 %	45,237	2.25 %
Surety and credit insurance	3,439	0.15 %	3,800	0.19 %
Other property insurance	14,919	0.67 %	14,895	0.74 %
Accident insurance	226,218	10.10 %	196,599	9.77 %
Typhoon, flood and earthquake insurance	56,940	2.54 %	36,155	1.80 %
Personal and commercial all-risk insurance	7,956	0.36 %	5,768	0.29 %
Health insurance	5,603	0.25 %	2,895	0.14 %
Overseas ceded-in reinsurance	(947)	(0.04)%	2,268	0.11 %
Total	\$ 2,239,487	100.00 %	2,012,572	100.00 %

(Continued)

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

3) Claims trend

For the three months ended March 31, 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	874,180
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	5,071,666	
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	4,929,025		
4	38,232,192	2,837,248	3,151,586	3,530,087	4,331,187	3,997,617	4,714,228	4,768,424			
5	38,188,054	2,835,816	3,151,839	3,505,206	4,348,353	3,972,187	4,708,259				
6	38,132,348	2,830,761	3,130,980	3,518,795	4,300,980	3,975,607					
7	38,113,784	2,834,001	3,155,004	3,501,489	4,300,708						
8	38,095,426	2,849,616	3,128,978	3,500,772							
9	38,410,214	2,833,969	3,128,954								
10	38,070,353	2,833,941									
11	38,073,675										
Estimates	38,073,675	2,833,941	3,128,954	3,500,772	4,300,708	3,975,607	4,708,259	4,768,424	4,929,025	5,071,666	874,180
Actual	38,032,876	2,829,186	3,118,719	3,494,080	4,286,224	3,927,807	4,639,972	4,623,922	4,626,517	3,741,178	215,743
Subtotal	40,799	4,755	10,235	6,692	14,484	47,800	68,287	144,502	302,508	1,330,488	658,437
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	40,799	4,755	10,235	6,692	14,484	47,800	68,287	144,502	302,508	1,330,488	658,437

For the three months ended March 31, 2021

Occurrence year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	35,468,198	2,724,767	2,593,826	3,019,920	3,505,019	4,231,875	3,846,573	4,548,623	4,201,280	4,120,597	932,557
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	4,709,995	
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	4,834,380		
4	35,322,695	2,934,992	2,837,248	3,151,586	3,530,087	4,331,187	3,997,617	4,720,745			
5	35,297,200	2,908,274	2,835,816	3,151,839	3,505,206	4,348,353	3,965,788				
6	35,279,780	2,881,191	2,830,761	3,130,980	3,518,795	4,313,859					
7	35,251,157	2,880,642	2,834,001	3,155,004	3,501,353						
8	35,233,142	2,875,661	2,849,616	3,129,114							
9	35,219,765	2,900,934	2,834,143								
10	35,509,280	2,877,798									
11	5,721,793										
Estimates	5,721,793	2,877,798	2,834,143	3,129,114	3,501,353	4,313,859	3,965,788	4,720,745	4,834,380	4,709,995	932,557
Actual	5,702,690	2,849,051	2,829,388	3,118,879	3,494,161	4,291,104	3,905,481	4,547,808	4,516,687	3,662,427	226,715
Subtotal	19,103	28,747	4,755	10,235	7,192	22,755	60,307	172,937	317,693	1,047,568	705,842
Reconciliations	-	-	-	-	-	-	-	-	-	-	-
Total amount recognized in balance sheet	19,103	28,747	4,755	10,235	7,192	22,755	60,307	172,937	317,693	1,047,568	705,842

(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 March 31, 2022

<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.

As of December 31, 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

(Continued)

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

As of March 31, 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 three months ended March 31, 2022 and 2021, the reinsurance premium expenses (reversal) for unauthorized reinsurance in the Company amounted to \$0 and \$(49), respectively.
- d) The principle summary of amounts and component items of unauthorized reinsurance reserve in the Company were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Claims recoverable from reinsurers reported but unpaid	\$ 4,435	4,465	4,520
The unauthorized reinsurance reserves-Total	<u>\$ 4,435</u>	<u>4,465</u>	<u>4,520</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 were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash and cash equivalents	\$ 3,320,016	3,648,227	2,581,936
Receivables	868,361	680,984	966,668
Financial assets at fair value through profit or loss	1,756,178	1,879,359	2,361,090
Financial assets at fair value through other comprehensive income	2,087,554	2,080,399	2,188,265
Financial assets at amortized cost	1,790,456	1,396,058	1,473,746
Other financial assets	2,384,120	2,427,420	2,256,421
Reinsurance contract assets	542,143	493,668	522,069
Other assets	704,699	702,841	638,106
Total	<u>\$ 13,453,527</u>	<u>13,308,956</u>	<u>12,988,301</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:

	March 31, 2022				Total
	Not overdue	Overdue under 90 days	Overdue for 91- 270 days	Overdue 271 over days	
Notes receivable:					
Expected credit loss rate	0.11%	100%	100%	100%	
Carrying amount	\$ 273,671	58	-	1,137	274,866
Expected credit loss amount	316	58	-	1,137	1,511
Premiums receivable:					
Expected credit loss rate	0.44%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 353,153	26,588	33,037	1,217	413,995
Expected credit loss amount	1,536	915	1,460	1,217	5,128
Other receivables:					
Carrying amount	\$ 186,930	2,017	3,598	29,001	221,546
Expected credit loss amount	1,992	1,272	3,142	29,001	35,407
	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

	March 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	\$ 279,430	272	-	1,137	280,839
Expected credit loss amount	346	272	-	1,137	1,755
Premiums receivable:					
Expected credit loss rate	0.26%	2%~10%	2%~10%	10%~100%	
Carrying amount	\$ 477,894	17,778	41,724	1,247	538,643
Expected credit loss amount	1,227	742	2,683	1,247	5,899
Other receivables:					
Carrying amount	\$ 154,617	2,215	3,036	24,440	184,308
Expected credit loss amount	1,755	1,187	2,086	24,440	29,468

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 three months ended March 31, 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)	The provision of impairment in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	
Beginning balance	\$ 654	-	-	654	-	654
Changes	(10)	-	-	(10)	-	(10)
Ending balance	\$ 644	-	-	644	-	644

(Continued)

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

For the three months ended March 31, 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	(91)	-	-	(91)	-	(91)
Ending balance	\$ 782	-	-	782	-	782

b) The information of credit quality

March 31, 2022											
	stage1				stage2						
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	\$ 2,214,770	-	-	2,214,770	-	-	-	-	-	644	2,214,126
December 31, 2021											
	stage1				stage2						
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	\$ 1,820,353	-	-	1,820,353	-	-	-	-	-	654	1,819,699
March 31, 2021											
	stage1				stage2						
	Low-risk	Moderate- risk	High-risk	Total	Low-risk	Moderate- risk	High-risk	Total	stage3	Allowance impairment loss	Total
Financial assets at amortized cost (including statutory deposit)	\$ 1,840,530	-	-	1,840,530	-	-	-	-	-	782	1,839,748

(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.

March 31, 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	\$ 17,592	17,592	14,899	81	96	2,516
Commissions payable	202,209	202,209	202,209	-	-	-
Due to ceding companies	614,922	614,922	566,261	48,042	-	619
Other payables	488,096	488,096	413,097	35,000	39,999	-
Lease liabilities	19,391	19,746	4,116	7,270	2,334	6,026
Other liabilities						
Guarantee deposits received	6,730	6,730	1,296	237	-	5,197
Total	\$ 1,348,940	1,349,295	1,201,878	90,630	42,429	14,358
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

	March 31, 2021					
	Amount	Contract undiscounted cash amount	Overdue under 3 months	Overdue for 3 - 9 months	Overdue for 9 - 12 months	Overdue over 12 months
Non-derivative financial liabilities						
Payables						
Claims payable	\$ 22,547	22,547	19,947	1,506	266	828
Commissions payable	179,612	179,612	179,612	-	-	-
Due to ceding companies	766,138	766,138	739,054	27,084	-	-
Other payables	361,925	361,925	314,647	9,778	37,500	-
Lease liabilities	21,656	21,990	3,970	6,494	2,546	8,980
Other liabilities						
Guarantee deposits received	5,450	5,450	1,318	253	1,160	2,719
Reinsurance liability reserve deposits	54,595	54,595	5,250	32,897	16,448	-
Total	\$ 1,411,923	1,412,257	1,263,798	78,012	57,920	12,527

(iii) Foreign currency risk

1) Exposure about foreign currency risk

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,942	6,777	4,719
EUR	48	63	59
JPY	120	120	26
HKD	40	50	425
KRW	10	153	1,724
CNY	40	40	23
GBP	26	25	17
THB	126	1,322	1,647
<u>Financial liability</u>			
<u>Monetary items</u>			
USD	3,422	4,040	4,261
KRW	466	365	208
CNY	-	-	4
THB	79	-	314

(Continued)

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

Important rate:

	Rates		
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
USD	\$ 28.63	27.68	28.54
EUR	31.92	31.32	33.48
JPY	0.2353	0.2405	0.2577
HKD	3.66	3.55	3.67
KRW	0.0238	0.0235	0.0254
CNY	4.51	4.34	4.34
GBP	37.62	37.30	39.23
THB	0.8651	0.8347	0.9149

2) Sensitivity analysis

As of March 31, 2022, December 31 and March 31, 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:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
USD(increases 1%)	\$ 348	105
EUR(increases 1%)	12	16
HKD(increases 1%)	1	12
CNY(increases 1%)	1	1
GBP(increases 1%)	8	5
THB(increases 1%)	-	10

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 March 31, 2022, December 31 and March 31, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Variable interest rate instrument:			
Term deposit	\$ <u>372,000</u>	<u>457,000</u>	<u>1,374,120</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Increase 10 basis points	\$ 372	457	1,374
Decrease 10 basis points	(372)	(457)	(1,374)

(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:

		March 31, 2022		
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)
Repeatable fair value measurement				
<u>Non-derivative financial assets</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 219,403	219,403	-	-
Real estate investment trust beneficiary certificates	362,902	362,902	-	-
Stocks	1,173,873	1,173,873	-	-
Financial assets at fair value through other comprehensive income				
Stocks	2,087,554	2,072,014	-	15,540
		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)
Repeatable fair value measurement				
<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	March 31, 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	\$ 69,388	69,388	-	-
Real estate investment trust beneficiary certificates	353,258	353,258	-	-
Stocks	1,938,444	1,938,444	-	-
Financial assets at fair value through other comprehensive income				
Stocks	2,188,265	2,173,957	-	14,308

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 three months ended March 31, 2022 and 2021.

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

Name	For the three months ended March 31, 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	-	168	-	-	-	-	15,540

Name	For the three months ended March 31, 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	-	364	-	-	-	-	14,308

(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>
March 31, 2022		
Financial assets fair value through other comprehensive income	\$ <u>155</u>	<u>(155)</u>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>154</u>	<u>(154)</u>
March 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>143</u>	<u>(143)</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, account receivables, reinsurance contract assets, account payables and other financial liabilities that are approximate to the fair value in the Company does not disclose the fair value, except for below items:

<u>Item</u>	<u>Carrying amount</u>	<u>Fair value</u>
March 31, 2022		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	\$ 2,214,126	2,211,425
Investment Property	855,305	1,736,605
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
March 31, 2021		
Financial assets		
Financial assets at amortized cost (included statutory deposits)	1,839,748	1,870,452
Investment Property	792,889	1,697,976

(Continued)

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

2) Fair value information

March 31, 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)	\$ 2,211,425	-	2,211,425	-
Investment property	1,736,605	-	-	1,736,605
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
March 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)	\$ 1,870,452	-	1,870,452	-
Investment property	1,697,976	-	-	1,697,976

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 three months ended March 31, 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 March 31, 2022, December 31 and March 31, 2021, were as follows:

<u>March 31, 2022</u>	<u>Asset securitization products-REITS</u>
Assets possessed by the Company	
– Financial assets at fair value through profit or loss	\$ 362,902
Total assets possessed by the company	<u>\$ 362,902</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><u>342,856</u></u>
March 31, 2021	Asset securitization products-REITS
Assets possessed by the Company	
– Financial assets at fair value through profit or loss	\$ <u>353,258</u>
Total assets possessed by the company	\$ <u><u>353,258</u></u>

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

- (iii) The Company did not provide any financial support for the asset securitization products not included in the financial statements for the three months ended March 31, 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

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
K Venture Co., Ltd.	Material related party
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
Commercial Culture Co., Ltd.	Material related party
Hongkong Hai Tian Aquaculture Holdings Limited, Taiwan Branch (Previous Company Name : HongKong Da Want Aquaculture Holdings Limited, Taiwan Branch)	Material related party

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

(c) Compensation of key management personnel

	For the three months ended March 31,	
	2022	2021
Short-term employee benefits	\$ 8,550	10,549
Short-term employee benefits-paid leave	588	643
Post-employment benefits	122	165
Total	\$ 9,260	11,357

(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 March 31,	
	2022	2021
	Amount	Amount
Written premium		
Other related parties	\$ 16,924	574
Key management personnel	846	178
Total	<u>\$ 17,770</u>	<u>752</u>

2) Account receivables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	Amount	Amount	Amount
Notes receivables :			
Other related parties	<u>\$ 92</u>	<u>-</u>	<u>102</u>
Premiums receivable:			
Other related parties	\$ 296	214	173
Key management personnel	3	6	3
Total	<u>\$ 299</u>	<u>220</u>	<u>176</u>

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

3) Prepaid expenses

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Prepaid expenses:			
Other related parties	<u>\$ -</u>	<u>-</u>	<u>2,752</u>

(ii) General expense:

<u>Related parties</u>	For the three months ended March 31,	
	2022	2021
Other related parties	<u>\$ 890</u>	<u>2,578</u>

(Continued)

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

(iii) Rental revenue:

Related parties	For the three months ended March 31,	
	2022	2021
Key Management personnel	\$ 15	15

(8) Pledged assets:

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

Pledged Assets	March 31, 2022	December 31, 2021	March 31, 2021	Purpose of pledge
Other financial assets - Time deposit	\$ 167,000	167,000	167,000	Guarantee for the insurance business
Financial assets at amortized cost	423,670	423,641	366,002	Guarantee for operating business, suit, and contract performance
Total	\$ 590,670	590,641	533,002	

(9) Commitments and contingencies:

- (a) The Company had several significant insurance lawsuits and was required to pay indemnities of \$149,510, of which approximately \$109,726 were reinsured. The remain had been accrued. These cases have not been resolved with District Court of Appeal as of March 31, 2022.
- (b) In order to improve computer equipment and IT systems, the Company is in contract with several IT companies. As of March 31, 2022, there is \$76,138 unpaid.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

(Continued)

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

(12) Other:

(a) A summary of employee benefits, depreciation and amortization:

Function Nature	For the three months ended March 31,					
	2022			2021		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employees Benefits:						
Salaries	101,545	186,936	288,481	93,540	195,705	289,245
Labor and health insurance	-	23,614	23,614	-	23,509	23,509
Pension	-	10,095	10,095	-	10,130	10,130
Remuneration of directors	-	4,243	4,243	-	5,891	5,891
Others	-	11,382	11,382	-	11,792	11,792
Depreciation	1,203	11,952	13,155	1,032	11,052	12,084
Amortization	-	4,314	4,314	-	4,377	4,377

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

Item	For the three months ended March 31, 2022					
	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	\$ 233,344	81,283	98,568	216,059	(142)	216,201
Non-compulsory insurance	2,588,081	37,946	602,599	2,023,428	220,069	1,803,359
Total	<u>\$ 2,821,425</u>	<u>119,229</u>	<u>701,167</u>	<u>2,239,487</u>	<u>219,927</u>	<u>2,019,560</u>

Item	For the three months ended March 31, 2021					
	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	\$ 239,111	79,042	101,628	216,525	2,134	214,391
Non-compulsory insurance	2,610,197	24,329	838,479	1,796,047	186,115	1,609,932
Total	<u>\$ 2,849,308</u>	<u>103,371</u>	<u>940,107</u>	<u>2,012,572</u>	<u>188,249</u>	<u>1,824,323</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 March 31, 2022				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 145,297	77,554	87,794	135,057
Non-compulsory insurance	1,122,012	22,649	303,691	840,970
Total	<u>\$ 1,267,309</u>	<u>100,203</u>	<u>391,485</u>	<u>976,027</u>

For the three months ended March 31, 2021				
Item	Claims (included related expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claim payment (4)=(1)+(2)-(3)
Compulsory insurance	\$ 180,535	75,357	107,688	148,204
Non-compulsory insurance	1,063,540	35,236	315,027	783,749
Total	<u>\$ 1,244,075</u>	<u>110,593</u>	<u>422,715</u>	<u>931,953</u>

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

For the three months ended March 31, 2022

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 399,078	397,785	399,078	397,785	
Compulsory motorcycle liability insurance	132,472	131,712	132,472	131,712	
Special reserve					
Compulsory automobile liability insurance	(276,929)	32,647	-	(244,282)	
Compulsory motorcycle liability insurance	294,872	1,351	4,978	291,245	
Claim reserve					
Compulsory automobile liability insurance	569,388	566,473	569,388	566,473	
Compulsory motorcycle liability insurance	180,851	171,640	180,851	171,640	
Total	<u>\$ 1,299,732</u>	<u>1,301,608</u>	<u>1,286,767</u>	<u>1,314,573</u>	

(Continued)

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

For the three months ended March 31, 2021

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory automobile liability insurance	\$ 394,655	398,410	394,655	398,410	
Compulsory motorcycle liability insurance	141,925	140,159	141,925	140,159	
Special reserve					
Compulsory automobile liability insurance	(300,611)	21,996	19,274	(297,889)	
Compulsory motorcycle liability insurance	300,611	-	2,722	297,889	
Claim reserve					
Compulsory automobile liability insurance	667,234	634,729	667,234	634,729	
Compulsory motorcycle liability insurance	188,001	189,797	188,001	189,797	
Total	\$ 1,391,815	1,385,091	1,413,811	1,363,095	

(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	
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
<u>Asset</u>			<u>Liabilities</u>		
Cash and cash in bank	\$ 751,126	709,237	Claims payable	\$ 3,084	1,274
Notes receivable	7,770	8,352	Due to reinsurers and ceding companies	64,327	68,335
Premiums receivable	9,342	9,729	Unearned premium reserve	529,497	538,569
Claim recoverable from reinsures	42,340	60,729	Claims reserve	738,113	824,526
Due from reinsurers and ceding companies	50,221	49,535	Special reserve	46,963	-
Ceded unearned premium reserve	217,967	223,657			
Ceded claims reserve	302,979	367,197			
Temporary payments	239	4,268			
Total assets	\$ 1,381,984	1,432,704	Total liabilities	\$ 1,381,984	1,432,704

(Continued)

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

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

Item	For the three months ended March 31,	
	2022	2021
Operating revenue	147,162	144,535
Pure premium	164,272	169,373
Reinsurance premium	81,283	79,042
Premium	245,555	248,415
Less: Reinsurance expense	(98,568)	(101,628)
Net change in unearned premium reserve	142	(2,134)
Retained earned premium	147,129	144,653
Interest income	33	(118)
Operating costs	152,777	144,535
Insurance claim payment	145,297	180,535
Reinsurance claim payment	77,554	75,357
Less: Claim recovered from reinsurers	(87,794)	(107,688)
Retained claim payment	135,057	148,204
Net change in claim reserve	(11,300)	(22,943)
Net change in special reserve	29,020	19,274

(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>	March 31, 2022		<u>Total</u>
	<u>Within 12 months</u>	<u>Over 12 months</u>	
Cash and cash equivalents	\$ 3,320,016	-	3,320,016
Receivables	868,361	-	868,361
Financial assets at fair value through profit or loss	1,756,178	-	1,756,178
Financial assets at fair value through other comprehensive income	-	2,087,554	2,087,554
Financial assets at amortized cost	70,308	1,720,148	1,790,456
Other financial assets	2,256,120	128,000	2,384,120
Right-of-use assets	-	19,242	19,242
Investment property	-	855,305	855,305
Reinsurance assets	3,539,319	370,979	3,910,298
Property and equipment	-	1,258,789	1,258,789
Intangible assets	-	115,668	115,668
Other assets	278,943	518,682	797,625
Total assets	\$ 12,089,245	7,074,367	19,163,612

<u>Liabilities</u>	March 31, 2022		<u>Total</u>
	<u>Within 12 months</u>	<u>Over 12 months</u>	
Accounts payable	\$ 1,319,684	3,135	1,322,819
Current tax liabilities	126,315	-	126,315
Insurance liabilities	10,532,747	755,931	11,288,678
Provisions	-	163,670	163,670
Lease liabilities	13,463	5,928	19,391
Deferred tax liabilities	-	63,920	63,920
Other liabilities	10,350	5,197	15,547
Total liabilities	\$ 12,002,559	997,781	13,000,340

(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>	March 31, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,581,936	-	2,581,936
Receivables	966,668	-	966,668
Current tax assets	302	-	302
Financial assets at fair value through profit or loss	2,361,090	-	2,361,090
Financial assets at fair value through other comprehensive income	-	2,188,265	2,188,265
Financial assets at amortized cost	-	1,473,746	1,473,746
Other financial assets	2,188,921	67,500	2,256,421
Right-of-use assets	-	21,681	21,681
Investment property	-	792,889	792,889
Reinsurance assets	4,034,078	434,080	4,468,158
Property and equipment	-	1,156,258	1,156,258
Intangible assets	-	137,144	137,144
Other assets	-	728,948	728,948
Total assets	\$ 12,132,995	7,000,511	19,133,506

<u>Liabilities</u>	March 31, 2021		
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Accounts payable	\$ 1,329,394	828	1,330,222
Current tax liabilities	25,748	-	25,748
Insurance liabilities	10,574,647	767,938	11,342,585
Provisions	-	199,958	199,958
Lease liabilities	12,750	8,906	21,656
Deferred tax liabilities	-	63,920	63,920
Other liabilities	65,889	2,719	68,608
Total liabilities	\$ 12,008,428	1,044,269	13,052,697

(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 three months ended March 31, 2022 and 2021, the influence for not applying the notification on net income, liabilities, and equity of the Company resulted in an increase of \$17,882, an increase of \$46,379, a decrease of \$17,882, a decrease of \$46,379, an increase of \$17,882, an increase of \$46,379, respectively. The influence on the Company for not applying the notification resulted in an increase in the EPS by \$0.08 and \$0.21, 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.