

**Tokio Marine Nawa Insurance Co., Ltd.  
and Subsidiary**

**Consolidated Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the entities required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TOKIO MARINE NEWA INSURANCE CO., LTD.

By

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February 25, 2021

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Tokio Marine Nawa Insurance Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Adequacy of Loss Reserves

For the estimates and judgments related to loss reserves, refer to Note 5 to the consolidated financial statements. For other related disclosures, refer to Note 30.

Loss reserve is a major component of the Group's liability. As of December 31, 2020, the balance of loss reserves was about 22% of the total assets of the Group.

Loss reserves include losses filed but not yet paid and losses not yet filed. The losses filed but not yet paid refers to the estimates of unpaid losses evaluated by the claims department, or independent adjusters for known and filed losses only. The adjusters analyze the specific details of the insured event to generate an independent estimate of the losses filed. The losses not yet filed include estimates of the unpaid losses and unpaid unallocated loss adjustment expenses (ULAE). The actuaries estimate unpaid losses based on the claim development methods (accident year basis) and a separate analysis is performed to evaluate the unpaid ULAE estimate. These analyses are performed by type of insurance and applied to gross as well as ceded losses.

The said claim development methods involve credibility weighting of the experiential development and the expected losses. The actuaries exercise professional judgment in determining the appropriate method or models, assumptions, or parameters associated with the evaluation of unpaid losses.

We obtained an understanding of the design and implementation, and we tested the operating effectiveness of the internal control relevant to the estimation of loss reserves of the Group. Moreover, we also performed the following audit procedures:

1. We assessed, on a test basis, the relevant information and documents of claims to evaluate whether the amount of the Group's loss reserves for claims filed but not yet paid were estimated accordingly and appropriately.
2. We obtained the actuarial report prepared by the Group's internal actuary and determined that the loss reserves were accrued accordingly. We confirmed that the professional qualification of the actuary is compliant with the regulations issued by the FSC.
3. Our internal specialists evaluated the completeness and accuracy of the data, as well as the reasonableness of the Group's estimate of losses not yet filed.

#### **Other Matter**

We have also audited the parent company only financial statements of Tokio Marine Nawa Insurance Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are An-Hwei Lin and Wang-Sheng Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY**
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(In New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 4,444,926,611	17	\$ 3,740,215,945	15
RECEIVABLES				
Notes receivable, net (Notes 4, 12 and 30)	321,671,897	1	289,058,286	1
Premiums receivable, net (Notes 4, 12, 26 and 30)	160,942,196	1	106,401,627	1
Other receivables, net (Notes 4 and 30)	72,983,992	-	74,034,084	-
Total receivables	555,598,085	2	469,493,997	2
CURRENT TAX ASSETS (Note 4)	417,285	-	435,771	-
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 25)	337,621,666	2	370,121,815	1
Financial assets at amortized cost (Notes 4, 9, 10 and 25)	1,439,583,253	6	1,507,585,862	6
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10 and 25)	8,518,683,709	33	8,351,010,286	34
Other financial assets (Notes 4, 11 and 25)	2,865,484,000	11	2,882,058,935	12
Investment properties (Notes 4 and 16)	1,848,705,174	7	1,859,961,004	8
Total investments	15,010,077,802	59	14,970,737,902	61
REINSURANCE CONTRACT ASSET				
Claims recoverable from reinsurers, net (Notes 4, 12, 26 and 30)	110,856,287	-	107,164,897	-
Due from reinsurers and ceding companies, net (Notes 4, 12, 26 and 30)	23,869,540	-	29,293,970	-
Ceded unearned premium reserve (Notes 4 and 30)	1,166,801,437	5	968,631,797	4
Ceded loss reserve (Notes 4, 26 and 30)	2,072,368,879	8	2,177,902,519	9
Ceded premium deficiency reserve (Notes 4 and 30)	3,020,242	-	1,584,706	-
Total reinsurance contract asset	3,376,916,385	13	3,284,577,889	13
PROPERTY AND EQUIPMENT, NET (Notes 4 and 14)	1,276,632,125	5	1,268,335,119	5
RIGHT-OF-USE ASSETS (Notes 4 and 15)	79,008,372	-	107,377,537	-
INTANGIBLE ASSETS				
Computer software cost (Note 4)	46,118,213	-	36,537,228	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 22)	122,632,713	1	110,070,939	1
OTHER ASSETS				
Refundable deposits (Notes 8, 17 and 25)	693,840,853	3	641,667,580	3
Other assets (Note 26)	40,081,097	-	27,110,564	-
Total other assets	733,921,950	3	668,778,144	3
<b>TOTAL</b>	<b>\$ 25,646,249,541</b>	<b>100</b>	<b>\$ 24,656,560,471</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
PAYABLES				
Notes payable (Note 30)	\$ 1,560,261	-	\$ 278,577	-
Claims payable (Notes 4 and 30)	3,016,295	-	2,008,919	-
Commissions payable and fees (Notes 26 and 30)	135,159,894	1	146,953,874	1
Due to reinsurers and ceding companies (Notes 4, 26 and 30)	446,773,016	2	520,955,223	2
Other payables (Note 18)	584,461,096	2	560,600,332	2
Total payables	1,170,970,562	5	1,230,796,925	5
CURRENT TAX LIABILITIES (Note 4)	64,352,009	-	103,257,107	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	1,997,230	-	-	-
LEASE LIABILITIES (Notes 4 and 15)	68,698,105	-	95,988,126	-
INSURANCE LIABILITIES (Notes 4, 5 and 30)				
Unearned premium reserve	6,849,295,189	27	6,234,681,222	25
Loss reserve	5,611,832,783	22	5,502,457,014	22
Special reserve	1,322,474,568	5	1,332,826,304	6
Premium deficiency reserve	4,369,118	-	2,209,876	-
Total insurance liabilities	13,787,971,658	54	13,072,174,416	53
OTHER LIABILITIES				
Guarantee deposit received	29,206,598	-	29,206,598	-
Reserve for operation loss (Note 4)	101,904,733	-	101,904,733	-
Net defined benefit liabilities (Notes 4 and 19)	379,515,782	2	369,741,588	2
Other liabilities	347,987,639	1	131,585,668	1
Total other liabilities	858,614,752	3	632,438,587	3
PROVISIONS				
Decommissioning provisions	8,059,040	-	8,709,040	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 22)	19,622,186	-	20,852,018	-
Total liabilities	15,980,285,542	62	15,164,216,219	62
EQUITY				
Capital stock				
Ordinary shares	2,990,099,000	11	2,990,099,000	12
Capital surplus				
Capital surplus from merger	221,493,925	1	221,493,925	1
Retained earnings				
Legal reserve	1,904,283,315	7	1,710,769,076	7
Special reserve	3,300,004,439	13	3,244,637,350	13
Unappropriated earnings	622,269,463	3	839,747,577	4
Total retained earnings	5,826,557,217	23	5,795,154,003	24
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(1,928,796)	-	2,738,926	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	341,123,013	1	282,632,431	1
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	180,900,977	1	82,798,378	-
Other equity	520,095,194	2	368,169,735	1
Total equity attributable to owners of the Company	9,558,245,336	37	9,374,916,663	38
NON-CONTROLLING INTERESTS	107,718,663	1	117,427,589	-
Total equity	9,665,963,999	38	9,492,344,252	38
<b>TOTAL</b>	<b>\$ 25,646,249,541</b>	<b>100</b>	<b>\$ 24,656,560,471</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

# TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Retained earned premium (Note 30)				
Direct insurance premium revenue (Notes 4 and 26)	\$ 14,027,105,749	117	\$ 12,923,848,900	116
Reinsurance premium inward	<u>559,736,424</u>	<u>5</u>	<u>546,492,432</u>	<u>5</u>
Premium revenue	14,586,842,173	122	13,470,341,332	121
Less: Reinsurance premium outward (Notes 4 and 26)	3,413,938,762	29	3,110,051,526	28
Less: Net change in unearned premium reserves (Note 4)	<u>416,622,949</u>	<u>3</u>	<u>271,783,129</u>	<u>2</u>
Total retained earned premium	<u>10,756,280,462</u>	<u>90</u>	<u>10,088,506,677</u>	<u>91</u>
Reinsurance commission income (Notes 26 and 30)	<u>655,123,308</u>	<u>6</u>	<u>536,063,198</u>	<u>5</u>
Handling fees earned	<u>15,978,267</u>	<u>-</u>	<u>14,632,104</u>	<u>-</u>
Net gains on investments				
Interest income (Notes 4 and 21)	132,037,414	1	163,025,733	1
Foreign exchange losses (Notes 4, 21 and 27)	(119,496,217)	(1)	(57,495,833)	-
Gains on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	51,617,574	-	23,457,465	-
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	422,362,162	4	310,592,446	3
Gains on investment properties (Notes 4 and 21)	41,740,679	-	43,255,661	-
Expected credit loss and reversal on investment (Notes 4 and 10)	<u>(408,877)</u>	<u>-</u>	<u>1,000,719</u>	<u>-</u>
Total net gains on investments	<u>527,852,735</u>	<u>4</u>	<u>483,836,191</u>	<u>4</u>
Other operating revenue	<u>408,079</u>	<u>-</u>	<u>321,971</u>	<u>-</u>
Total operating revenue	<u>11,955,642,851</u>	<u>100</u>	<u>11,123,360,141</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Retained claims (Notes 4, 26 and 30)				
Claims incurred	7,517,712,546	63	7,356,673,407	66
Less: Claims recovered from reinsurers	<u>1,361,393,340</u>	<u>11</u>	<u>1,707,461,256</u>	<u>15</u>
Total retained claims	<u>6,156,319,206</u>	<u>52</u>	<u>5,649,212,151</u>	<u>51</u>
Net change in insurance liabilities (Notes 4, 5 and 30)				
Net change in loss reserve	214,891,049	2	73,092,309	1
Net change in special reserve	(10,351,736)	-	(984,513)	-
Net change in premium deficiency reserve	<u>723,706</u>	<u>-</u>	<u>423,360</u>	<u>-</u>
Total net change in insurance liabilities	<u>205,263,019</u>	<u>2</u>	<u>72,531,156</u>	<u>1</u>

(Continued)

# TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
Commission expenses (Notes 4, 21, 26 and 30)	\$ 1,895,902,207	16	\$ 1,663,024,363	15
Other operating costs	<u>29,862,427</u>	-	<u>24,106,496</u>	-
Total operating costs	<u>8,287,346,859</u>	<u>70</u>	<u>7,408,874,166</u>	<u>67</u>
GROSS MARGIN	<u>3,668,295,992</u>	<u>30</u>	<u>3,714,485,975</u>	<u>33</u>
OPERATING EXPENSES (Notes 21 and 26)				
Operating expenses	2,328,884,931	19	2,242,965,999	20
Administrative expenses	322,111,678	3	336,963,353	3
Training expenses	<u>4,041,360</u>	-	<u>5,237,140</u>	-
Total operating expenses	<u>2,655,037,969</u>	<u>22</u>	<u>2,585,166,492</u>	<u>23</u>
OPERATING INCOME	<u>1,013,258,023</u>	<u>8</u>	<u>1,129,319,483</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Gains (losses) on disposal of property and equipment (Note 4)	(429,149)	-	156,988	-
Other income (Note 26)	15,570,720	-	24,581,392	-
Other gains and losses	<u>(3,897,119)</u>	-	<u>(3,095,567)</u>	-
Total non-operating income and expenses	<u>11,244,452</u>	-	<u>21,642,813</u>	-
PROFIT BEFORE INCOME TAX	1,024,502,475	8	1,150,962,296	10
INCOME TAX (Notes 4 and 22)	<u>167,787,220</u>	<u>1</u>	<u>190,723,270</u>	<u>2</u>
NET PROFIT	<u>856,715,255</u>	<u>7</u>	<u>960,239,026</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	(20,984,679)	-	(7,933,322)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 20)	32,258,289	-	487,127,622	4
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>(37,247,931)</u>	-	<u>14,520,007</u>	-
	<u>48,521,541</u>	-	<u>464,674,293</u>	<u>4</u>

(Continued)

# TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 4)	\$ (10,372,720)	-	\$ (5,180,984)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 20)	119,201,806	1	211,789,150	2
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>21,099,207</u>	<u>-</u>	<u>40,393,175</u>	<u>-</u>
	<u>87,729,879</u>	<u>1</u>	<u>166,214,991</u>	<u>2</u>
Other comprehensive income, net of income tax	<u>136,251,420</u>	<u>1</u>	<u>630,889,284</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 992,966,675</u>	<u>8</u>	<u>\$ 1,591,128,310</u>	<u>14</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 860,719,183	7	\$ 967,571,197	9
Non-controlling interests	<u>(4,003,928)</u>	<u>-</u>	<u>(7,332,171)</u>	<u>-</u>
	<u>\$ 856,715,255</u>	<u>7</u>	<u>\$ 960,239,026</u>	<u>9</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,002,675,601	8	\$ 1,601,310,022	14
Non-controlling interests	<u>(9,708,926)</u>	<u>-</u>	<u>(10,181,712)</u>	<u>-</u>
	<u>\$ 992,966,675</u>	<u>8</u>	<u>\$ 1,591,128,310</u>	<u>14</u>
<b>EARNINGS PER SHARE (Note 23)</b>				
Basic	<u>\$2.88</u>		<u>\$3.24</u>	
Diluted	<u>\$2.87</u>		<u>\$3.23</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In New Taiwan Dollars)**

	Equity Attributable to the Owners of the Company						Other Equity		Non-controlling Interests (Note 4)	Total Equity
	Shares	Capital Stock (Notes 4 and 20)	Capital Surplus from Merger (Note 20)	Retained Earnings (Note 20)			Exchange Differences on Translation of the Financial Statements of Foreign Operation (Note 4)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 20)		
				Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	299,009,900	\$ 2,990,099,000	\$ 221,493,925	\$ 1,546,417,682	\$ 2,843,702,060	\$ 557,780,077	\$ 5,070,369	\$ (176,805,582)	\$ 127,609,301	\$ 8,115,366,832
Appropriation of 2018 earnings										
Legal reserve	-	-	-	164,351,394	-	(164,351,394)	-	-	-	-
Special reserve	-	-	-	-	174,670,355	(174,670,355)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(214,150,890)	-	-	-	(214,150,890)
Net profit for the year ended December 31, 2019	-	-	-	-	-	967,571,197	-	-	(7,332,171)	960,239,026
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(6,346,658)	(2,331,443)	642,416,926	(2,849,541)	630,889,284
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	100,180,535	-	(100,180,535)	-	-
Appropriation of special reserve	-	-	-	-	226,264,935	(226,264,935)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	299,009,900	2,990,099,000	221,493,925	1,710,769,076	3,244,637,350	839,747,577	2,738,926	365,430,809	117,427,589	9,492,344,252
Appropriation of 2019 earnings										
Legal reserve	-	-	-	193,514,239	-	(193,514,239)	-	-	-	-
Reverse special reserve	-	-	-	-	(173,115,178)	173,115,178	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(819,346,928)	-	-	-	(819,346,928)
Net profit for the year ended December 31, 2020	-	-	-	-	-	860,719,183	-	-	(4,003,928)	856,715,255
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(16,787,743)	(4,667,722)	163,411,883	(5,704,998)	136,251,420
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	6,818,702	-	(6,818,702)	-	-
Appropriation of special reserve	-	-	-	-	228,482,267	(228,482,267)	-	-	-	-
BALANCE AT DECEMBER 31, 2020	<u>299,009,900</u>	<u>\$ 2,990,099,000</u>	<u>\$ 221,493,925</u>	<u>\$ 1,904,283,315</u>	<u>\$ 3,300,004,439</u>	<u>\$ 622,269,463</u>	<u>\$ (1,928,796)</u>	<u>\$ 522,023,990</u>	<u>\$ 107,718,663</u>	<u>\$ 9,665,963,999</u>

The accompanying notes are an integral part of the consolidated financial statements.

# TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,024,502,475	\$ 1,150,962,296
Adjustments for:		
Depreciation expenses	76,535,291	74,340,833
Amortization expenses	33,610,442	23,530,990
Net gain on valuation of financial assets and financial liabilities at fair value through profit or loss	(48,118,027)	(15,307,571)
Finance costs	1,475,118	1,911,975
Net gain on disposal of debt instruments at fair value through other comprehensive income	(120,088,722)	(62,626,372)
Amortization of premiums of financial assets at fair value through other comprehensive income	12,888,497	11,312,182
Amortization of premiums (discounts) of financial assets at amortized cost	(11,849)	326,744
Interest income	(132,037,414)	(163,025,733)
Dividend income	(311,265,011)	(259,943,078)
Net change in insurance liabilities	621,885,968	344,314,285
Expected credit loss and reversal on investment	408,877	(1,000,719)
Expected credit loss and reversal on non-investment	(7,295,578)	732,404
Gain on lease modification	(19,801)	-
Loss (gain) on disposal of property and equipment	429,149	(156,988)
Unrealized loss on foreign currency exchange	37,524,537	66,094,938
Amortization of prepayments	<u>12,308,544</u>	<u>118,143,860</u>
	<u>178,230,021</u>	<u>138,647,750</u>
Changes in operating assets and liabilities		
Increase in notes receivable	(27,111,605)	(2,651,203)
(Increase) decrease in premiums receivable	(55,429,480)	50,205,717
(Increase) decrease in other receivables	(17,962)	27,395,883
Decrease in financial assets at fair value through profit or loss	84,268,896	144,349,239
Decrease (increase) in financial assets at fair value through other comprehensive income	9,838,351	(58,461,683)
Decrease in debt instrument at amortized cost	50,000,000	406,527,223
Decrease (increase) in other financial assets	8,039,185	(871,331,760)
Decrease in reinsurance contract asset	3,981,522	140,875,511
Increase in prepayments	(12,786,668)	(116,057,802)
Increase in other assets	(12,492,409)	(3,214,586)
Increase (decrease) in notes payable	1,329,797	(1,021,094)
Increase in claims payable	1,011,341	105,600
Decrease in commissions payable and fees	(11,768,061)	(19,482,345)
(Decrease) increase in due to reinsurers and ceding companies	(73,336,132)	114,542,363
Increase in other payables	23,860,764	63,850,592
(Decrease) increase in provision	(650,000)	50,000

(Continued)

# TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)

	<b>2020</b>	<b>2019</b>
Decrease in net defined benefit liabilities	\$ (11,210,485)	\$ (6,623,156)
Increase (decrease) in other liabilities	<u>216,318,503</u>	<u>(3,438,174)</u>
Cash generated from operations	1,396,578,053	1,155,230,371
Interest received	136,103,769	177,403,557
Dividends received	308,286,392	257,947,368
Interest paid	(1,475,118)	(1,911,975)
Income tax paid	<u>(204,341,939)</u>	<u>(148,680,082)</u>
Net cash generated from operating activities	<u>1,635,151,157</u>	<u>1,439,989,239</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(79,614,470)	(57,057,143)
Increase (decrease) in refundable deposits	7,402,827	(4,433,915)
Proceeds from disposal of property and equipment	1,831,726	300,000
Payments for intangible assets	<u>(10,825,109)</u>	<u>(2,452,555)</u>
Net cash used in investing activities	<u>(81,205,026)</u>	<u>(63,643,613)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	(27,649,059)	(39,573,984)
Cash dividends paid	<u>(819,346,928)</u>	<u>(214,150,890)</u>
Net cash used in financing activities	<u>(846,995,987)</u>	<u>(253,724,874)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(2,239,478)</u>	<u>(1,272,624)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	704,710,666	1,121,348,128
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,740,215,945</u>	<u>2,618,867,817</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,444,926,611</u>	<u>\$ 3,740,215,945</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# **TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In New Taiwan Dollars)**

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### **1. ORGANIZATION AND OPERATIONS**

Newa Insurance Co., Ltd. (“Newa”) was incorporated on January 20, 1999. Newa merged with Alliance President General Insurance Co. with Newa as the survivor Company. Newa changed its name to Tokio Marine Newa Insurance Co., Ltd. (the “Company”) effective April 1, 2005. Considering the investment strategy and business expansion, the Company obtained the approval of the Financial Supervisory Commission (FSC) to establish Newa Insurance (Cambodia) Plc. in Cambodia (hereinafter referred to as “Newa Company”) on January 22, 2018. Newa Company obtained its establishment license from the Ministry of Commerce of the local government on March 2, 2018, and obtained the concession for the insurance business on June 5, 2018. The Company and its subsidiary, collectively referred to as the “Group”, are engaged in property and casualty insurance business.

As of December 31, 2020, the Group has its main office in Taipei and six branches in Taipei, New Taipei, Taoyuan, Taichung, Tainan and Kaohsiung.

The consolidated financial statements of the Group are presented in the Company’s functional currency, the New Taiwan dollar.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on February 25, 2021.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarified that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrowed the definition of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments removed the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduced an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold of materiality that could influence users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

## IFRS 17 “Insurance Contracts” and related amendments

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The key principles in IFRS 17 and related amendments are as follows:

### Level of aggregation of insurance contracts

The Group shall identify insurance contracts and aggregate the contracts into portfolios that comprise contracts that are subject to similar risks and managed together. Contracts within a product line subject to similar risks would be in the same portfolio if they are managed together. The Group shall divide each portfolio of insurance contracts issued into a minimum of:

- 1) A group of contracts that are onerous at initial recognition, if any;
- 2) A group of contracts that at initial recognition have no significant possibility of subsequently becoming onerous, if any; and
- 3) A group of the remaining contracts in the portfolio, if any.

The Group is not permitted to include contracts issued more than one year apart in the same group, and shall apply the recognition and measurement standards under IFRS 17 to the group of insurance contracts it issues.

### Recognition

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

- 1) The beginning of the coverage period of the group of contracts;
- 2) The date when the first payment from a policyholder in the group becomes due; and
- 3) For a group of onerous contracts, when the group becomes onerous.

### Measurement

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows (FCF) and the contractual service margin (CSM). The FCF comprises estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk. The CSM represents the unearned profit the Group will recognize as it provides services under the insurance contracts in the group.

The group of insurance contracts shall be measured at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- 1) The initial recognition of an amount for the FCF;
- 2) Any cash flows arising from the contracts in the group at that date;
- 3) The derecognition at that date of the following:
  - a) The insurance acquisition cash flows assets;
  - b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

### Subsequent measurement

The Group shall remeasure the carrying amount of a group of insurance contracts at the end of each reporting period at the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims comprises the FCF related to past service allocated to the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous (or more onerous), that excess shall be recognized in profit or loss.

### Onerous contracts

On initial recognition, an insurance contract is onerous if the total of the FCF, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group equal to the FCF, and the CSM of the group is zero. The CSM cannot increase and no revenue can be recognized until the onerous amount previously recognized has been reversed in profit or loss.

### Premium allocation approach

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group of contracts:

- 1) The Group reasonably expects that the liability for remaining coverage of a group of insurance contracts using the PAA will be a reasonable approximation of the general model results, or
- 2) The coverage period of each contract in the group is one year or less.

Where, at the inception of the group of contracts, the Group expects that significant variances in the FCF during the period before a claim is incurred would affect the measurement of the liability for remaining coverage of a group of insurance contracts, such circumstances are not eligible to condition 1) stated above.

Using the PAA, the liability for remaining coverage shall be initially recognized at:

- 1) The premiums received at initial recognition;
- 2) Minus any insurance acquisition cash flows;
- 3) Plus or minus any amount arising from derecognition at that date of the following:
  - a) The insurance acquisition cash flows asset;
  - b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

#### Investment contracts with discretionary participation feature (DPF)

An investment contract with a DPF is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of IFRS 17 only if the Group also issues insurance contracts.

#### Modification and derecognition

If the terms of an insurance contract are modified and the modification is treated as a substantive modification which meets specified criteria, the Group shall derecognize the original contract and recognize the modified contract as a new contract. The Group shall derecognize an insurance contract when it is extinguished, or if there is a substantive modification of an insurance contract.

#### Transition

The Group shall apply IFRS 17 retrospectively unless impracticable, in which case the Group has the option to use either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Group does not have to use all reasonable and supportable information required for a full retrospective approach, but only uses information obtained without undue cost or effort. The Group shall apply the fair value approach if obtaining reasonable and supportable information is impracticable.

Under the fair value approach, the Group determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Assets and liabilities presented in these consolidated financial statements are classified by nature and in the order of liquidity, instead of being classified as current or noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiary, including structured entities).

Income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of the subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in the subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 6 for detailed information on subsidiary (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

f. Property and equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

The depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

g. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities [(other than financial assets and financial liabilities at fair value through profit or loss (FVTPL))] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, premiums receivable and other receivables, investments in debt instruments and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit-impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial asset in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as lease receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than a certain amount of days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability.

Fair value is determined in the manner described in Note 25.

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

k. Other liabilities - reserve for operation loss

Under the regulations of the Ministry of Finance, 3% of the Group's operating revenue may be used to write off uncollectible loans and accounts receivable, if needed. If accounts need not be written off, the Group should recognize allowance for doubtful accounts or set up reserve for operation loss. The reserve is intended to cover any material losses arising from decline in value of bonds and other investment instruments of companies under financial difficulties or having delinquent loans or bad debts.

l. Reinsurance business

The reinsurance business refers to the provision of services to enable clients to limit possible loss due to risk events such as explosions and to meet their business needs and insurance regulations. For the ceding reinsurance, the Group may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation.

For the ceding reinsurance, reinsurance premium outward is recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance premium outward must be matched in the same accounting period as the reinsurance premium inward they helped to earn. Also, at the balance sheet date, the Group will accrue the related reinsurance revenue and expense for the billing statements that have not yet been received but are already considered likely to be received as shown by past experience. The related reinsurance profit and loss cannot be deferred.

Reinsurance assets on which the reinsurer has rights include ceding unearned premium reserve, ceding loss reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

m. Reserves for liabilities

Insurance reserves provided for insurance contracts should be audited by the actuaries certified by the FSC and should also conform to these regulations: Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance and the Regulations for the Reserves for Nuclear Energy Insurance.

The descriptions of these reserves are as follows:

1) Unearned premium reserve

For an in-force contract with a remaining policy period or an unterminated insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

Unearned premium reserve for the compulsory insurance contract is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Unearned premium reserve for the policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premium reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

Except as otherwise provided by regulations, the manners of provisions for unearned premium reserve are decided by actuaries according to the characteristics of each insurance, which cannot be changed without permission by the authorities, and the year-end balance of unearned premium reserve should be audited by actuaries at the end of the year.

2) Loss reserve

Loss reserve is provided for losses filed but not yet paid and losses not yet filed by insurance type based on the past experiences of actual claims and expenses in line with the actuarial principles. The reserve for losses filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type.

Loss reserve for the compulsory insurance contracts is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Loss reserve for policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Loss reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

Special reserves are comprised of special reserves for FinTech development event and special reserves for fluctuation of risk. The provision of special reserves should be recognized in special reserve under shareholders' equity, net of tax.

According to the Notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurance enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves may be done on the special reserves under liabilities first. Where the balance of the special reserves under liabilities is insufficient to be written off or recovered, the shortage may be written off or recovered from the net of tax balance of special reserves under the shareholders' equity.

a) Special reserves for catastrophic event

Special reserves for catastrophic event is provided at the rates for each insurance type required by the authorities.

As a single event which meets the government's definition of major accident, special reserves for catastrophic event can be reversed if the total retained claims for each insurance type of an individual company reach \$30,000,000 and the total claims for each insurance type of all non-life insurance companies reach \$2,000,000,000.

Special reserves for catastrophic event that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserve for commercial-business earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, 15% of the difference should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the difference.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic event are higher than the expected claims, the difference may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance type. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

For each type of insurance, when the accumulated provisions of the special reserves for fluctuation of risk exceed 60% (30% for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be recovered. For commercial-business earthquake insurance and typhoon and flood insurance, if the accumulated provisions of special reserves for fluctuation of risk exceed 18 times and 8 times, respectively, of the retained earned premiums for the current year, the excess should be recovered as income.

4) Premium deficiency reserve

For unexpired in-force contracts or unterminated incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the deficiency should be set aside as premium deficiency reserve.

5) Liability adequacy reserve

When performing the liability adequacy test required by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test resulted in inadequate reserve, the shortfall should be recognized as addition to the liability adequacy reserve.

n. Premiums, commission expenses and processing fees

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements are delivered, and, on the balance sheet date, reinsurance premiums not yet received are accrued in a reasonable and systematic manner. Related acquisition costs are recognized in the same periods, including commission expenses, agency fees, service fees and reinsurance commission expenses.

o. Insurance claims

Claims and payments (including claim expenses) filed and paid pertaining to the direct insurance business are recognized as paid claims in current period. For claims filed but not yet paid with determined amounts and those without determined amounts are recognized as net changes in loss reserve based on relevant information of each case by insurance type.

For direct insurance and ceding reinsurance, claims not yet filed are estimated based on past experience according to actuarial principles and recognized as net changes in loss reserve.

For claims to be recovered from the reinsurer under the reinsurance contract, claims and payments (including claim expenses) recoverable from reinsurers are recognized as claims recovered from reinsurers. For those claims filed but not yet paid and not yet filed, claims and payments (including claim expenses) are recognized as net changes in loss reserve.

Provision for loss reserve is undiscounted.

p. Liability adequacy test

At the end of each reporting period, each type of insurance is tested by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requires the Group to estimate future cash flows of insurance contracts in accordance with the requirements for actuaries issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

q. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the asset are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group’s accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Adequacy test on loss reserve

Loss reserves are estimated for possible claims, both filed but not yet paid and not yet filed, on all insurance contracts. Such estimates are made based on historical data, actuarial analysis, financial modeling and other analytical techniques and are adjusted when necessary; however, the actual results may differ from these estimates.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 2,793,786	\$ 1,658,080
Checking accounts and demand deposits	1,337,273,303	1,055,969,865
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	34,164,000	586,588,000
Reverse repurchase agreements collateralized by bonds	<u>3,070,695,522</u>	<u>2,096,000,000</u>
	<u>\$ 4,444,926,611</u>	<u>\$ 3,740,215,945</u>

The market rate intervals of time deposits and reverse repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Time deposits	0.37%-2.65%	0.09%-2.65%
Reverse repurchase agreements collateralized by bonds	0.16%-0.18%	0.35%-0.40%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Financial assets at FVTPL</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	\$ 75,921,669	\$ 50,340,982
Non-derivative financial assets		
Domestic listed shares	62,456,399	146,721,500
Foreign listed shares	-	60,552,540
Mutual funds	156,302,080	73,087,080
Futures margin receivable	34,033,518	34,027,213
Hybrid financial assets		
Domestic convertible bonds	<u>8,908,000</u>	<u>5,392,500</u>
	<u>\$ 337,621,666</u>	<u>\$ 370,121,815</u>

### Financial liabilities at FVTPL

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	<u>\$ 1,997,230</u>	<u>\$ -</u>

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.1.6-2021.12.21	USD98,750,000/NTD2,883,828,950
<u>December 31, 2019</u>			
Sell	USD/NTD	2020.1.8-2020.12.23	USD71,750,000/NTD2,182,967,500

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. Unsettled futures contracts outstanding at the balance sheet date:

There were no unsettled futures contracts as of December 31, 2020 and 2019.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investments in equity instruments at FVTOCI	\$ 5,885,581,586	\$ 5,377,507,961
Investments in debt instruments at FVTOCI	<u>2,633,102,123</u>	<u>2,973,502,325</u>
	<u>\$ 8,518,683,709</u>	<u>\$ 8,351,010,286</u>

### a. Investments in equity instruments at FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Listed shares and emerging market shares	\$ 4,218,916,295	\$ 3,646,974,681
Unlisted shares	<u>526,320,146</u>	<u>525,362,206</u>
	<u>4,745,236,441</u>	<u>4,172,336,887</u>
Foreign investments		
Listed shares	<u>1,140,345,145</u>	<u>1,205,171,074</u>
	<u>\$ 5,885,581,586</u>	<u>\$ 5,377,507,961</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

### b. Investments in debt instruments at FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Government bonds	\$ 997,351,250	\$ 1,142,986,850
Less: Statutory deposits - government bonds (Note 17)	<u>(567,911,200)</u>	<u>(508,335,100)</u>
	<u>429,440,050</u>	<u>634,651,750</u>
Foreign investments		
Government bonds	247,684,438	93,222,360
Foreign bonds	<u>1,955,977,635</u>	<u>2,245,628,215</u>
	<u>2,203,662,073</u>	<u>2,338,850,575</u>
	<u>\$ 2,633,102,123</u>	<u>\$ 2,973,502,325</u>

Refer to Note 10 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Domestic investments		
Corporate bonds	\$ 750,000,000	\$ 600,000,000
Financial bonds	<u>350,190,233</u>	<u>550,593,453</u>
	<u>1,100,190,233</u>	<u>1,150,593,453</u>
Foreign investments		
Corporate bonds	311,647,630	327,656,428
Financial bonds	<u>28,460,939</u>	<u>29,952,886</u>
	<u>340,108,569</u>	<u>357,609,314</u>
Less: Loss allowance	<u>(715,549)</u>	<u>(616,905)</u>
	<u>\$ 1,439,583,253</u>	<u>\$ 1,507,585,862</u>

Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI and as at amortized cost were as follows:

December 31, 2020

	At FVTOCI (Including Statutory Deposits - Government Bonds)	At Amortized Cost
Gross carrying amount	\$ 3,128,626,156	\$ 1,440,298,802
Less: Loss allowance	<u>(1,461,186)</u>	<u>(715,549)</u>
Amortized cost	3,127,164,970	<u>\$ 1,439,583,253</u>
Adjustment to fair value	<u>73,848,353</u>	
	<u>\$ 3,201,013,323</u>	

December 31, 2019

	At FVTOCI (Including Statutory Deposits - Government Bonds)	At Amortized Cost
Gross carrying amount	\$ 3,507,079,618	\$ 1,508,202,767
Less: Loss allowance	<u>(1,150,953)</u>	<u>(616,905)</u>
Amortized cost	3,505,928,665	<u>\$ 1,507,585,862</u>
Adjustment to fair value	<u>(24,091,240)</u>	
	<u>\$ 3,481,837,425</u>	

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Group's current credit risk grading mechanism is as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses (ECLs)</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The gross carrying amounts of investments in debt instruments classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2020

<b>Category</b>	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount</b>	
		<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0.02%-0.18%	\$ 3,128,626,156	\$ 1,440,298,802

December 31, 2019

<b>Category</b>	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount</b>	
		<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0.01%-0.11%	\$ 3,507,079,618	\$ 1,508,202,767

- a. The movements of the loss allowance of investments in debt instruments at FVTOCI were as follows:

	<b>Credit Rating</b>		
	<b>Performing (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit Impaired)</b>	<b>In default (Lifetime ECLs - Credit Impaired)</b>
Balance at January 1, 2020	\$ 1,150,953	\$ -	\$ -
New financial assets purchased	481,674	-	-
Derecognition	(519,603)	-	-
Change in risk parameters	<u>348,162</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,461,186</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2019	\$ 1,534,626	\$ -	\$ -
New financial assets purchased	267,545	-	-
Derecognition	(549,999)	-	-
Change in risk parameters	<u>(101,219)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,150,953</u>	<u>\$ -</u>	<u>\$ -</u>

- b. The movements of the loss allowance of investments in debt instruments at amortized cost were as follows:

	<b>Credit Rating</b>		
	<b>Performing (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit Impaired)</b>	<b>In default (Lifetime ECLs - Credit Impaired)</b>
Balance at January 1, 2020	\$ 616,905	\$ -	\$ -
New financial assets purchased	73,374	-	-
Derecognition	(230,995)	-	-
Change in risk parameters	<u>256,265</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 715,549</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2019	\$ 1,233,951	\$ -	\$ -
New financial assets purchased	49,351	-	-
Derecognition	(574,116)	-	-
Change in risk parameters	<u>(92,281)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 616,905</u>	<u>\$ -</u>	<u>\$ -</u>

## 11. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits with original maturities of more than 3 months	<u>\$ 2,865,484,000</u>	<u>\$ 2,882,058,935</u>

The market rate intervals of other financial assets at the end of the reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Time deposits with original maturities of more than 3 months	0.07%-5.38%	0.12%-5.00%

**12. NOTES RECEIVABLE, PREMIUMS RECEIVABLE, CLAIMS RECOVERABLE FROM REINSURERS, AND DUE FROM REINSURERS AND CEDING COMPANIES**

	<u>December 31</u>	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 328,531,939	\$ 301,497,570
Less: Loss allowance	<u>(6,860,042)</u>	<u>(12,439,284)</u>
	<u>\$ 321,671,897</u>	<u>\$ 289,058,286</u>
<u>Premiums receivable</u>		
At amortized cost		
Gross carrying amount	\$ 164,821,674	\$ 109,716,573
Less: Loss allowance	<u>(3,879,478)</u>	<u>(3,314,946)</u>
	<u>\$ 160,942,196</u>	<u>\$ 106,401,627</u>
<u>Claims recoverable from reinsurers</u>		
At amortized cost		
Gross carrying amount	\$ 110,856,287	\$ 107,164,897
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 110,856,287</u>	<u>\$ 107,164,897</u>
<u>Due from reinsurers and ceding companies</u>		
At amortized cost		
Gross carrying amount	\$ 26,681,094	\$ 34,366,710
Less: Loss allowance	<u>(2,811,554)</u>	<u>(5,072,740)</u>
	<u>\$ 23,869,540</u>	<u>\$ 29,293,970</u>

a. Notes receivable

The Group's average credit period for notes receivable from sales of insurance policies is 90 days. No interest was charged on notes receivables. In order to mitigate credit risk, the Group assigns a dedicated team responsible for credit decisions, credit approvals and other monitoring procedures to ensure that appropriate actions are taken to the collection of overdue premiums. In addition, the Group reviews the recoverable amount of the notes receivable on the balance sheet date to ensure that the uncollectible notes have been properly deducted.

The Group measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group recognizes the loss allowance of 100% against all overdue notes receivable based on the historical experience. The Group continues to engage in enforcement activity to attempt to recover the receivables due. The recovery of the receivables due would be recognized in profit or loss.

The Group measures the loss allowance for notes receivable at the higher outcome of the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/Non-accrual Loans or provision matrix. The movements of the loss allowance for notes receivable were as follows:

	For the Year Ended December 31, 2020				Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9		
Beginning balance	\$ 5,606,165	\$ -	\$ -	\$ 5,606,165	\$ 6,833,119	\$ 12,439,284
Impairment loss recognized (reversed) on receivables	<u>(1,933,299)</u>	<u>-</u>	<u>-</u>	<u>(1,933,299)</u>	<u>(3,645,943)</u>	<u>(5,579,242)</u>
Ending balance	<u>\$ 3,672,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,672,866</u>	<u>\$ 3,187,176</u>	<u>\$ 6,860,042</u>
	For the Year Ended December 31, 2019				Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9		
Beginning balance	\$ 4,297,386	\$ -	\$ -	\$ 4,297,386	\$ 7,611,751	\$ 11,909,137
Impairment loss recognized (reversed) on receivables	<u>1,308,779</u>	<u>-</u>	<u>-</u>	<u>1,308,779</u>	<u>(778,632)</u>	<u>530,147</u>
Ending balance	<u>\$ 5,606,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,606,165</u>	<u>\$ 6,833,119</u>	<u>\$ 12,439,284</u>

b. Premiums receivable

The Group's average credit period for premiums receivable from sales of insurance policies is 60 days. No interest was charged on premiums receivable. In order to mitigate credit risk, the Group assigns a dedicated team responsible for credit decisions, credit approvals and other monitoring procedures to ensure that appropriate actions are taken to the collection of overdue premiums. In addition, the Group reviews the recoverable amount of the premium receivable on the balance sheet date to ensure that the uncollectible premiums have been properly deducted.

The Group measures the loss allowance for premiums receivable at an amount equal to lifetime ECLs. The expected credit losses on premiums receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off premiums receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., the counterparty is liquidating or the debt has been overdue for more than 360 days. For premiums receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. The recovery of the receivables due would be recognized in profit or loss.

The Group measures the loss allowance for premiums receivable at the higher outcome of the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/Non-accrual Loans or provision matrix. The movements of the loss allowance for premiums receivable were as follows:

For the Year Ended December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 1,845,967	\$ -	\$ -	\$ 1,845,967	\$ 1,468,979	\$ 3,314,946
Impairment loss recognized (reversed) on receivables	<u>775,492</u>	<u>-</u>	<u>-</u>	<u>775,492</u>	<u>(210,960)</u>	<u>564,532</u>
Ending balance	<u>\$ 2,621,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,621,459</u>	<u>\$ 1,258,019</u>	<u>\$ 3,879,478</u>
For the Year Ended December 31, 2019						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 2,498,463	\$ -	\$ -	\$ 2,498,463	\$ 2,304,463	\$ 4,802,926
Impairment loss recognized (reversed) on receivables	<u>(652,496)</u>	<u>-</u>	<u>-</u>	<u>(652,496)</u>	<u>(835,484)</u>	<u>(1,487,980)</u>
Ending balance	<u>\$ 1,845,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,845,967</u>	<u>\$ 1,468,979</u>	<u>\$ 3,314,946</u>

The aging of premiums receivable was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
0-90 days	\$ 155,618,948	\$ 100,146,290
91-180 days	7,778,380	8,211,348
181-360 days	1,424,346	1,136,837
More than 360 days	<u>-</u>	<u>222,098</u>
	<u>\$ 164,821,674</u>	<u>\$ 109,716,573</u>

The above aging schedule was based on the past due days.

c. Claims recoverable from reinsurers

The Group's average credit period for claims recoverable from reinsurers is 180 days. In determining the recoverability of claims recoverable from reinsurers, the Group considered any changes in the credit quality of the claims recoverable from reinsurers since the date credit was initially granted to the end of the reporting period. For claims recoverable from reinsurers, the Group estimated the irrecoverable amount based on the default histories and the financial position of reinsurers.

The Group assessed the potential reinsurer's credit rating based on external credit rating system before ceding in or out insurance policies. The Group should assess the credit rating of reinsurers at least twice a year to determine if their credit ratings conformed to the requirements of the Insurance Bureau. If the rating results were not satisfactory, the Group will recognize additional reserve for unqualified ceded reinsurance.

There were no claims recoverable from reinsurers past due at the end of each reporting period without recognized loss allowance. Moreover, the Group had the legal right to offset the claims recoverable from reinsurers against due to reinsurers and ceding companies of the same reinsurer.

The aging of claims recoverable from reinsurers was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Up to 180 days	\$ 110,856,287	\$ 107,164,897
181-270 days	-	-
More than 270 days	<u>-</u>	<u>-</u>
	<u>\$ 110,856,287</u>	<u>\$ 107,164,897</u>

The above aging schedule was based on the posted date.

The movements of the loss allowance for claims recoverable from reinsurer were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ -	\$ -
Less: Impairment loss reversed on receivables	<u>-</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

d. Due from reinsurers and ceding companies

The Group's average credit period for due from reinsurers and ceding companies is 180 days. In determining the recoverability of due from reinsurers and ceding companies, the Group considered any changes in the credit quality of the due from reinsurers and ceding companies since the date credit was initially granted to the end of the reporting period. For due from reinsurers and ceding companies, the Group estimated the irrecoverable amount based on the default histories and the financial position of reinsurers.

The Group assessed the potential reinsurer's credit rating based on external credit rating system before ceding in or out insurance policies. The Group should assess the credit rating of reinsurers at least twice a year to determine if their credit ratings conformed to the requirements of the Insurance Bureau. If the rating results were not satisfactory, the Group will recognize additional reserve for unqualified ceded reinsurance.

There were no due from reinsurers and ceding companies past due at the end of each reporting period without recognized loss allowance. Moreover, the Group had the legal right to offset the claims recoverable from reinsurers against due to reinsurers and ceding companies of the same reinsurer.

The aging of due from reinsurers and ceding companies was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Up to 180 days	\$ 23,869,540	\$ 29,069,197
181-270 days	861,860	1,913,934
More than 270 days	<u>1,949,694</u>	<u>3,383,579</u>
	<u>\$ 26,681,094</u>	<u>\$ 34,366,710</u>

The above aging schedule was based on the posted date.

The movements of the loss allowance for due from reinsurers and ceding companies were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 5,072,740	\$ 2,835,715
Add: Impairment loss recognized on receivables		2,237,025
Less: Impairment loss reversed on receivables	<u>(2,261,186)</u>	<u>-</u>
Ending balance	<u>\$ 2,811,554</u>	<u>\$ 5,072,740</u>

### 13. SUBSIDIARY

#### Subsidiary Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	<b>Proportion of Ownership (%)</b>		Remark
			<b>December 31</b>		
			<b>2020</b>	<b>2019</b>	
Tokio Marine Nawa Insurance Co., Ltd.	Nawa Insurance (Cambodia) Plc.	Property insurance	45	45	a) and b)

Remarks:

- a. Considering the investment strategy and business expansion, the Company's board of directors resolved on August 30, 2017 to establish Newa Insurance (Cambodia) Plc. in Cambodia (hereinafter referred to as "Newa Company"). The Company obtained the investment approval of the FSC on January 22, 2018. Newa Company acquired its establishment license from the Ministry of Commerce of the local government on March 2, 2018, and the concession for the insurance business on June 5, 2018. The Company held 45% interest in Newa Company on December 31, 2020. However, the Company had control over Newa Company and deems it a subsidiary.
- b. Newa Company is an immaterial subsidiary; its financial statements have not been audited. Management believes there will be no material impact on the consolidated financial statements if they were to be audited.

#### 14. PROPERTY AND EQUIPMENT

	Land	Buildings	Office Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Prepayments for Equipment	Total
<b>Cost</b>								
Balance at January 1, 2019	\$ 850,263,558	\$ 465,365,740	\$ 217,540,382	\$ 15,075,540	\$ 6,743,521	\$ 28,807,138	\$ 37,538,696	\$ 1,621,334,575
Additions	-	115,500	12,203,809	2,441,800	235,000	848,000	41,213,034	57,057,143
Reclassified	-	-	31,458,502	-	-	-	(50,004,504)	(18,546,002)
Disposals	-	-	12,932,767	1,502,480	-	150,000	-	14,585,247
Effect of foreign currency exchange differences	-	-	(94,971)	-	-	(129,140)	-	(224,111)
Balance at December 31, 2019	<u>\$ 850,263,558</u>	<u>\$ 465,481,240</u>	<u>\$ 248,174,955</u>	<u>\$ 16,014,860</u>	<u>\$ 6,978,521</u>	<u>\$ 29,375,998</u>	<u>\$ 28,747,226</u>	<u>\$ 1,645,036,358</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2019	\$ -	\$ 153,560,105	\$ 174,527,178	\$ 5,253,018	\$ 4,712,469	\$ 18,242,485	\$ -	\$ 356,295,255
Disposals	-	-	12,927,542	1,485,966	-	28,727	-	14,442,235
Depreciation expenses	-	11,336,084	16,201,579	2,974,842	343,518	4,069,514	-	34,925,537
Effect of foreign currency exchange differences	-	-	(31,476)	-	-	(45,842)	-	(77,318)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 164,896,189</u>	<u>\$ 177,769,739</u>	<u>\$ 6,741,894</u>	<u>\$ 5,055,987</u>	<u>\$ 22,237,430</u>	<u>\$ -</u>	<u>\$ 376,701,239</u>
Carrying amount at December 31, 2019	<u>\$ 850,263,558</u>	<u>\$ 300,585,051</u>	<u>\$ 70,405,216</u>	<u>\$ 9,272,966</u>	<u>\$ 1,922,534</u>	<u>\$ 7,138,568</u>	<u>\$ 28,747,226</u>	<u>\$ 1,268,335,119</u>
<b>Cost</b>								
Balance at January 1, 2020	\$ 850,263,558	\$ 465,481,240	\$ 248,174,955	\$ 16,014,860	\$ 6,978,521	\$ 29,375,998	\$ 28,747,226	\$ 1,645,036,358
Additions	22,066,000	23,105,691	14,288,613	4,184,240	-	1,929,848	14,040,078	79,614,470
Reclassified	-	-	583,000	-	-	-	(32,964,817)	(32,381,817)
Disposals	-	-	3,708,981	5,183,060	-	2,411,000	-	11,303,041
Effect of foreign currency exchange differences	-	-	(192,160)	-	-	(263,551)	-	(455,711)
Balance at December 31, 2020	<u>\$ 872,329,558</u>	<u>\$ 488,586,931</u>	<u>\$ 259,145,427</u>	<u>\$ 15,016,040</u>	<u>\$ 6,978,521</u>	<u>\$ 28,631,295</u>	<u>\$ 9,822,487</u>	<u>\$ 1,680,510,259</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2020	\$ -	\$ 164,896,189	\$ 177,769,739	\$ 6,741,894	\$ 5,055,987	\$ 22,237,430	\$ -	\$ 376,701,239
Disposals	-	-	3,706,958	3,704,504	-	1,630,704	-	9,042,166
Depreciation expenses	-	11,403,323	19,250,493	3,223,933	355,821	2,184,359	-	36,417,929
Effect of foreign currency exchange differences	-	-	(81,774)	-	-	(117,094)	-	(198,868)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 176,299,512</u>	<u>\$ 193,231,500</u>	<u>\$ 6,261,323</u>	<u>\$ 5,411,808</u>	<u>\$ 22,673,991</u>	<u>\$ -</u>	<u>\$ 403,878,134</u>
Carrying amount at December 31, 2020	<u>\$ 872,329,558</u>	<u>\$ 312,287,419</u>	<u>\$ 65,913,927</u>	<u>\$ 8,754,717</u>	<u>\$ 1,566,713</u>	<u>\$ 5,957,304</u>	<u>\$ 9,822,487</u>	<u>\$ 1,276,632,125</u>

No impairment assessment was performed for the years ended 2020 and 2019 as there was no indication of impairment.

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

<b>Buildings</b>	
Main office building	33 to 50 years
Building decoration construction	40 to 50 years
Other construction	5 to 15 years
<b>Office equipment</b>	3 to 15 years
<b>Transportation equipment</b>	5 years
<b>Miscellaneous equipment</b>	3 to 10 years
<b>Leasehold improvements</b>	3 to 15 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Buildings	\$ 77,639,120	\$ 106,850,545
Transportation equipment	<u>1,369,252</u>	<u>526,992</u>
	<u>\$ 79,008,372</u>	<u>\$ 107,377,537</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 1,524,113</u>	<u>\$ 502,048</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 27,816,815	\$ 27,926,724
Transportation equipment	<u>1,044,717</u>	<u>263,496</u>
	<u>\$ 28,861,532</u>	<u>\$ 28,190,220</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Carrying amount	<u>\$ 68,698,105</u>	<u>\$ 95,988,126</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	0.98%-4.50%	0.99%-4.50%
Transportation equipment	0.98%-1.34%	0.99%-1.34%

### c. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 2,645,125</u>	<u>\$ 4,496,623</u>
Expenses relating to low-value asset leases	<u>\$ 7,606,808</u>	<u>\$ 2,137,703</u>
Total cash outflow for leases	<u>\$ (46,137,234)</u>	<u>\$ (64,544,446)</u>

The Group's leases of certain buildings and transportation equipment qualified as short-term leases and leases of certain office equipment qualified as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

	<b>December 31</b>		
	<b>2020</b>	<b>2019</b>	
Completed investment properties	<u>\$ 1,848,705,174</u>	<u>\$ 1,859,961,004</u>	
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and December 31, 2020	<u>\$ 1,521,266,728</u>	<u>\$ 417,598,322</u>	<u>\$ 1,938,865,050</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 78,904,046	\$ 78,904,046
Depreciation expenses	-	<u>11,255,830</u>	<u>11,255,830</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 90,159,876</u>	<u>\$ 90,159,876</u>
Carrying amount at December 31, 2020	<u>\$ 1,521,266,728</u>	<u>\$ 327,438,446</u>	<u>\$ 1,848,705,174</u>
<u>Cost</u>			
Balance at January 1 and December 31, 2019	<u>\$ 1,521,266,728</u>	<u>\$ 417,598,322</u>	<u>\$ 1,938,865,050</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 67,678,970	\$ 67,678,970
Depreciation expenses	-	<u>11,225,076</u>	<u>11,225,076</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 78,904,046</u>	<u>\$ 78,904,046</u>
Carrying amount at December 31, 2019	<u>\$ 1,521,266,728</u>	<u>\$ 338,694,276</u>	<u>\$ 1,859,961,004</u>

The investment properties are depreciated using straight-line method over 50 years.

The management of the Group used the valuation model that market participants would use in determining the fair value as of December 31, 2020, and the fair value was measured by using Level 3 inputs. The determination of fair value as of December 31, 2019 was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation model was established by reference to comparative approach and income approach. The significant unobservable inputs used include discount rate and fair value as appraised.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value	<u>\$ 2,133,597,344</u>	<u>\$ 1,923,888,740</u>
Discount rate	2.58%	2.86%

The investment properties were leased out for 1 to 15 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The lessee of the investment property operated a hotel, whose business shrank sharply due to the impact of the COVID-19. The Group considered the current development of the epidemic and cooperated with the authority's policy to loosen the required minimum return rate of investment property owned by insurance enterprises, and the Group agreed to reduce the rent per month from May 2020 to October 2020 and signed a supplementary agreement with the lessee.

Although the aforementioned rent reduction decreased the rental income of the Group for the year ended December 31, 2020, the return rate of the investment property could still be maintained not lower than the required minimum return rate of 2.625% as required by the Regulations Governing the Immediate Use and Gain Recognition of Investment Property Owned by Insurance Enterprises.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 57,173,196	\$ 57,215,196
Year 2	56,333,196	56,333,196
Year 3	56,333,196	56,333,196
Year 4	56,333,196	56,333,196
Year 5	56,333,196	56,333,196
Year 6 onwards	<u>157,187,789</u>	<u>213,520,985</u>
	<u>\$ 439,693,769</u>	<u>\$ 496,068,965</u>

## 17. REFUNDABLE DEPOSITS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Statutory deposits	\$ 587,847,200	\$ 529,321,100
Guarantee deposits for golf club membership	77,600,000	77,600,000
Guarantee deposits for bid bonds	20,000,000	25,000,000
Guarantee deposits for leasing contract	7,253,504	7,654,812
Others	<u>1,140,149</u>	<u>2,091,668</u>
	<u>\$ 693,840,853</u>	<u>\$ 641,667,580</u>

The statutory deposits are government bonds deposited in government financial institutions in accordance with the Insurance Act (Note 8). The coupon rates ranged from 1.625%-3.875% and 1.375%-2.125% as of December 31, 2020 and 2019, respectively.

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Bonuses	\$ 326,019,662	\$ 323,028,356
Various taxes	59,269,618	54,511,039
Compensation of employees and remuneration of directors	21,386,835	27,753,523
Advertising	9,940,000	27,742,747
Others	<u>167,844,981</u>	<u>127,564,667</u>
	<u>\$ 584,461,096</u>	<u>\$ 560,600,332</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation	\$ 567,456,980	\$ 556,292,207
Fair value of plan assets	<u>(187,941,198)</u>	<u>(186,550,619)</u>
Net defined benefit liabilities	<u>\$ 379,515,782</u>	<u>\$ 369,741,588</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 559,662,741</u>	<u>\$(191,231,319)</u>	<u>\$ 368,431,422</u>
Service cost			
Current service cost	5,455,088	-	5,455,088
Prior service cost	-	-	-
Net interest expense (income)	<u>5,884,375</u>	<u>(2,103,545)</u>	<u>3,780,830</u>
Recognized in profit or loss	<u>11,339,463</u>	<u>(2,103,545)</u>	<u>9,235,918</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,582,145)	(6,582,145)
Actuarial loss - changes in financial assumptions	18,493,870	-	18,493,870
Actuarial loss - experience adjustments	<u>(3,978,403)</u>	<u>-</u>	<u>(3,978,403)</u>
Recognized in other comprehensive income	<u>14,515,467</u>	<u>(6,582,145)</u>	<u>7,933,322</u>
Contributions from the employer	<u>-</u>	<u>(1,286,674)</u>	<u>(1,286,674)</u>
Benefits paid	<u>(29,225,464)</u>	<u>14,653,064</u>	<u>(14,572,400)</u>
Balance at December 31, 2019	<u>556,292,207</u>	<u>(186,550,619)</u>	<u>369,741,588</u>
Service cost			
Current service cost	5,135,189	-	5,135,189
Prior service cost	-	-	-
Net interest expense (income)	<u>3,894,045</u>	<u>(1,305,854)</u>	<u>2,588,191</u>
Recognized in profit or loss	<u>9,029,234</u>	<u>(1,305,854)</u>	<u>7,723,380</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,704,796)	(6,704,796)
Actuarial loss - changes in demographic assumptions	(351,106)	-	(351,106)
Actuarial loss - changes in financial assumptions	6,900,951	-	6,900,951
Actuarial loss - experience adjustments	<u>21,139,630</u>	<u>-</u>	<u>21,139,630</u>
Recognized in other comprehensive income	<u>27,689,475</u>	<u>(6,704,796)</u>	<u>20,984,679</u>
Contributions from the employer	<u>-</u>	<u>(2,100,193)</u>	<u>(2,100,193)</u>
Benefits paid	<u>(25,553,936)</u>	<u>8,720,264</u>	<u>(16,833,672)</u>
Balance at December 31, 2020	<u>\$ 567,456,980</u>	<u>\$(187,941,198)</u>	<u>\$ 379,515,782</u>

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Managers</u>		
Discount rate	0.32%	0.70%
Expected rate of salary increase	1.20%	1.50%
<u>Employees</u>		
Discount rate	0.40%	0.70%
Expected rate of salary increase	2.00%	2.20%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Discount rate		
1% increase	<u>\$ (65,284,000)</u>	<u>\$ (51,301,264)</u>
1% decrease	<u>\$ 72,728,000</u>	<u>\$ 53,067,268</u>
Expected rate of salary increase		
1% increase	<u>\$ 71,260,000</u>	<u>\$ 46,676,656</u>
1% decrease	<u>\$ (64,670,000)</u>	<u>\$ (45,435,768)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Managers</u>		
Expected contributions to the plans for the next year	<u>\$ _____</u>	<u>\$ _____</u>
Average duration of the defined benefit obligation	8 years	8 years
<u>Employees</u>		
Expected contributions to the plans for the next year	<u>\$ 1,208,000</u>	<u>\$ 1,270,000</u>
Average duration of the defined benefit obligation	13 years	10 years

## 20. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized	<u>600,000,000</u>	<u>600,000,000</u>
Shares authorized	<u>\$ 6,000,000,000</u>	<u>\$ 6,000,000,000</u>
Number of shares issued and fully paid	<u>299,009,900</u>	<u>299,009,900</u>
Shares issued	<u>\$ 2,990,099,000</u>	<u>\$ 2,990,099,000</u>

### b. Capital surplus

The capital surplus from shares issued in excess of par (share premium from issuance of ordinary shares due to combination) and endowments received by the Company may be used to offset a deficit. The capital surplus may be distributed by issuing new shares or by cash. However, under Rule No. 10202501991 issued by the FSC, the Company's legal reserve should exceed its paid-in capital and the Company should also satisfy other conditions required under the Rule before the Company can distribute its capital surplus by cash, and distribution shall be made only after the authority's approval under the Company Act Article 241.

The capital surplus from long-term investments and employee stock option may not be used for any purpose.

### c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for the proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both operating needs and the shareholders' interests. Thus, dividends are distributed only after the Company has reserved the cash requirement for future capital expenditures. For the policies on the distribution of compensation of employees and remuneration to directors, please refer to Note 21, f.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Group has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, the Company's legal reserve should exceed its paid-in capital and the Company should also satisfy other conditions required under the Rule before the Company can distribute its legal reserve by cash, and distribution shall be made only after the authority's approval under the Company Act Article 241.

Under Rule No. 10102508861, Rule No. 10402501001 and Rule No. 10502066461 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on May 13, 2020 and May 15, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 193,514,239</u>	<u>\$ 164,351,394</u>
Special reserve	\$(171,735,213)	\$ 171,735,213
Special reserve (according to the Regulation Governing Insurance Enterprises on the Provision of Reserves)	226,264,935	247,786,334
Special reserve (FinTech development)	<u>(1,379,965)</u>	<u>2,935,142</u>
	<u>\$ 53,149,757</u>	<u>\$ 422,456,689</u>
Cash dividends	<u>\$ 819,346,928</u>	<u>\$ 214,150,890</u>
Cash dividends per share (NT\$)	<u>\$ 2.7402</u>	<u>\$ 0.7162</u>

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on February 25, 2021. The appropriations of earnings were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 170,150,028</u>
Special reserve (according to the Regulation Governing Insurance Enterprises on the Provision of Reserves)	\$ 228,482,267
Special reserve (FinTech development)	<u>(1,163,024)</u>
	<u>\$ 227,319,243</u>
Cash dividends	<u>\$ 453,269,107</u>
Cash dividends per share (NT\$)	<u>\$ 1.5159</u>

The appropriations of earnings for 2020 are subject to the resolution of the shareholders in their meeting to be held on May 12, 2021.

d. Special reserves

	<b>For the Year Ended December 31, 2020</b>				
	<b>Special Reserve</b>				
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 945,907,556	\$ 2,117,325,321	\$ -	\$ 181,404,473	\$ 3,244,637,350
Provision	105,834,910	197,197,993	-	-	303,032,903
Recovery	<u>(22,712,908)</u>	<u>(51,837,728)</u>	-	<u>(173,115,178)</u>	<u>(247,665,814)</u>
Ending balance	<u>\$ 1,029,029,558</u>	<u>\$ 2,262,685,586</u>	<u>\$ -</u>	<u>\$ 8,289,295</u>	<u>\$ 3,300,004,439</u>

**For the Year Ended December 31, 2019**

	<b>Special Reserve</b>				
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 870,684,601	\$ 1,966,283,341	\$ -	\$ 6,734,118	\$ 2,843,702,060
Provision	98,691,099	222,044,008	-	174,670,355	495,405,462
Recovery	(23,468,144)	(71,002,028)	-	-	(94,470,172)
Ending balance	<u>\$ 945,907,556</u>	<u>\$ 2,117,325,321</u>	<u>\$ -</u>	<u>\$ 181,404,473</u>	<u>\$ 3,244,637,350</u>

The newly recognized special reserve for catastrophic event and the special reserve for fluctuation of risk began to be reported as part of the special reserve under shareholders' equity at year-end. This portion of retained earnings cannot be used for any purpose. The net recognized amount as of December 31, 2020 and 2019 was \$228,482,267 and \$226,264,935, respectively.

e. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	<b>Amount Before Tax</b>	<b>Related Income Tax</b>	<b>Amount After Tax</b>
Balance at January 1, 2020	\$ 375,056,523	\$ (9,625,714)	\$ 365,430,809
Recognized for the year			
Unrealized gain (loss)			
Debt instruments	238,980,295	(37,751,744)	201,228,551
Equity instruments	32,258,289	33,050,995	65,309,284
Adjustments of loss allowance in debt instruments	310,233	-	310,233
Reclassification adjustment			
Disposal of investments in debt instruments	<u>(120,088,722)</u>	<u>16,652,537</u>	<u>(103,436,185)</u>
Other comprehensive income recognized for the year	<u>151,460,095</u>	<u>11,951,788</u>	<u>163,411,883</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>344,670</u>	<u>(7,163,372)</u>	<u>(6,818,702)</u>
Balance at December 31, 2020	<u>\$ 526,861,288</u>	<u>\$ (4,837,298)</u>	<u>\$ 522,023,990</u>
Balance at January 1, 2019	<u>\$(223,301,095)</u>	<u>\$ 46,495,513</u>	<u>\$(176,805,582)</u>
Recognized for the year			
Unrealized gain (loss)			
Debt instruments	274,799,195	(46,142,913)	228,656,282
Equity instruments	487,127,622	(16,106,671)	471,020,951
Adjustments of loss allowance in debt instruments	(383,673)	-	(383,673)
Reclassification adjustment			
Disposal of investments in debt instruments	<u>(62,626,372)</u>	<u>5,749,738</u>	<u>(56,876,634)</u>
Other comprehensive income recognized for the year	<u>698,916,772</u>	<u>(56,499,846)</u>	<u>642,416,926</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(100,559,154)</u>	<u>378,619</u>	<u>(100,180,535)</u>
Balance at December 31, 2019	<u>\$ 375,056,523</u>	<u>\$ (9,625,714)</u>	<u>\$ 365,430,809</u>

## 21. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 2,555,319	\$ 4,183,281
Reverse repurchase agreements collateralized by bonds	6,241,746	6,164,975
Investments in debt instruments at FVTOCI	75,416,853	95,563,552
Financial assets at amortized cost	25,659,025	33,963,361
Other financial assets	<u>22,164,471</u>	<u>23,150,564</u>
	<u>\$ 132,037,414</u>	<u>\$ 163,025,733</u>

b. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<u>\$ 1,475,118</u>	<u>\$ 1,911,975</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating revenue deduction	\$ 11,255,830	\$ 11,225,076
Operating expenses	<u>65,279,461</u>	<u>63,115,757</u>
	<u>\$ 76,535,291</u>	<u>\$ 74,340,833</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 33,610,442</u>	<u>\$ 23,530,990</u>

d. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties generating rental income	\$ 17,388,517	\$ 18,399,535
Direct operating expenses of investment properties not generating rental income	<u>-</u>	<u>-</u>
	<u>\$ 17,388,517</u>	<u>\$ 18,399,535</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plan	\$ 44,961,820	\$ 43,121,920
Defined benefit plan (Note 19)	<u>7,723,380</u>	<u>9,235,918</u>
	<u>52,685,200</u>	<u>52,357,838</u>
Termination benefits	<u>-</u>	<u>1,870,184</u>
Other employee benefits		
Salaries	1,133,289,674	1,077,190,335
Labor and health insurance	102,526,520	99,094,925
Commission	378,242,637	372,100,069
Others	<u>74,839,539</u>	<u>66,107,409</u>
	<u>1,688,898,370</u>	<u>1,614,492,738</u>
 Total employee benefits expense	 <u>\$ 1,741,583,570</u>	 <u>\$ 1,668,720,760</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 378,242,637	\$ 372,100,069
Operating expenses	<u>1,363,340,933</u>	<u>1,296,620,691</u>
	<u>\$ 1,741,583,570</u>	<u>\$ 1,668,720,760</u>

The salary structure of the Group adheres to the principle of internal balance and external fairness for overall planning. Refer to Note 21 and Table 26 of the parent company only financial statements.

f. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 25, 2021 and February 26, 2020, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	1.84%	2.11%
Remuneration of directors	0.20%	0.23%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 19,290,087	\$ 25,025,613
Remuneration of directors	2,096,748	2,727,910

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

g. Gains or losses on foreign currency exchange

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Exchange losses on investment	\$(119,496,217)	\$ (57,495,833)
Other exchange losses	<u>(4,327,147)</u>	<u>(548,686)</u>
	<u><u>\$(123,823,364)</u></u>	<u><u>\$ (58,044,519)</u></u>

h. Disbursements to the Industry Stability Fund

The disbursement of voluntary insurance is made to “Property Insurance Stabilization Fund Committees” in accordance with Rule No. 1080000621 and Rule No. 1090000621 and Standard of Life and Property Insurance Industry Stabilization Fund issued by the FSC.

The disbursement of compulsory automobile liability insurance is made in accordance with Rule No. 10302522200 and Premium Table of Compulsory Automobile Liability Insurance issued by the FSC.

## 22. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 161,885,967	\$ 184,879,008
Income tax on unappropriated earnings	-	230,185
Adjustments for prior years	<u>3,544,135</u>	<u>1,740,337</u>
	<u><u>165,430,102</u></u>	<u><u>186,849,530</u></u>
Deferred tax		
In respect of the current year	2,442,658	3,873,764
Adjustments for prior years	<u>(85,540)</u>	<u>(24)</u>
	<u><u>2,357,118</u></u>	<u><u>3,873,740</u></u>
Income tax expense recognized in profit or loss	<u><u>\$ 167,787,220</u></u>	<u><u>\$ 190,723,270</u></u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax from continuing operations	<u>\$ 1,024,502,475</u>	<u>\$ 1,150,962,296</u>
Income tax expense calculated at the statutory rate	\$ 205,397,494	\$ 231,658,894
Nondeductible expenses in determining taxable income	(40,645,184)	(43,533,375)
Income tax on unappropriated earnings	-	230,185
Unrecognized deductible temporary differences	(423,685)	627,253
Adjustments for prior years' tax	<u>3,458,595</u>	<u>1,740,313</u>
Income tax expense recognized in profit or loss	<u>\$ 167,787,220</u>	<u>\$ 190,723,270</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense (benefit)		
Disposal of investments in equity instruments designated as at FVTOCI	<u>\$ (7,163,372)</u>	<u>\$ 378,619</u>
Total income tax expense (benefit) recognized directly in equity	<u>\$ (7,163,372)</u>	<u>\$ 378,619</u>

c. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ (4,196,936)	\$ (1,586,664)
Fair value changes of financial assets at FVTOCI	4,700,749	62,249,584
Arising from income and expenses reclassified from equity to profit or loss		
On disposal of investments in debt instruments at FVTOCI	<u>(16,652,537)</u>	<u>(5,749,738)</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ (16,148,724)</u>	<u>\$ 54,913,182</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Unrealized exchange gain or loss	\$ 26,251,096	\$ 7,504,907	\$ -	\$ -	\$ -	\$ 33,756,003
Investment accounted for using the equity method	2,410,362	655,189	-	-	-	3,065,551
Deferred golf card fees	1,400,000	-	-	-	-	1,400,000
FVTOCI financial assets	353,573	81,775	148,000	(149,200)	1,200	435,348
Provisions	1,285,625	38,627	-	-	84,340	1,408,592
Defined benefit obligations	78,370,283	-	4,196,936	-	-	82,567,219
	<u>\$ 110,070,939</u>	<u>\$ 8,280,498</u>	<u>\$ 4,344,936</u>	<u>\$ (149,200)</u>	<u>\$ 85,540</u>	<u>\$ 122,632,713</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
FVTPL financial assets	\$ 11,374,303	\$ 3,410,585	\$ -	\$ -	\$ -	\$ 14,784,888
FVTOCI financial assets	9,477,715	-	(11,803,789)	7,163,372	-	4,837,298
	<u>\$ 20,852,018</u>	<u>\$ 3,410,585</u>	<u>\$ (11,803,789)</u>	<u>\$ 7,163,372</u>	<u>\$ -</u>	<u>\$ 19,622,186</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Unrealized exchange gain or loss	\$ 13,032,108	\$ 13,218,988	\$ -	\$ -	\$ -	\$ 26,251,096
FVTPL financial assets	5,772,103	(5,772,103)	-	-	-	-
Investment accounted for using the equity method	-	1,199,810	-	-	1,210,552	2,410,362
Deferred golf card fees	1,400,000	-	-	-	-	1,400,000
FVTOCI financial assets	47,197,229	(200,144)	(46,643,512)	-	-	353,573
Provisions	1,194,600	-	-	-	91,025	1,285,625
Defined benefit obligation	78,108,250	(1,324,631)	1,586,664	-	-	78,370,283
	<u>\$ 146,704,290</u>	<u>\$ 7,121,920</u>	<u>\$ (45,056,848)</u>	<u>\$ -</u>	<u>\$ 1,301,577</u>	<u>\$ 110,070,939</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
FVTPL financial assets	\$ -	\$ 11,374,303	\$ -	\$ -	\$ -	\$ 11,374,303
FVTOCI financial assets	-	-	9,856,334	(378,619)	-	9,477,715
	<u>\$ -</u>	<u>\$ 11,374,303</u>	<u>\$ 9,856,334</u>	<u>\$ (378,619)</u>	<u>\$ -</u>	<u>\$ 20,852,018</u>

e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Loss allowance of receivables	\$ 7,129,302	\$ 20,694,919
Reserve for operating loss	<u>101,904,733</u>	<u>101,904,733</u>
	<u>\$ 109,034,035</u>	<u>\$ 122,599,652</u>

f. Income tax assessments

The income tax returns through 2018 of the Company have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

The earnings in the computation of earnings per share were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit for the period attributable to owners of the Company	\$ 860,719,183	\$ 967,571,197
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>                    -</u>	<u>                    -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 860,719,183</u>	<u>\$ 967,571,197</u>

The weighted average number of ordinary shares outstanding in the computation of earnings per share was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	299,009,900	299,009,900
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>      849,871</u>	<u>      878,211</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>299,859,771</u>	<u>299,888,111</u>

If the Group offers to settle the compensation of employees in cash or shares, the Group assumes the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains consistent and will be adjusted appropriately.

The capital structure of the Group consists of shareholders' equity and special reserves for fluctuation of risk. In order to comply with the authority's requirement about the minimum risk-based capital ratio of 200%, the Group adjusts its capital structure and the risk of related assets and liabilities based on the business situations. The Group has already established a self-assessment procedure to ensure its capital adequacy and maintain the liquidity risk within the appropriate level.

The Group's risk management committee reviews its capital adequacy quarterly, which includes the risks assessment of related assets and liabilities. The results showed that the risk-based capital ratio of the Group complied with the authority's requirement and it was not necessary to adjust the capital structure.

The risk-based capital ratios as of December 31, 2020 and 2019 were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Risk-based capital ratio	Above 300%	Above 300%

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

#### December 31, 2020

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 749,653,496	\$ -	\$ 758,167,250	\$ -	\$ 758,167,250
Domestic financial bonds	349,989,889	-	350,431,900	-	350,431,900
Foreign corporate bonds	311,484,956	-	341,272,993	-	341,272,993
Foreign financial bonds	28,454,912	-	30,804,822	-	30,804,822

#### December 31, 2019

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 599,831,436	\$ -	\$ 603,955,900	\$ -	\$ 603,955,900
Domestic financial bonds	550,250,038	-	551,758,800	-	551,758,800
Foreign corporate bonds	327,554,983	-	344,351,778	-	344,351,778
Foreign financial bonds	29,949,405	-	31,356,232	-	31,356,232

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

##### December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ -	\$ 75,921,669	\$ 75,921,669
Domestic listed shares	62,456,399	-	-	62,456,399
Mutual funds	-	-	156,302,080	156,302,080
Others	-	42,941,518	-	42,941,518
	<u>\$ 62,456,399</u>	<u>\$ 42,941,518</u>	<u>\$ 232,223,749</u>	<u>\$ 337,621,666</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 4,218,916,295	\$ -	\$ -	\$ 4,218,916,295
Domestic unlisted shares	-	-	526,320,146	526,320,146
Foreign listed shares	1,140,345,145	-	-	1,140,345,145
Investments in debt instruments				
Domestic government bonds	-	429,440,050	-	429,440,050
Foreign government bonds	247,684,438	-	-	247,684,438
Foreign bonds	-	1,955,977,635	-	1,955,977,635
	<u>\$ 5,606,945,878</u>	<u>\$ 2,385,417,685</u>	<u>\$ 526,320,146</u>	<u>\$ 8,518,683,709</u>
Refundable deposits-statutory deposits				
Investments in debt instruments				
Domestic government bonds	<u>\$ -</u>	<u>\$ 567,911,200</u>	<u>\$ -</u>	<u>\$ 567,911,200</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,997,230</u>	<u>\$ 1,997,230</u>

(Concluded)

### December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ -	\$ 50,340,982	\$ 50,340,982
Domestic listed shares	146,721,500	-	-	146,721,500
Foreign listed shares	60,552,540	-	-	60,552,540
Mutual funds	-	-	73,087,080	73,087,080
Others	-	39,419,713	-	39,419,713
	<u>\$ 207,274,040</u>	<u>\$ 39,419,713</u>	<u>\$ 123,428,062</u>	<u>\$ 370,121,815</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 3,646,974,681	\$ -	\$ -	\$ 3,646,974,681
Domestic unlisted shares	-	-	525,362,206	525,362,206
Foreign listed shares	1,205,171,074	-	-	1,205,171,074
Investments in debt instruments				
Domestic government bonds	-	634,651,750	-	634,651,750
Foreign government bonds	93,222,360	-	-	93,222,360
Foreign bonds	-	2,245,628,215	-	2,245,628,215
	<u>\$ 4,945,368,115</u>	<u>\$ 2,880,279,965</u>	<u>\$ 525,362,206</u>	<u>\$ 8,351,010,286</u>
Refundable deposits-statutory deposits				
Investments in debt instruments				
Domestic government bonds	<u>\$ -</u>	<u>\$ 508,335,100</u>	<u>\$ -</u>	<u>\$ 508,335,100</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers between Levels 1 and 2 in the current and prior period.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

<b>Financial Assets</b>	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>	<b>Total</b>
Beginning balance	\$ 123,428,062	\$ 525,362,206	\$ 648,790,268
Recognized in profit or loss (included in gain (loss) on financial assets and liabilities at FVTPL)			
Realized	69,751,500	-	69,751,500
Unrealized	39,044,187	-	39,044,187
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>-</u>	<u>957,940</u>	<u>957,940</u>
Ending balance	<u>\$ 232,223,749</u>	<u>\$ 526,320,146</u>	<u>\$ 758,543,895</u>
<b>Financial Liabilities</b>	<b>Financial Liabilities at FVTPL</b>	<b>Financial Liabilities at FVTOCI</b>	<b>Total</b>
Beginning balance	\$ -	\$ -	\$ -
Recognized in profit or loss (included in gain (loss) on financial assets and liabilities at FVTPL)			
Realized	-	-	-
Unrealized	<u>(1,997,230)</u>	<u>-</u>	<u>(1,997,230)</u>
Ending balance	<u>\$ (1,997,230)</u>	<u>\$ -</u>	<u>\$ (1,997,230)</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>	<b>Total</b>
Beginning balance	\$ 5,663,839	\$ 469,694,743	\$ 475,358,582
Recognized in profit or loss (included in gain (loss) on financial assets and liabilities at FVTPL)			
Realized	(55,916,240)	-	(55,916,240)
Unrealized	173,680,463	-	173,680,463
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>-</u>	<u>55,667,463</u>	<u>55,667,463</u>
Ending balance	<u>\$ 123,428,062</u>	<u>\$ 525,362,206</u>	<u>\$ 648,790,268</u>

<b>Financial Liabilities</b>	<b>Financial Liabilities at FVTPL</b>	<b>Financial Liabilities at FVTOCI</b>	<b>Total</b>
Beginning balance	\$ (24,113,723)	\$ -	\$ (24,113,723)
Recognized in profit or loss (included in gain (loss) on financial assets and liabilities at FVTPL)			
Realized	(35,601,250)	-	(35,601,250)
Unrealized	<u>59,714,973</u>	<u>-</u>	<u>59,714,973</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Domestic convertible bonds	Quotation by Taipei Exchange
Domestic futures margin receivable	Settlement price of clearing margin provided by Taiwan Futures Exchange
Domestic government bonds	Quotation by Taipei Exchange
Domestic corporate bonds	Quotation by Taipei Exchange
Foreign corporate bonds	Reference to quotation by the investment systems

4) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) Derivative instruments: The fair values of foreign exchange forward contracts are measured using quoted prices of swap point by counterparty at the end of the reporting period. There will be a reduction of fair value of the derivative instruments when the exchange rate appreciates. The Group enters into derivative instruments for hedging purposes (not under hedge accounting) but not for speculative purposes. Therefore, the Group does not perform sensitivity analysis for derivatives. For the sensitivity analysis of exchange rate risk, refer to Note 25, d.
- b) The fair values of unlisted equity investments and mutual funds in a venture capital company were determined using the asset approach. In this approach, the net asset values were determined by assessing the total value of the individual assets and liabilities held by the investee under the going concern basis.
- c) The fair values of unlisted equity investments in other than a venture capital company were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 337,621,666	\$ 370,121,815
Financial assets at amortized cost (1)	9,999,432,802	9,241,022,319
Financial assets at FVTOCI		
Equity instruments	5,885,581,586	5,377,507,961
Debt instruments	2,633,102,123	2,973,502,325
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Mandatorily classified as at FVTPL	1,997,230	-
Financial liabilities at amortized cost (2)	1,111,700,944	1,176,285,886

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, receivables, other financial assets, and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise notes payable, claims payable, commissions and fees payable, due to reinsurers and ceding companies, and other payables (taxes are not included).

d. Financial risk management objectives and policies

The Group's major financial instruments include investments in debt and equity instruments, receivables and claims payable. The Group's corporate investment department is responsible to coordinate access to domestic and international financial markets, monitor and manage the financial risks relating to the operations of the Group according to the procedures for risk identification, measurement, response, monitoring and control. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Risk Management Committee, as appointed by the board of directors of the Company, assisted the board in monitoring, measuring, and evaluating the Group's financial risk at operational level. The committee is independent from the Group's investment department.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price.

a) Foreign currency risk

The Group has foreign currency assets and liabilities, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The value of hedging instruments does not exceed the value of hedged item.

Sensitivity analysis

This section assesses risk impact regarding the net portion of foreign currency assets and liabilities that have major impact on the Group. The net portion of foreign currency assets and liabilities includes the consideration of the impact of outstanding foreign exchange forward contracts.

The Group is mainly affected by the fluctuation of USD, EUR, GBP, NZD, JPY, HKD, AUD, SGD, CNY, and CAD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel, as well as represents the evaluation for the reasonably possible extent of changes of foreign exchange by the management. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts at the end of the reporting period tested for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity associated with New Taiwan dollars strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Profit or loss for a 1% change		
USD	\$ (542,256)	\$ (6,317,503)
EUR	16,859	(3,371)
GBP	(1,798)	(6,001)
NZD	(4,912)	(3,210)
JPY	673,820	36,861
HKD	(46,081)	-
AUD	(9,439)	(9,205)
SGD	(1,782)	(1,599)
CNY	(378)	(1,525)
CAD	<u>(2,850)</u>	<u>(1,518)</u>
	<b><u>\$ 81,183</u></b>	<b><u>\$ (6,307,071)</u></b>

b) Interest rate risk

The Group is exposed to fair value interest rate risk and cash flow interest rate risk because the Group hold assets and liabilities at both fixed and floating interest rates.

	<u>December 31</u>	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 10,631,782,047	\$ 10,576,048,860
Financial liabilities	68,698,105	95,988,126
Cash flow interest rate risk		
Financial assets	1,301,258,974	1,014,183,412

Sensitivity analysis

This section assesses the risk regarding the Group's financial assets and liabilities at both fixed and floating interest rates. The sensitivity analysis below was determined based on the Group's exposure to interest rates at the end of the reporting period. 1% change of the market interest rate is the reasonably possible extent of changes that the management considered relevant.

The fair value of the Group's investment in bond instruments with fixed rates will change when the market interest rate changes. The effective interest rate of the Group's financial assets at floating rates change when the market interest rate changes. The changes will have an impact on the cash flows.

If interest rates had been 1% higher/lower, the fair value of the financial assets at fixed rates as of December 31, 2020 and 2019 would have decreased/increased by \$327,618,514 and \$398,596,314, respectively.

c) Price risk

The Group was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures are managed within approved policy parameters utilizing futures contracts. The value of hedging instruments does not exceed the value of hedged item.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% lower/higher, financial assets at FVTPL and FVTOCI as of December 31, 2020 and 2019 would have decreased/increased by \$55,780,199 and \$51,325,069, respectively.

2) Credit risk

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, would be the carrying amount of the recognized financial assets as stated in the balance sheets.

The Group manages credit risk by carefully evaluating and periodically inspecting the credit level of counterparties, issuers, and guarantee agencies to ensure they are in accordance with the laws and regulations before the trades are made. After the trades, the Group manages credit risk by periodically inspecting the credit level of counterparties, issuers, guarantee agencies and risk exposure, to disclose the estimates of the credit level, expected credit loss and concentration of credit risk.

In addition, at the end of the reporting period, the Group checks the recoverable amount of the premiums receivable to ensure that credit losses of non-recoverable receivables are recognized appropriately and inspects the credit risk exposure status of the sales department.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

b) The movement of loss allowance

Reconciliation of loss allowance is summarized below:

i. Investments in debt instruments at FVTOCI

For the Year Ended December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 1,150,953	\$ -	\$ -	\$ 1,150,953	\$ -	\$ 1,150,953
Change in risk parameters	<u>310,233</u>	<u>-</u>	<u>-</u>	<u>310,233</u>	<u>-</u>	<u>310,233</u>
Ending balance	<u>\$ 1,461,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,461,186</u>	<u>\$ -</u>	<u>\$ 1,461,186</u>
For the Year Ended December 31, 2019						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 1,534,626	\$ -	\$ -	\$ 1,534,626	\$ -	\$ 1,534,626
Change in risk parameters	<u>(383,673)</u>	<u>-</u>	<u>-</u>	<u>(383,673)</u>	<u>-</u>	<u>(383,673)</u>
Ending balance	<u>\$ 1,150,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,953</u>	<u>\$ -</u>	<u>\$ 1,150,953</u>

ii. Financial assets at amortized cost

For the Year Ended December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 616,905	\$ -	\$ -	\$ 616,905	\$ -	\$ 616,905
Change in risk parameters	98,644	-	-	98,644	-	98,644
Ending balance	<u>\$ 715,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,549</u>	<u>\$ -</u>	<u>\$ 715,549</u>
For the Year Ended December 31, 2019						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 1,233,951	\$ -	\$ -	\$ 1,233,951	\$ -	\$ 1,233,951
Change in risk parameters	(617,046)	-	-	(617,046)	-	(617,046)
Ending balance	<u>\$ 616,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616,905</u>	<u>\$ -</u>	<u>\$ 616,905</u>

iii. Notes receivable and premiums receivable

For the Year Ended December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 7,452,132	\$ -	\$ -	\$ 7,452,132	\$ 8,302,098	\$ 15,754,230
Change in risk parameters	(1,157,807)	-	-	(1,157,807)	(3,856,903)	(5,014,710)
Ending balance	<u>\$ 6,294,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,294,325</u>	<u>\$ 4,445,195</u>	<u>\$ 10,739,520</u>
For the Year Ended December 31, 2019						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total of Impairment Recognized in Accordance with IFRS 9	Difference from Impairment Recognized in Accordance with the Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Beginning balance	\$ 6,795,849	\$ -	\$ -	\$ 6,795,849	\$ 9,916,214	\$ 16,712,063
Change in risk parameters	656,283	-	-	656,283	(1,614,116)	(957,833)
Ending balance	<u>\$ 7,452,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,452,132</u>	<u>\$ 8,302,098</u>	<u>\$ 15,754,230</u>

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Thus, there is no liquidity risk in fulfilling contractual obligations due to the inability to raise funds.

As of December 31, 2020 and 2019, the Group had daily fund position (which include time deposits and investments in short-term bonds, less reserves for compulsory automobile liability insurance) of \$5,359,595,522 and \$5,134,700,000, respectively.

#### a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

##### December 31, 2020

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 623,740,422	\$ 544,621,490	\$ 1,201,259	\$ -
Lease liabilities	<u>2,737,446</u>	<u>14,853,016</u>	<u>55,048,435</u>	<u>-</u>
	<u>\$ 626,477,868</u>	<u>\$ 559,474,506</u>	<u>\$ 56,249,694</u>	<u>\$ -</u>

##### December 31, 2019

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 725,822,834	\$ 503,222,011	\$ 1,752,080	\$ -
Lease liabilities	<u>7,528,225</u>	<u>21,896,055</u>	<u>85,381,400</u>	<u>-</u>
	<u>\$ 733,351,059</u>	<u>\$ 525,118,066</u>	<u>\$ 87,133,480</u>	<u>\$ -</u>

#### b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

##### December 31, 2020

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>				
Foreign exchange forward contracts	\$ -	\$ 2,487,000	\$ -	\$ -

December 31, 2019

	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>				
Foreign exchange forward contracts	\$ -	\$ -	\$ -	\$ -

## 26. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and related parties are as follows:

a. The Group's related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Group</u>
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Investors with significant influence over the Group
China Motor Corporation	Investors with significant influence over the Group
Yulon Motor Co., Ltd.	Investors with significant influence over the Group
Fu Lun Motors Co., Ltd.	Investors with significant influence over the Group
Shung Ye Motors Co., Ltd.	Investors with significant influence over the Group
Taiwan Acceptance Corporation	Investors with significant influence over the Group
Fortune Motors Co., Ltd.	Investors with significant influence over the Group
Yuea Ching Business Co., Ltd.	Investors with significant influence over the Group
Shan-Li Co., Ltd.	Investors with significant influence over the Group
Tokio Marine Insurance Singapore Ltd.	Other related parties
Houston Casualty Company	Other related parties
HCC International Insurance Company Plc	Other related parties
Tokio Marine & Fire Insurance Company (Hong Kong) Ltd.	Other related parties
Tokio Millennium Re AG, UK Branch	Other related parties
Tokio Marine Kiln Insurance Limited	Other related parties
Tokio Marine Asia Pte. Ltd.	Other related parties
Luxgen Taichung Motor Co., Ltd.	Other related parties
Roc-Spicer Ltd.	Other related parties
Diamond Leasing Service Co., Ltd.	Other related parties
Y.M.Hi-Tech Industry Ltd.	Other related parties
Yuan Jyh Motor Co., Ltd.	Other related parties
Yuan Lon Motor Co., Ltd.	Other related parties
Yuan Rui Auto Co., Ltd.	Other related parties
Uni-Calsonic Corp.	Other related parties
Uni Auto Parts Manufacture Co., Ltd.	Other related parties
Wen-Sheng Co., Ltd.	Other related parties
Luxgen Taipei Motor Co., Ltd.	Other related parties

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Tai Yuen Textile Co., Ltd.	Other related parties
Diamond Hosiery & Thread Co., Ltd.	Other related parties
Taiway Ltd.	Other related parties
Roc-Keeper Industrial Ltd.	Other related parties
Yulon It Solutions Inc.	Other related parties
Roc-Keeper Industrial Ltd.	Other related parties
Yulon It Solutions Inc.	Other related parties
Advance Power Machinery Co., Ltd.	Other related parties
Kian Shen Corporation	Other related parties
Sin Chi Co., Ltd.	Other related parties
Sinqual Technology Co., Ltd.	Other related parties
Singan Co., Ltd.	Other related parties
Sinjang Co., Ltd.	Other related parties
Sin Etke Technology Co., Ltd.	Other related parties
Hong Shuo Cultural Enterprises, Co., Ltd.	Other related parties
Coc Tooling & Stamping Co., Ltd.	Other related parties
H. K. Manpower Co., Ltd.	Other related parties
Shye Shyang Mechanical Industrial Co., Ltd.	Other related parties
Hsieh-Chin Property Insurance Agency Co., Ltd.	Other related parties
Hsieh-Shin Motors Co., Ltd.	Other related parties
Luxgen Tainan Motor Co., Ltd.	Other related parties
Tang Li Enterprise Co., Ltd.	Other related parties
Carplus Auto Leasing Corporation	Other related parties
Luxgen Taoyuan Motor Co., Ltd.	Other related parties
Luxgen Motor Co., Ltd.	Other related parties
Yen-Tjing-Ling Foundation	Other related parties
Luxgen Kaohsiung Motor Co., Ltd.	Other related parties
Chang Yue Plastics Industrial Co., Ltd.	Other related parties
Tian Wang Co., Ltd.	Other related parties
Hsiang Shou Enterprise Co., Ltd.	Other related parties
Lian Cheng Motor Co., Ltd.	Other related parties
Hua-Chung Insurance Agency Co., Ltd.	Other related parties
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Other related parties
Sino Diamond Motors Corporation	Other related parties
China Engine Corporation	Other related parties
Lin Wei Co., Ltd.	Other related parties
Hui-Lian Motor Co., Ltd.	Other related parties
Gatetech Technology Inc.	Other related parties
Shinshin Credit Corporation	Other related parties
Chun-Min Co., Ltd.	Other related parties
Empower Motors Co., Ltd.	Other related parties
Yu-Min Property Insurance Agency Co., Ltd.	Other related parties
Yu Chang Co., Ltd.	Other related parties
Yuee Pong Business Co., Ltd.	Other related parties
Yu Sing Co., Ltd.	Other related parties
Yu Tang Motor Co., Ltd.	Other related parties
Yue Sheng Industrial Co., Ltd.	Other related parties
Yulon Gm Company Limited	Other related parties
Yulon Nissan Motor Co., Ltd.	Other related parties
Yulon Development Corp.	Other related parties
Yulon Group Headquarters (Yulon Management)	Other related parties

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
YES-Energy Service Co., Ltd.	Other related parties
Yushin-Motor Co., Ltd.	Other related parties
Yue Ki Industrial Co., Ltd.	Other related parties
Chen Long Co., Ltd.	Other related parties
Cl Skylite Trading Co., Ltd.	Other related parties
Ding Long Motor Co., Ltd.	Other related parties
Carnival Industrial Corporation	Other related parties
Brilliant Insight International Consultancy Service Co., Ltd.	Other related parties
Greentrans Corporation	Other related parties
Ching-Tong Motor Co., Ltd.	Other related parties
Ler Via Enterprise Co., Ltd.	Other related parties
Y-Teks Co., Ltd.	Other related parties
Huei-sin Motor Co., Ltd.	Other related parties
Kuen You Trading Co., Ltd.	Other related parties
Yufong Property Management Co., Ltd.	Other related parties
Da-Teng Traffic Co., Ltd.	Other related parties
Fan-De Investment Co., Ltd.	Other related parties
Da-Chuan Traffic Co., Ltd.	Other related parties
Da-Jun Traffic Co., Ltd.	Other related parties
Tianyang Transportation Co., Ltd	Other related parties
Guoma Transportation Co., Ltd	Other related parties
Fusion Motors Co., Ltd	Other related parties
Jinyu Transportation Co., Ltd	Other related parties
Liyang Automobile Co., Ltd	Other related parties
Victory Motors Co., Ltd.	Other related parties
Kai-sing Property Insurance Agency Co., Ltd.	Other related parties

(Concluded)

b. Trading transactions

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Premium revenues		
Investors with significant influence over the Group	\$ 38,658,619	\$ 48,202,386
Key management personnel	1,906,456	1,851,967
Other related parties	<u>274,831,335</u>	<u>257,414,800</u>
	<u>\$ 315,396,410</u>	<u>\$ 307,469,153</u>
Reinsurance commission income		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 100,830,813	\$ 98,908,605
Other related parties	<u>675,184</u>	<u>1,195,802</u>
	<u>\$ 101,505,997</u>	<u>\$ 100,104,407</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Claims recovered from reinsurers		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 143,877,141	\$ 294,219,469
Other related parties	<u>81,305</u>	<u>102,947</u>
	<u>\$ 143,958,446</u>	<u>\$ 294,322,416</u>
Reinsurance premium outward		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 556,076,937	\$ 492,107,617
Other related parties	<u>4,938,805</u>	<u>8,836,634</u>
	<u>\$ 561,015,742</u>	<u>\$ 500,944,251</u>
Claims incurred		
Investors with significant influence over the Group	\$ 504,590,899	\$ 476,925,814
Key management personnel	575,198	438,001
Other related parties	<u>623,278,723</u>	<u>653,896,387</u>
	<u>\$ 1,128,444,820</u>	<u>\$ 1,131,260,202</u>
Commission expenses		
Other related parties		
Hsieh-Chin Property Insurance Agency Co., Ltd.	\$ 249,162,310	\$ 248,999,521
Others	<u>84,232,348</u>	<u>83,023,343</u>
	<u>\$ 333,394,658</u>	<u>\$ 332,022,864</u>
Operating expenses		
Service expenses		
Other related parties		
Hsieh-Chin Property Insurance Agency Co., Ltd.	\$ 4,730,950	\$ 4,577,900
Kai-sing Property Insurance Agency Co., Ltd.	4,668,450	5,287,850
Hua-Chung Insurance Agency Co., Ltd.	1,702,300	1,686,650
Yulon Group Headquarters (Yulon Management)	550,000	2,050,000
Others	<u>56,177</u>	<u>31,782</u>
	<u>\$ 11,707,877</u>	<u>\$ 13,634,182</u>
Roadside assistance expenses		
Other related parties		
Hsiang Shou Enterprise Co., Ltd.	<u>\$ 65,815,232</u>	<u>\$ 56,708,164</u>
Advertising expenses		
Other related parties		
Yulon Nissan Motor Co., Ltd.	\$ 42,300,030	\$ 38,921,000
Sino Diamond Motors Corporation	20,281,858	31,378,242
Luxgen Motor Co., Ltd.	16,070,728	10,502,301
Others	<u>10,280,000</u>	<u>10,280,000</u>
	<u>\$ 88,932,616</u>	<u>\$ 91,081,543</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Sponsorship fee		
Investors with significant influence over the Group	\$ 517,583	\$ 96,600
Other related parties	<u>1,726,526</u>	<u>189,190</u>
	<u>\$ 2,244,109</u>	<u>\$ 285,790</u>
Non-operating income and expenses		
Revenue on the assistance in handling clients		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	<u>\$ 3,826,106</u>	<u>\$ 6,359,219</u>
		(Concluded)
The following balances of receivables from related parties were outstanding at the end of the reporting period:		
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Premiums receivable		
Investors that have significant influence over the Group	\$ 3,442,932	\$ 4,305,999
Key management personnel	60,895	72,324
Other related parties	<u>8,123,547</u>	<u>10,103,252</u>
	<u>\$ 11,627,374</u>	<u>\$ 14,481,575</u>
Claims recoverable from reinsurers		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 23,430,579	\$ 12,735,897
Other related parties	<u>39,971</u>	<u>-</u>
	<u>\$ 23,470,550</u>	<u>\$ 12,735,897</u>
Ceded loss reserve		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 472,373,203	\$ 379,494,446
Other related parties	<u>8,534,964</u>	<u>305,035</u>
	<u>\$ 480,908,167</u>	<u>\$ 379,799,481</u>
Payment on behalf of others (included in other assets)		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 4,677,454	\$ 21,192,473
	<u>\$ 4,677,454</u>	<u>\$ 21,192,473</u>
Due from reinsurers and ceding companies		
Other related parties	<u>\$ 792,287</u>	<u>\$ 233,192</u>
		(Concluded)

The following balances of payables to related parties were outstanding at the end of the reporting period:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commissions and fees payable		
Other related parties		
Hsieh-Chin Property Insurance Agency Co., Ltd.	\$ 13,965,192	\$ 16,627,166
Others	<u>5,426,871</u>	<u>6,184,552</u>
	<u>\$ 19,392,063</u>	<u>\$ 22,811,718</u>
Due to reinsurers and ceding companies		
Investors with significant influence over the Group		
Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$ 145,733,574	\$ 132,706,469
Other related parties	<u>1,967,552</u>	<u>5,836,247</u>
	<u>\$ 147,701,126</u>	<u>\$ 138,542,716</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties. The outstanding payables to related parties are unsecured and will be settled in cash.

c. Remuneration of key management personnel

The remuneration of directors and key executives for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 169,178,357	\$ 163,099,126
Post-employment benefits	<u>6,487,416</u>	<u>6,808,542</u>
	<u>\$ 175,665,773</u>	<u>\$ 169,907,668</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 103,820,915.03	28.480 (USD:NTD)	\$ 2,956,819,662
GBP	4,623.02	38.900 (GBP:NTD)	179,835
NZD	23,867.63	20.580 (NZD:NTD)	491,196
JPY	2,327,266.29	0.2763 (JPY:NTD)	643,024
HKD	1,254,585.58	3.673 (HKD:NTD)	4,608,093
AUD	43,060.19	21.950 (AUD:NTD)	945,171
SGD	8,265.58	21.560 (SGD:NTD)	178,206
CNY	8,637.56	4.377 (CNY:NTD)	37,807
CAD	12,752.01	22.350 (CAD:NTD)	285,008
Non-monetary items			
Investments in equity instruments			
USD	35,357,352.97	28.480 (USD:NTD)	1,006,977,413
HKD	36,310,300.00	3.673 (HKD:NTD)	133,367,732
Derivative instruments (Note)			
USD	89,750,000	28.480 (USD:NTD)	75,921,669
<u>Financial liabilities</u>			
Monetary items			
USD	3,166,926.78	28.480 (USD:NTD)	90,194,075
EUR	48,141.29	35.020 (EUR:NTD)	1,685,908
JPY	3,305,394.31	0.2763 (JPY:NTD)	913,280
HKD	351.34	3.673 (HKD:NTD)	1,290
Non-monetary items			
Derivative instruments (Note)			
USD	9,000,000	28.480 (USD:NTD)	1,997,230

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 94,296,192.25	29.980 (USD:NTD)	\$ 2,826,999,842
EUR	40,802.18	33.590 (EUR:NTD)	1,370,545
GBP	17,567.52	39.360 (GBP:NTD)	691,458
NZD	15,898.02	20.190 (NZD:NTD)	320,981
JPY	3,411,775.00	0.2760 (JPY:NTD)	941,650
HKD	7.12	3.849 (HKD:NTD)	27
AUD	43,824.75	21.005 (AUD:NTD)	920,539
SGD	13,499.59	22.280 (SGD:NTD)	300,771
CNY	35,430.32	4.305 (CNY:NTD)	152,528
CAD	6,602.60	22.990 (CAD:NTD)	151,794
Non-monetary items			
Investments in equity instruments			
USD	37,492,931.17	29.980 (USD:NTD)	1,124,038,075
HKD	36,811,000.00	3.849 (HKD:NTD)	141,685,539
Derivative instruments (Note)			
USD	71,750,000.00	29.980 (USD:NTD)	50,340,982
<u>Financial liabilities</u>			
Monetary items			
USD	1,473,801.73	29.980 (USD:NTD)	44,184,576
EUR	30,765.73	33.590 (EUR:NTD)	1,033,421
GBP	2,320.61	39.360 (GBP:NTD)	91,339
JPY	16,767,324.41	0.2760 (JPY:NTD)	4,627,782
SGD	6,321.31	22.280 (SGD:NTD)	140,839
Non-monetary items			
Derivative instruments (Note)			
USD	-	29.980 (USD:NTD)	-

Note: The foreign currency amount of the derivative instruments is the notional amount of the contract.

For the years ended December 31, 2020 and 2019 (realized and unrealized) net foreign exchange gains (losses) were \$(123,823,364) and \$(58,044,519), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

## 28. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees

- 1) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None.
- 2) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None.
- 3) Transactions with related parties involving main business items amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.

- 4) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - 5) Trading in derivative instruments: Note 7.
  - 6) Intercompany relationships and significant intercompany transactions: Table 5.
  - 7) Information on investees: Table 6.
- b. Information on investments in mainland China: None.

## 29. SEGMENT INFORMATION

The Group did not need to disclose the segment information because the Group engaged in a single industry and the management made operation decisions on an overall Group information basis.

## 30. INSURANCE CONTRACT RESERVES

- 1) Unearned premium reserve

Insurance by Type	December 31, 2020			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Voluntary auto insurance	\$ 4,514,611,299	\$ 3,834,223	\$ 50,834,400	\$ 4,467,611,122
Residential fire insurance	158,576,087	11,484,905	92,040,192	78,020,800
Commercial fire insurance	404,591,751	36,210,672	244,208,720	196,593,703
Marine insurance	87,879,193	4,752,174	56,667,908	35,963,459
Miscellaneous insurance	599,438,111	20,010,714	422,606,194	196,842,631
Accident and health insurance	325,323,515	-	3,352,759	321,970,756
Compulsory auto liability insurance	495,144,913	187,437,632	297,091,264	385,491,281
	<u>\$ 6,585,564,869</u>	<u>\$ 263,730,320</u>	<u>\$ 1,166,801,437</u>	<u>\$ 5,682,493,752</u>
Insurance by Type	December 31, 2019			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Voluntary auto insurance	\$ 4,070,374,056	\$ 21,506,154	\$ 2,542,562	\$ 4,089,337,648
Residential fire insurance	155,295,257	10,148,157	85,245,907	80,197,507
Commercial fire insurance	381,798,384	38,251,315	220,884,048	199,165,651
Marine insurance	89,713,808	3,684,972	56,234,395	37,164,385
Miscellaneous insurance	472,333,576	26,090,922	320,194,555	178,229,943
Accident and health insurance	318,323,632	-	2,824,771	315,498,861
Compulsory auto liability insurance	467,833,237	179,327,752	280,705,559	366,455,430
	<u>\$ 5,955,671,950</u>	<u>\$ 279,009,272</u>	<u>\$ 968,631,797</u>	<u>\$ 5,266,049,425</u>

	<b>For the Year Ended December 31, 2020</b>	
	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>
Beginning balance	\$ 6,234,681,222	\$ 968,631,797
Provision	6,850,547,019	1,167,916,030
Recovery	6,234,319,088	968,311,048
Effect of foreign currency exchange differences	<u>(1,613,964)</u>	<u>(1,435,342)</u>
Ending balance	<u>\$ 6,849,295,189</u>	<u>\$ 1,166,801,437</u>

	<b>For the Year Ended December 31, 2019</b>	
	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>
Beginning balance	\$ 5,845,008,123	\$ 850,657,961
Provision	6,235,464,304	969,325,388
Recovery	5,845,079,816	850,724,029
Effect of foreign currency exchange differences	<u>(711,389)</u>	<u>(627,523)</u>
Ending balance	<u>\$ 6,234,681,222</u>	<u>\$ 968,631,797</u>

2) Special reserve

Special reserve for compulsory automobile liability insurance

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 5,087,245	\$ -
Provision	-	5,087,245
Recovery	<u>4,279,978</u>	<u>-</u>
Ending balance	<u>\$ 807,267</u>	<u>\$ 5,087,245</u>

Special reserve for all insurance other than compulsory automobile liability insurance

	<b>For the Year Ended December 31, 2020</b>			
	<b>Liability</b>			
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 139,650,419	\$ 1,065,883,300	\$ 122,205,340	\$ 1,327,739,059
Provision	-	-	-	-
Recovery	<u>6,071,758</u>	<u>-</u>	<u>-</u>	<u>6,071,758</u>
Ending balance	<u>\$ 133,578,661</u>	<u>\$ 1,065,883,300</u>	<u>\$ 122,205,340</u>	<u>\$ 1,321,667,301</u>

**For the Year Ended December 31, 2019**

	<b>Liability</b>			
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 145,722,177	\$ 1,065,883,300	\$ 122,205,340	\$ 1,333,810,817
Provision	-	-	-	-
Recovery	<u>6,071,758</u>	<u>-</u>	<u>-</u>	<u>6,071,758</u>
Ending balance	<u>\$ 139,650,419</u>	<u>\$ 1,065,883,300</u>	<u>\$ 122,205,340</u>	<u>\$ 1,327,739,059</u>

3) Premium deficiency reserves

	<b>December 31, 2020</b>			
	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	
<b>Insurance by Type</b>	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-
Commercial fire insurance	-	-	-	-
Marine insurance	4,369,118	-	3,020,242	1,348,876
Miscellaneous insurance	-	-	-	-
Accident and health insurance	-	-	-	-
Compulsory auto liability insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,369,118</u>	<u>\$ -</u>	<u>\$ 3,020,242</u>	<u>\$ 1,348,876</u>

	<b>December 31, 2019</b>			
	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	
<b>Insurance by Type</b>	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-
Commercial fire insurance	-	-	-	-
Marine insurance	2,209,876	-	1,584,706	625,170
Miscellaneous insurance	-	-	-	-
Accident and health insurance	-	-	-	-
Compulsory auto liability insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,209,876</u>	<u>\$ -</u>	<u>\$ 1,584,706</u>	<u>\$ 625,170</u>

	<b>For the Year Ended December 31, 2020</b>	
	<b>Premium Deficiency Reserve</b>	<b>Ceded Premium Deficiency Reserve</b>
Beginning balance	\$ 2,209,876	\$ 1,584,706
Provision	4,369,118	3,020,242
Recovery	<u>2,209,876</u>	<u>1,584,706</u>
Ending balance	<u>\$ 4,369,118</u>	<u>\$ 3,020,242</u>

	<b>For the Year Ended December 31, 2019</b>	
	<b>Premium Deficiency Reserve</b>	<b>Ceded Premium Deficiency Reserve</b>
Beginning balance	\$ 2,460,063	\$ 2,258,253
Provision	2,209,876	1,584,706
Recovery	<u>2,460,063</u>	<u>2,258,253</u>
Ending balance	<u>\$ 2,209,876</u>	<u>\$ 1,584,706</u>

4) Loss reserve

	<b>December 31, 2020</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
<b>Items</b>	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed but not yet paid	\$ 4,024,837,380	\$ 180,335,266	\$ 1,622,235,157	\$ 2,582,937,489
Not yet filed	<u>1,195,038,349</u>	<u>211,621,788</u>	<u>450,133,722</u>	<u>956,526,415</u>
	<u>\$ 5,219,875,729</u>	<u>\$ 391,957,054</u>	<u>\$ 2,072,368,879</u>	<u>\$ 3,539,463,904</u>

	<b>December 31, 2019</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
<b>Items</b>	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed but not yet paid	\$ 3,869,339,705	\$ 147,921,834	\$ 1,619,149,100	\$ 2,398,112,439
Not yet filed	<u>1,269,372,887</u>	<u>215,822,588</u>	<u>558,753,419</u>	<u>926,442,056</u>
	<u>\$ 5,138,712,592</u>	<u>\$ 363,744,422</u>	<u>\$ 2,177,902,519</u>	<u>\$ 3,324,554,495</u>

For the year ended December 31, 2020

<b>Items</b>	<b>Direct Underwriting Business</b>		<b>Reinsurance Inward Business</b>		<b>Net Changes in Loss Reserve</b>
	<b>Provision (1)</b>	<b>Recovery (2)</b>	<b>Provision (3)</b>	<b>Recovery (4)</b>	<b>(5)=(1)-(2)+(3)-(4)</b>
Filed but not yet paid	\$ 4,024,902,456	\$ 3,869,566,294	\$ 180,335,266	\$ 147,921,834	\$ 187,749,594
Not yet filed	<u>1,195,075,446</u>	<u>1,269,367,678</u>	<u>211,642,059</u>	<u>215,818,718</u>	<u>(78,468,891)</u>
	<u>\$ 5,219,977,902</u>	<u>\$ 5,138,933,972</u>	<u>\$ 391,977,325</u>	<u>\$ 363,740,552</u>	<u>\$ 109,280,703</u>

<b>Items</b>	<b>Ceded Reinsurance Business</b>		<b>Net Changes in Ceded Loss Reserve</b>
	<b>Provision (6)</b>	<b>Recovery (7)</b>	<b>(8)=(6)-(7)</b>
Filed but not yet paid	\$ 1,622,297,985	\$ 1,619,328,146	\$ 2,969,839
Not yet filed	<u>450,168,404</u>	<u>558,748,589</u>	<u>(108,580,185)</u>
	<u>\$ 2,072,466,389</u>	<u>\$ 2,178,076,735</u>	<u>\$ (105,610,346)</u>

For the year ended December 31, 2019

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed but not yet paid	\$ 3,869,658,198	\$ 2,901,752,505	\$ 147,921,834	\$ 387,261,751	\$ 728,565,776
Not yet filed	<u>1,269,384,152</u>	<u>1,189,671,307</u>	<u>215,830,955</u>	<u>206,133,685</u>	<u>89,410,115</u>
	<u>\$ 5,139,042,350</u>	<u>\$ 4,091,423,812</u>	<u>\$ 363,752,789</u>	<u>\$ 593,395,436</u>	<u>\$ 817,975,891</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed but not yet paid	\$ 1,619,414,930	\$ 967,774,645	\$ 651,640,285
Not yet filed	<u>558,763,867</u>	<u>465,520,570</u>	<u>93,243,297</u>
	<u>\$ 2,178,178,797</u>	<u>\$ 1,433,295,215</u>	<u>\$ 744,883,582</u>

	For the Year Ended December 31, 2020	
	Loss Reserve	Ceded Loss Reserve
Beginning balance (Note)	\$ 5,502,712,664	\$ 2,178,109,008
Provision	5,611,955,227	2,072,466,389
Recovery	5,502,674,524	2,178,076,735
Effect of foreign currency exchange differences	<u>(160,584)</u>	<u>(129,783)</u>
Ending balance	<u>\$ 5,611,832,783</u>	<u>\$ 2,072,368,879</u>

Note: Including the adjustment of the subsidiary.

	For the Year Ended December 31, 2019	
	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 4,684,818,639	\$ 1,433,294,804
Provision	5,502,795,139	2,178,178,797
Recovery	4,684,819,248	1,433,295,215
Effect of foreign currency exchange differences	<u>(337,516)</u>	<u>(275,867)</u>
Ending balance	<u>\$ 5,502,457,014</u>	<u>\$ 2,177,902,519</u>

5) Earned retained premium

For the year ended December 31, 2020

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	\$ 1,221,926,200	\$ 340,838,651	\$ 544,596,592	\$ 1,018,168,259
Non-compulsory insurance	<u>12,805,179,549</u>	<u>218,897,773</u>	<u>2,869,342,170</u>	<u>10,154,735,152</u>
	<u>\$ 14,027,105,749</u>	<u>\$ 559,736,424</u>	<u>\$ 3,413,938,762</u>	<u>\$ 11,172,903,411</u>

Insurance by Type	Unearned Premium Reserve under Direct Business		Unearned Premium Reserve under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve (9)=(5)-(6)+(7)-(8)
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	
Compulsory insurance	\$ 495,144,913	\$ 467,833,237	\$ 187,437,632	\$ 179,327,752	\$ 35,421,556
Non-compulsory insurance	<u>6,091,622,934</u>	<u>5,487,491,785</u>	<u>76,341,540</u>	<u>99,666,314</u>	<u>580,806,375</u>
	<u>\$ 6,586,767,847</u>	<u>\$ 5,955,325,022</u>	<u>\$ 263,779,172</u>	<u>\$ 278,994,066</u>	<u>\$ 616,227,931</u>

Insurance by Type	Unearned Premium Reserve under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve (12)=(10)-(11)	Retained Premium (13)=(4)-(9)+(12)
	Provision (10)	Recovery (11)		
Compulsory insurance	\$ 297,091,264	\$ 280,705,559	\$ 16,385,705	\$ 999,132,408
Non-compulsory insurance	<u>870,824,766</u>	<u>687,605,489</u>	<u>183,219,277</u>	<u>9,757,148,054</u>
	<u>\$ 1,167,916,030</u>	<u>\$ 968,311,048</u>	<u>\$ 199,604,982</u>	<u>\$ 10,756,280,462</u>

For the year ended December 31, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	\$ 1,171,286,835	\$ 326,736,433	\$ 515,673,046	\$ 982,350,222
Non-compulsory insurance	<u>11,752,562,065</u>	<u>219,755,999</u>	<u>2,594,378,480</u>	<u>9,377,939,584</u>
	<u>\$ 12,923,848,900</u>	<u>\$ 546,492,432</u>	<u>\$ 3,110,051,526</u>	<u>\$ 10,360,289,806</u>

Insurance by Type	Unearned Premium Reserve under Direct Business		Unearned Premium Reserve under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve (9)=(5)-(6)+(7)-(8)
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	
Compulsory insurance	\$ 467,833,237	\$ 437,275,974	\$ 179,327,752	\$ 181,076,686	\$ 28,808,329
Non-compulsory insurance	<u>5,488,588,913</u>	<u>5,106,426,013</u>	<u>99,714,402</u>	<u>120,301,143</u>	<u>361,576,159</u>
	<u>\$ 5,956,422,150</u>	<u>\$ 5,543,701,987</u>	<u>\$ 279,042,154</u>	<u>\$ 301,377,829</u>	<u>\$ 390,384,488</u>

Insurance by Type	Unearned Premium Reserve under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve (12)=(10)-(11)	Retained Premium (13)=(4)-(9)+(12)
	Provision (10)	Recovery (11)		
Compulsory insurance	\$ 280,705,559	\$ 262,369,935	\$ 18,335,624	\$ 971,877,517
Non-compulsory insurance	<u>688,619,829</u>	<u>588,354,094</u>	<u>100,265,735</u>	<u>9,116,629,160</u>
	<u>\$ 969,325,388</u>	<u>\$ 850,724,029</u>	<u>\$ 118,601,359</u>	<u>\$ 10,088,506,677</u>

## 6) Retained claims

Insurance by Type	For the Year Ended December 31, 2020			Retained Claims (4)=(1)+(2)-(3)
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	
Compulsory insurance	\$ 1,009,943,052	\$ 260,011,748	\$ 589,807,229	\$ 680,147,571
Non-compulsory insurance	<u>6,201,890,124</u>	<u>45,867,622</u>	<u>771,586,111</u>	<u>5,476,171,635</u>
	<u>\$ 7,211,833,176</u>	<u>\$ 305,879,370</u>	<u>\$ 1,361,393,340</u>	<u>\$ 6,156,319,206</u>

Insurance by Type	For the Year Ended December 31, 2019			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	\$ 1,041,062,411	\$ 253,467,752	\$ 616,393,045	\$ 678,137,118
Non-compulsory insurance	<u>5,911,156,229</u>	<u>150,987,015</u>	<u>1,091,068,211</u>	<u>4,971,075,033</u>
	<u>\$ 6,952,218,640</u>	<u>\$ 404,454,767</u>	<u>\$ 1,707,461,256</u>	<u>\$ 5,649,212,151</u>

7) Liability on policyholders' claims filed and losses not yet filed

Liability on policyholders' claims filed and losses not yet filed

Insurance by Type	December 31, 2020				
	Claims Filed and Paid		Filed But Not Yet Paid	Loss Reserve	
	Notes Payable (Claims)	Claims Payable		Not Yet Filed	Total
Voluntary auto insurance	\$ -	\$ 3,016,295	\$ 1,963,330,597	\$ 431,570,211	\$ 2,394,900,808
Residential fire insurance	-	-	14,191,557	200,678	14,392,235
Commercial fire insurance	-	-	1,396,012,715	2,125,791	1,398,138,506
Marine insurance	-	-	58,019,289	9,607,763	67,627,052
Miscellaneous insurance	-	-	584,905,905	179,741,154	764,647,059
Accident and health insurance	-	-	20,364,457	106,291,258	126,655,715
Compulsory auto liability insurance	-	-	168,348,126	677,123,282	845,471,408
	<u>\$ -</u>	<u>\$ 3,016,295</u>	<u>\$ 4,205,172,646</u>	<u>\$ 1,406,660,137</u>	<u>\$ 5,611,832,783</u>

Insurance by Type	December 31, 2019				
	Claims Payable		Filed But Not Yet Paid	Loss Reserve	
	Notes Payable (Claims)	Claims Payable		Not Yet Filed	Total
Voluntary auto insurance	\$ 266,464	\$ 1,733,100	\$ 1,775,462,149	\$ 392,996,079	\$ 2,168,458,228
Residential fire insurance	-	-	22,845,781	891,655	23,737,436
Commercial fire insurance	-	-	1,403,687,561	1,179,354	1,404,866,915
Marine insurance	-	-	75,519,573	9,650,055	85,169,628
Miscellaneous insurance	-	275,819	553,457,204	287,245,026	840,702,230
Accident and health insurance	-	-	27,381,538	113,322,930	140,704,468
Compulsory auto liability insurance	1,140	-	158,907,733	679,910,376	838,818,109
	<u>\$ 267,604</u>	<u>\$ 2,008,919</u>	<u>\$ 4,017,261,539</u>	<u>\$ 1,485,195,475</u>	<u>\$ 5,502,457,014</u>

Claims and payments recoverable for policyholders' claims filed and paid

Insurance by Type	December 31, 2020		
	Claims Paid	Claims Filed	Total
Voluntary auto insurance	\$ (242,022)	\$ 391,735	\$ 149,713
Residential fire insurance	-	-	-
Commercial fire insurance	9,425,912	-	9,425,912
Marine insurance	4,241,085	-	4,241,085
Miscellaneous insurance	17,996,147	-	17,996,147
Accident and health insurance	92,756	-	92,756
Compulsory auto liability insurance	-	78,950,674	78,950,674
	<u>31,513,878</u>	<u>79,342,409</u>	<u>110,856,287</u>
Less: Loss allowance	-	-	-
	<u>\$ 31,513,878</u>	<u>\$ 79,342,409</u>	<u>\$ 110,856,287</u>

Insurance by Type	December 31, 2019		
	Claims Paid	Claims Filed	Total
Voluntary auto insurance	\$ 480	\$ -	\$ 480
Residential fire insurance	-	-	-
Commercial fire insurance	3,956,531	-	3,956,531
Marine insurance	8,667,891	-	8,667,891
Miscellaneous insurance	29,886,249	263,346	30,149,595
Accident and health insurance	914,866	-	914,866
Compulsory auto liability insurance	-	63,475,534	63,475,534
	<u>43,426,017</u>	<u>63,738,880</u>	<u>107,164,897</u>
Less: Loss allowance	-	-	-
	<u>\$ 43,426,017</u>	<u>\$ 63,738,880</u>	<u>\$ 107,164,897</u>

Reinsurance assets - ceded loss reserves for policyholders' claims  
filed but not yet paid and claims not yet filed

Insurance by Type	December 31, 2020		
	Claims Filed But Not Yet Paid	Claims Not Yet Filed	Total
Voluntary auto insurance	\$ 1,938,000	\$ 22,723	\$ 1,960,723
Residential fire insurance	26,500	-	26,500
Commercial fire insurance	1,171,290,046	1,088,407	1,172,378,453
Marine insurance	44,940,136	6,892,014	51,832,150
Miscellaneous insurance	335,956,524	155,204,337	491,160,861
Accident and health insurance	2,563	318,350	320,913
Compulsory auto liability insurance	<u>68,081,388</u>	<u>286,607,891</u>	<u>354,689,279</u>
	<u>\$ 1,622,235,157</u>	<u>\$ 450,133,722</u>	<u>\$ 2,072,368,879</u>

Insurance by Type	December 31, 2019		
	Claims Filed But Not Yet Paid	Claims Not Yet Filed	Total
Voluntary auto insurance	\$ -	\$ 1,520,490	\$ 1,520,490
Residential fire insurance	88,500	-	88,500
Commercial fire insurance	1,182,192,766	634,347	1,182,827,113
Marine insurance	57,190,900	6,515,453	63,706,353
Miscellaneous insurance	311,818,818	260,206,420	572,025,238
Accident and health insurance	-	671,120	671,120
Compulsory auto liability insurance	<u>67,858,116</u>	<u>289,205,589</u>	<u>357,063,705</u>
	<u>\$ 1,619,149,100</u>	<u>\$ 558,753,419</u>	<u>\$ 2,177,902,519</u>

8) Receivables and payables of insurance contracts

Receivables

Insurance by Type	December 31, 2020			
	Notes Receivable	Premiums Receivable	Other Receivables	Total
Voluntary auto insurance	\$ 279,324,403	\$ 20,440,956	\$ -	\$ 299,765,359
Residential fire insurance	6,740,920	6,628,194	-	13,369,114
Commercial fire insurance	8,054,290	52,323,681	52,983	60,430,954
Marine insurance	7,141,864	15,793,172	197	22,935,233
Miscellaneous insurance	3,252,157	31,683,960	9,499	34,945,616
Accident and health insurance	74,850	15,206,081	2,475	15,283,406
Compulsory auto liability insurance	23,733,251	22,745,630	-	46,478,881
Others	210,204	-	17,076,795	17,286,999
	328,531,939	164,821,674	17,141,949	510,495,562
Less: Loss allowance	(6,860,042)	(3,879,478)	(246,503)	(10,986,023)
	<u>\$ 321,671,897</u>	<u>\$ 160,942,196</u>	<u>\$ 16,895,446</u>	<u>\$ 499,509,539</u>

Insurance by Type	December 31, 2019			
	Notes Receivable	Premiums Receivable	Other Receivables	Total
Voluntary auto insurance	\$ 253,245,782	\$ 7,806,798	\$ -	\$ 261,052,580
Residential fire insurance	116,466	3,090,526	-	3,206,992
Commercial fire insurance	7,042,668	23,426,108	-	30,468,776
Marine insurance	5,494,236	8,165,008	-	13,659,244
Miscellaneous insurance	6,487,325	38,441,255	-	44,928,580
Accident and health insurance	2,912,229	6,506,849	-	9,419,078
Compulsory auto liability insurance	26,167,715	22,280,029	-	48,447,744
Others	31,149	-	17,080,578	17,111,727
	301,497,570	109,716,573	17,080,578	428,294,721
Less: Loss allowance	(12,439,284)	(3,314,946)	(266,185)	(16,020,415)
	<u>\$ 289,058,286</u>	<u>\$ 106,401,627</u>	<u>\$ 16,814,393</u>	<u>\$ 412,274,306</u>

The overdue amounts as of December 31, 2020 in the above notes receivable, premiums receivable and other receivables were \$2,154,330, \$8,164,718 and \$3, respectively, and their loss allowance was \$2,154,330, \$876,230 and \$3, respectively.

The overdue amounts as of December 31, 2019 in the above notes receivable, premiums receivable and other receivables were \$7,867,285, \$7,896,021 and \$3, respectively, and their loss allowance was \$7,867,285, \$1,390,674 and \$3, respectively.

Accounts payable

Insurance by Type	December 31, 2020			
	Notes Payable	Commission and Fee Payable	Accrued Expense	Total
Voluntary auto insurance	\$ 140,710	\$ 69,038,566	\$ 4,599,010	\$ 73,778,286
Residential fire insurance	41,966	1,412,446	58,062	1,512,474
Commercial fire insurance	1,277,748	9,219,356	41,710,360	52,207,464
Marine insurance	-	3,829,258	1,935,905	5,765,163
Miscellaneous insurance	1,282	19,712,430	1,068,104	20,781,816
Accident and health insurance	-	12,449,410	7,225,570	19,674,980
Compulsory auto liability insurance	67,031	19,498,428	1,920,443	21,485,902
Others	31,524	-	406,907	438,431
	<u>\$ 1,560,261</u>	<u>\$ 135,159,894</u>	<u>\$ 58,924,361</u>	<u>\$ 195,644,516</u>

<b>December 31, 2019</b>				
<b>Insurance by Type</b>	<b>Notes Payable</b>	<b>Commission and Fee Payable</b>	<b>Accrued Expense</b>	<b>Total</b>
Voluntary auto insurance	\$ 277,437	\$ 76,517,089	\$ 3,957,063	\$ 80,751,589
Residential fire insurance	-	1,340,385	26,256	1,366,641
Commercial fire insurance	-	9,138,594	22,575,130	31,713,724
Marine insurance	-	5,699,813	157,564	5,857,377
Miscellaneous insurance	-	18,177,942	8,541,143	26,719,085
Accident and health insurance	-	17,111,036	7,108,631	24,219,667
Compulsory auto liability insurance	1,140	18,969,015	4,014,650	22,984,805
Others	-	-	-	-
	<u>\$ 278,577</u>	<u>\$ 146,953,874</u>	<u>\$ 46,380,437</u>	<u>\$ 193,612,888</u>

The above notes payable were mostly due to insurance sales, insurance agents, insurance brokers and policyholders.

Due from (to) reinsurers and ceding companies - reinsurance

<b>December 31, 2020</b>		
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Allianz Global Risks US Insurance Company	\$ 9,869,048	\$ -
Trust International Insurance and Reinsurance Company B.S.C. (C) Trust Re	4,031,478	-
Nan Shan Insurance Co., Ltd.	2,756,728	-
Fubon Insurance Co., Ltd.	2,406,062	-
Shin Kong Insurance Co., Ltd.	1,487,967	-
Tokio Marine & Nichido Fire Insurance Co., Ltd.	-	145,733,574
Non-Life Insurance Association of the R.O.C.	-	45,522,142
Hannover Ruck SE	-	27,979,383
Others	<u>6,129,811</u>	<u>227,537,917</u>
	26,681,094	446,773,016
Less: Loss allowance	<u>(2,811,554)</u>	<u>-</u>
	<u>\$ 23,869,540</u>	<u>\$ 446,773,016</u>

	<b>December 31, 2019</b>	
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Nan Shan Insurance Co., Ltd.	\$ 5,719,618	\$ -
MSIG Mingtai Insurance Co., Ltd.	4,061,501	-
Fubon Insurance Co., Ltd.	3,951,752	-
Taian Insurance Co., Ltd.	3,346,328	-
Shin Kong Insurance Co., Ltd.	3,085,985	-
Trust International Insurance and Reinsurance Company B.S.C. (C) Trust Re	2,641,544	-
Asia Capital Reinsurance Group Pte Ltd. (Singapore)	1,932,431	-
Tokio Marine & Nichido Fire Insurance Co., Ltd.	-	132,706,469
Liberty Mutual Insurance Company	-	46,211,787
Non-Life Insurance Association of the R.O.C.	-	44,100,901
Allianz Global Corporate & Specialty SE	-	42,402,408
Hannover Ruck SE	-	30,953,062
Euler Hermes SA, Taiwan Branch	-	26,977,247
Others	<u>9,627,551</u>	<u>197,603,349</u>
	34,366,710	520,955,223
Less: Loss allowance	<u>(5,072,740)</u>	<u>-</u>
	<u>\$ 29,293,970</u>	<u>\$ 520,955,223</u>

The due from the reinsurers and ceding companies and the due to the reinsurers and ceding companies cannot be offset against each other, except for those receivables and payables that are subject to the provisions of IAS 32 - Note 42.

#### 9) Reserve required for specific assets

The accounting of the compulsory auto liability insurance held by the Company is based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance (“CAL Insurance”), special reserve held by an insurer should be deposited in a financial institution in the form of time deposits.

Under the approval of relevant authorities, the Group may buy the following domestic securities using the special reserve portion exceeding 30% of the retained earned pure premiums:

- a) Government bonds but not exchangeable government bonds;
- b) Financial bonds (ordinary type only), negotiable certificates of deposit, banker’s acceptances, and commercial paper guaranteed by a financial institution.

The amount of the foregoing Article 5 treasury bills invested and time deposits to be placed in financial institutions should not be less than 30% of the total amount of the Group’s retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant. The authorities may raise this percentage to a level it deems appropriate on the basis of the Group’s operating status.

If the balance of the Group's special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for special reserve mentioned above, held by an insurer for this insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

Under the approval of relevant authorities, the Group may buy the following domestic securities as funds for this insurance:

- a) Treasury bills.
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds under repurchase agreement

The term "funds" in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

The amount of demand deposits placed in financial institutions, which are mentioned in the above paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than (b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Group to a level they deem appropriate on the basis of the Group's operating status.

If the total amount of unearned premium reserve and loss reserve of the Group for the CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling of this insurance by other insurer or other property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

10) Acquisition cost of insurance contracts

<b>For the Year Ended December 31, 2020</b>					
<b>Insurance by Type</b>	<b>Commission Expenses</b>	<b>Agency Fees</b>	<b>Service and Handling Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Total</b>
Voluntary auto insurance	\$ 642,624,293	\$ 434,447,968	\$ -	\$ 639,280	\$ 1,077,711,541
Residential fire insurance	13,645,589	-	8,456,526	260,425	22,362,540
Commercial fire insurance	49,945,324	-	-	9,758,671	59,703,995
Marine insurance	20,211,181	-	-	2,022,498	22,233,679
Miscellaneous insurance	377,841,682	-	-	3,321,460	381,163,142
Accident and health insurance	172,281,260	-	-	212,200	172,493,460
Compulsory auto liability insurance	-	-	160,233,850	-	160,233,850
	<u>\$ 1,276,549,329</u>	<u>\$ 434,447,968</u>	<u>\$ 168,690,376</u>	<u>\$ 16,214,534</u>	<u>\$ 1,895,902,207</u>
<b>For the Year Ended December 31, 2019</b>					
<b>Insurance by Type</b>	<b>Commission Expenses</b>	<b>Agency Fees</b>	<b>Service and Handling Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Total</b>
Voluntary auto insurance	\$ 566,402,161	\$ 432,992,774	\$ -	\$ -	\$ 999,394,935
Residential fire insurance	12,450,009	-	7,736,203	-	20,186,212
Commercial fire insurance	43,709,638	-	-	11,149,504	54,859,142
Marine insurance	22,496,268	-	-	2,053,473	24,549,741
Miscellaneous insurance	214,033,106	-	-	3,636,828	217,669,934
Accident and health insurance	190,058,657	-	-	194,798	190,253,455
Compulsory auto liability insurance	-	-	156,110,944	-	156,110,944
	<u>\$ 1,049,149,839</u>	<u>\$ 432,992,774</u>	<u>\$ 163,847,147</u>	<u>\$ 17,034,603</u>	<u>\$ 1,663,024,363</u>

Acquisition costs of the insurance contracts were recognized as incurred.

11) Effects of changes in estimates and assumptions

- a) The claims not yet filed of significant events of marine insurance as of December 31, 2020 and 2019 are both estimated at \$14,335,500, which are the neutral estimation for the current forecast of future amount of claim, based on the inspection of the insurance accidents. However, the estimation and assumption are uncertain, and may not be consistent to the actual claims in the future. The said estimation may be revised due to re-evaluation of the case by the insurance notary after inspection and collection of information. If the amount of claims not yet filed changes from adjustments of estimates and assumptions, the changing amount would be below \$720,000 and \$716,775, respectively, and would directly affect the profit/loss of the period.

The claims not yet filed of significant events of fire insurance as of December 31, 2020 and 2019 are estimated at \$1,227,535,435 and \$1,249,115,494, which are the neutral estimation for the current forecast of future amount of claim, based on the inspection of the insurance accidents. However, the estimation and assumption are uncertain, and may not be consistent to the actual claims in the future. The said estimation may be revised due to re-evaluation of the case after inspection and collection of information. If the amount of claims not yet filed changes from adjustments of estimates and assumptions, the changing amount would be between \$18,000,000 to \$36,000,000 and \$17,500,000 to \$35,000,000, respectively, and would directly affect the profit/loss of the period. The resulting effect mentioned above includes the ceded reinsurance contracts.

The claims not yet filed of significant events of miscellaneous insurance as of December 31, 2020 and 2019 are estimated at \$148,000,000 and \$40,000,000, which are the neutral estimation for the current forecast of future amount of claim, based on the inspection of the insurance accidents. However, the estimation and assumption are uncertain, and may not be consistent to the actual claims in the future. The said estimation may be revised due to re-evaluation of the case after inspection and collection of information or the results of lawsuits. If the amount of claims not yet filed changes, the changing amount would be between \$2,000,000 to \$6,000,000 and \$0 to \$2,000,000, respectively, and would directly affect the profit/loss of the period. The resulting effect mentioned above includes the ceded reinsurance contracts.

- b) The premium deficiency reserve is estimated using the expected cost method. The expected loss ratio used for estimating future cash flows is based on the most neutral estimation for the current forecast. However, the estimation and assumption are uncertain, and may not be consistent with the actual loss ratio in the future. The said estimation may be revised due to the change in the future economy, which leads to a change in the premium deficiency reserve. Currently, the premium deficiency reserve as of December 31, 2020 and 2019 is \$4,369,118 and \$2,209,876, respectively, and the premium deficiency reserve on the retained business basis as of December 31, 2020 and 2019 is \$1,348,876 and \$625,170, respectively. If the expected loss ratio for each insurance type had increased by 5%, the premium deficiency reserve would have increased by \$4,739,021 and \$2,540,922 at December 31, 2020 and 2019, respectively, and the premium deficiency reserve on the retained business basis would have increased to \$1,438,054 and \$720,747 at December 31, 2020 and 2019, respectively. These increases will directly affect the profit/loss of the period.

12) Net loss recognized for premium deficiency reserve - net changes in premium deficiency reserve and ceded premium deficiency reserve

For the year ended December 31, 2020

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-	-
Commercial fire insurance	-	-	-	-	-
Marine insurance	4,369,118	2,209,876	-	-	2,159,242
Miscellaneous insurance	-	-	-	-	-
Accident and health insurance	-	-	-	-	-
Compulsory auto liability insurance	-	-	-	-	-
	<u>\$ 4,369,118</u>	<u>\$ 2,209,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,159,242</u>

Insurance by Type	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (6)	Recovery (7)		
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-
Commercial fire insurance	-	-	-	-
Marine insurance	3,020,242	1,584,706	1,435,536	723,706
Miscellaneous insurance	-	-	-	-
Accident and health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	<u>\$ 3,020,242</u>	<u>\$ 1,584,706</u>	<u>\$ 1,435,536</u>	<u>\$ 723,706</u>

For the year ended December 31, 2019

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-	-
Commercial fire insurance	-	-	-	-	-
Marine insurance	2,209,876	2,460,063	-	-	(250,187)
Miscellaneous insurance	-	-	-	-	-
Accident and health insurance	-	-	-	-	-
Compulsory auto liability insurance	-	-	-	-	-
	<u>\$ 2,209,876</u>	<u>\$ 2,460,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,187)</u>

Insurance by Type	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (6)	Recovery (7)		
Voluntary auto insurance	\$ -	\$ -	\$ -	\$ -
Residential fire insurance	-	-	-	-
Commercial fire insurance	-	-	-	-
Marine insurance	1,584,706	2,258,253	(673,547)	423,360
Miscellaneous insurance	-	-	-	-
Accident and health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	<u>\$ 1,584,706</u>	<u>\$ 2,258,253</u>	<u>\$ (673,547)</u>	<u>\$ 423,360</u>

The deficiency premium reserve is undiscounted.

13) Profit and loss analysis of the insurance business

Direct underwriting business

Insurance by Type	For the Year Ended December 31, 2020					
	Direct Insurance Premium Revenue (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 8,539,866,295	\$ 444,282,374	\$ 1,077,072,261	\$ 4,790,880,948	\$ 226,713,098	\$ 2,000,917,614
Residential fire insurance	249,346,491	3,280,830	22,102,115	5,900,072	(9,226,801)	227,290,275
Commercial fire insurance	1,049,355,530	24,096,053	49,945,324	367,387,889	3,990,312	603,935,952
Marine insurance	305,023,204	(1,827,392)	20,211,181	87,032,547	(18,261,929)	217,868,797
Miscellaneous insurance	2,020,403,870	127,230,662	377,841,682	626,469,597	(103,253,043)	992,114,972
Accident and health insurance	641,184,159	7,068,622	172,281,260	324,219,071	(14,565,407)	152,180,613
Compulsory auto liability insurance	<u>1,221,926,200</u>	<u>27,311,676</u>	<u>160,233,850</u>	<u>1,009,943,052</u>	<u>(4,352,300)</u>	<u>28,789,922</u>
	<u>\$ 14,027,105,749</u>	<u>\$ 631,442,825</u>	<u>\$ 1,879,687,673</u>	<u>\$ 7,211,833,176</u>	<u>\$ 81,043,930</u>	<u>\$ 4,223,098,145</u>

Insurance by Type	For the Year Ended December 31, 2019					
	Direct Insurance Premium Revenue (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 7,731,000,362	\$ 272,879,168	\$ 999,394,935	\$ 4,313,571,102	\$ 181,657,856	\$ 1,963,497,301
Residential fire insurance	225,488,572	(4,693,224)	20,186,212	8,802,515	(5,222,486)	206,415,555
Commercial fire insurance	967,377,286	(1,908,167)	43,709,638	325,945,367	862,228,395	(262,597,947)
Marine insurance	315,709,660	(5,608,964)	22,496,268	109,674,919	(45,556,268)	234,703,705
Miscellaneous insurance	1,798,258,284	115,287,956	214,033,106	843,570,102	85,073,115	540,294,005
Accident and health insurance	714,727,901	6,206,131	190,058,657	309,592,224	(4,809,042)	213,679,931
Compulsory auto liability insurance	<u>1,171,286,835</u>	<u>30,557,263</u>	<u>156,110,944</u>	<u>1,041,062,411</u>	<u>(25,753,032)</u>	<u>(30,690,751)</u>
	<u>\$ 12,923,848,900</u>	<u>\$ 412,720,163</u>	<u>\$ 1,645,989,760</u>	<u>\$ 6,952,218,640</u>	<u>\$ 1,047,618,538</u>	<u>\$ 2,865,301,799</u>

## Reinsurance inward business

Insurance by Type	For the Year Ended December 31, 2020					
	Reinsurance Premium Inward	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expenses	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 2,836,277	\$ (17,671,931)	\$ 639,280	\$ 1,295,479	\$ (269,572)	\$ 18,843,021
Residential fire insurance	22,988,628	1,336,748	260,425	89,308	(118,400)	21,420,547
Commercial fire insurance	128,770,165	(1,996,280)	9,758,671	16,931,667	(10,623,522)	114,699,629
Marine insurance	14,690,925	1,067,202	2,022,498	4,550,648	720,128	6,330,449
Miscellaneous insurance	45,487,740	(6,060,514)	3,321,460	22,299,436	27,003,513	(1,076,155)
Accident and health insurance	4,124,038	-	212,200	701,084	519,027	2,691,727
Compulsory auto liability insurance	340,838,651	8,109,880	-	260,011,748	11,005,599	61,711,424
	<u>\$ 559,736,424</u>	<u>\$ (15,214,895)</u>	<u>\$ 16,214,534</u>	<u>\$ 305,879,370</u>	<u>\$ 28,236,773</u>	<u>\$ 224,620,642</u>

Insurance by Type	For the Year Ended December 31, 2019					
	Reinsurance Premium Inward	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expenses	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 2,430	\$ (21,513,031)	\$ -	\$ 140,931	\$ 134,525	\$ 21,240,005
Residential fire insurance	19,682,600	43,242	-	-	-	19,639,358
Commercial fire insurance	130,588,981	150,255	11,149,504	129,215,842	(166,941,061)	157,014,441
Marine insurance	13,698,666	238,132	2,053,473	6,133,500	(4,345,271)	9,618,832
Miscellaneous insurance	51,997,372	494,661	3,636,828	15,152,042	(6,405,700)	39,119,541
Accident and health insurance	3,785,950	-	194,798	344,700	(237,267)	3,483,719
Compulsory auto liability insurance	326,736,433	(1,748,934)	-	253,467,752	(51,847,873)	126,865,488
	<u>\$ 546,492,432</u>	<u>\$ (22,335,675)</u>	<u>\$ 17,034,603</u>	<u>\$ 404,454,767</u>	<u>\$ (229,642,647)</u>	<u>\$ 376,981,384</u>

## Ceded reinsurance business

Insurance by Type	For the Year Ended December 31, 2020					
	Reinsurance Premium Outward	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 52,207,021	\$ 48,318,116	\$ 14,477,976	\$ 281,202	\$ 440,675	\$ (11,310,948)
Residential fire insurance	160,915,924	6,794,285	(6,784)	20,945	(62,000)	154,169,478
Commercial fire insurance	835,384,291	24,557,892	97,572,548	248,950,988	(10,379,909)	474,682,772
Marine insurance	203,709,147	438,569	39,521,757	45,681,287	(11,873,651)	129,941,185
Miscellaneous insurance	1,603,184,155	102,541,176	502,303,902	474,068,585	(81,012,254)	605,282,746
Accident and health insurance	13,941,632	569,238	1,253,909	2,583,104	(348,781)	9,884,162
Compulsory auto liability insurance	544,596,592	16,385,705	-	589,807,229	(2,374,426)	(59,221,916)
	<u>\$ 3,413,938,762</u>	<u>\$ 199,604,981</u>	<u>\$ 655,123,308</u>	<u>\$ 1,361,393,340</u>	<u>\$ (105,610,346)</u>	<u>\$ 1,303,427,479</u>

Insurance by Type	For the Year Ended December 31, 2019					
	Reinsurance Premium Outward	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Voluntary auto insurance	\$ 4,397,253	\$ (277,983)	\$ 1,134,708	\$ 52,054	\$ (5,072,650)	\$ 8,561,124
Residential fire insurance	145,372,548	2,681,477	(8,569)	83,451	(76,500)	142,692,689
Commercial fire insurance	761,884,566	(1,096,023)	105,442,080	320,298,727	715,328,177	(378,088,395)
Marine insurance	210,333,227	(6,491,170)	40,052,032	74,007,474	(40,250,911)	143,015,802
Miscellaneous insurance	1,445,671,392	104,663,541	389,140,256	696,284,023	90,988,733	164,594,839
Accident and health insurance	26,719,494	785,893	302,691	342,482	(738,010)	26,026,438
Compulsory auto liability insurance	515,673,046	18,335,624	-	616,393,045	(15,295,257)	(103,760,366)
	<u>\$ 3,110,051,526</u>	<u>\$ 118,601,359</u>	<u>\$ 536,063,198</u>	<u>\$ 1,707,461,256</u>	<u>\$ 744,883,582</u>	<u>\$ 3,042,131</u>

### 14) Disclosure of the significant assumption and determination process of recognition of the amount of insurance contracts

#### a) Definition of insurance contracts

Insurance contract refers to the insurer accepting the insurance policyholder's transfer of significant insurance risk, and agrees to the uncertain future of a particular event (insured event) and the contract will compensate the policyholder for any damages occurred. The Group defines an insurance contract based on the transfer of significant insurance risk. If the Group deems a contract as an insurance contract, it will be valid until the end of the policy period regardless of the reduction of significant insurance risk.

b) Insurance assets and liabilities

The insurance liabilities and the reinsurance assets are mostly the unearned premium reserve, loss reserve, premium deficiency reserve and liability adequacy reserve. The methods of estimation, significant assumptions and the determination process of the mentioned reserves are as follows.

i. Unearned premium reserve

For an in-force contract with a remaining policy period or an unexpired insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance in accordance with the laws. The Group has recognized unearned premium reserves, which are calculated by the actuaries based on the characteristics of the different types of insurance and the provision method approved by the authorities. Except for the unearned premium reserve for cargo insurance calculated based on 3-month premium and other types of insurance specified by the law, the unearned premium reserves are calculated individually based on the ratio of risk exposure period of the unexpired policy. The ceded unearned premium reserve is calculated by the same method mentioned above. The provision method for unearned premium reserves is based on an assumption mentioned in the Actuarial Standards of Practice being followed by the actuaries, which states that the risk of insurance contracts spreads evenly during the insured period.

ii. Loss reserve

The loss reserve should be calculated on the basis of the past experience with claim payments and expenses and the provision method approved by the authorities.

The methods used to set up loss reserves are as follows:

- The estimates of loss reserve for claims filed but not yet paid are based on the actual condition of each case.
- Except for the specified types of insurance regulated by law, loss reserves for claims not yet filed, including the additional case reserves for the reopening of lawsuits and for the follow-ups on any filed cases, are calculated by the actuaries based on the loss development method on an accident year basis for each insurance type, adding reserves for unallocated unfiled claim expenses calculated by the actuarial methodology. The ceded loss reserve is calculated by the same method mentioned above. The said loss development method is based on the assumption that the estimates of claims not yet filed are calculated based on the weighted average of the historic loss development patterns and the expected loss ratio. The application of the loss development method is based on the actuaries' professional judgment using adequate models, assumptions and parameter estimations.

iii. Premium deficiency reserve

For unexpired in-force contracts or unexpired incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the deficiencies should be set aside as premium deficiency reserve. The Group uses the expected cost method to calculate the premium deficiency reserves, which contains the following procedures: Examining the expense coverage, analyzing the business process, reviewing the prior years' experience data, and estimating the remaining costs of unexpired insurance contracts. The expected claims are also calculated on the basis of the past 3 years' claims experience (5 years for the basis of commercial-business earthquake, typhoon and flood insurance) and the impacts of infrequent significant claims and the factors of loss development. In addition, the ceded premium deficiency reserve is estimated based on the effect of reinsurance contracts and then calculated using the expected cost method mentioned above. The application of the expected cost method is based on the actuaries' professional judgment using adequate models, assumptions and parameter estimations.

iv. Liability adequacy reserve

The Group should estimate the future cash flows based on current information by performing the liability adequacy test of recognized liabilities as of the end of each reporting date. The tested objects include unearned premium reserve, premium deficiency reserve, principal repayment liability reserve and loss reserve. Both the direct insurance and reinsurance ceded business should be tested in accordance with IFRS 4. If the test result is inadequate reserve, the shortfall should be recognized as a liability adequacy reserve.

15) Changes in assumptions on insurance assets and liabilities

The insurance liabilities and reinsurance assets are mostly unearned premium reserve, loss reserve, premium deficiency reserve and liability adequacy reserve. Among those, the assumptions used for the estimation of loss reserve have significant influence on the assumptions for the estimation of all types of reserves.

To ensure the accuracy of the estimate of loss reserve, the Group uses the following methods: Loss Development Method, Bornhuetter Ferguson Method, Modified B-F Method, Cape Cod Method and Brosius (Least Square) Method. The Loss Development Method is used to estimate the loss reserve for the more stable data and the earlier accidents while the Modified B-F Method is used for the more unstable data and the more recent accidents. However, the adjustment of the estimation will be made if the data is affected by significant claims or obvious changes in trends.

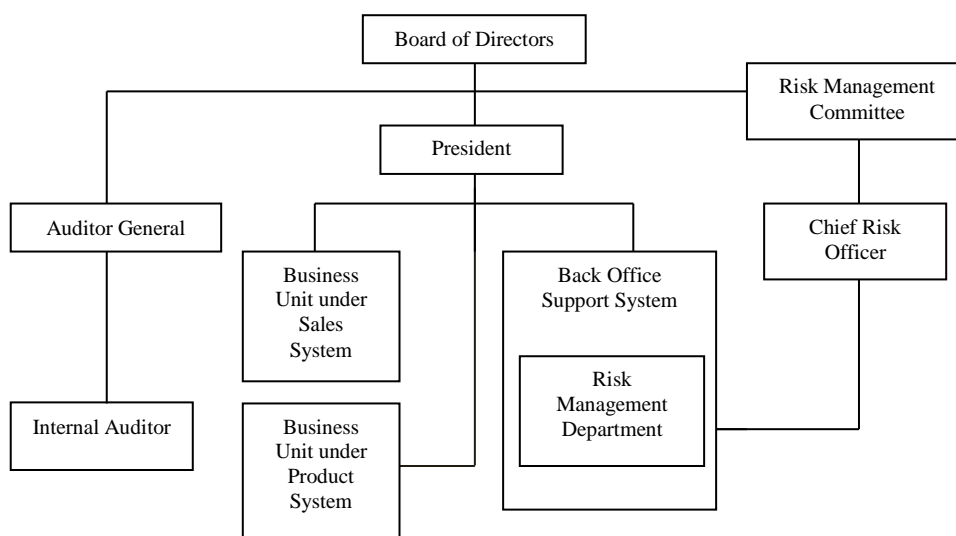
The basic assumption of loss reserve estimation by various methods is that historical loss development data can be used to forecast the trend of future loss development reasonably. Nonetheless, since the trend of future loss development is unpredictable as a result of uncertain economic or business factors, such as changes in claim procedures, price fluctuations of claimed items, changes in legislation or litigation results, the effects on the amount of the loss reserve cannot be accurately quantified.

There has been no significant changes in the assumptions on insurance assets and liabilities for the year ended December 31, 2020.

16) The balance sheet and the operating revenue and cost of the compulsory automobile liability insurance are shown in Table 1 and Table 2, respectively.

## 17) Organization chart and responsibilities of risk management

### a) Organization chart of risk management



The board of directors and the management should promote the implementation of the Group's risk management policy and assign the responsibilities under this policy to each department. The Company set up the Risk Management Committee under the board of directors with independent directors serving as the convenor, and the convenor consults 3 to 5 directors to serve as committee members, and the chief risk officer should be the executive secretary. The risk management department should exercise its responsibility independently from other departments to ensure the effective implementation and communication of the entire risk management policy within the Group.

### b) Responsibility of each department:

#### Board of directors

- i. The board of directors should understand the various risks of operating insurance business, ensure the effectiveness of risk management and assume the responsibility for entire risk management.
- ii. The board of directors should establish an appropriate risk management mechanism, risk management culture, risk management policies and allocate resources effectively.
- iii. The board of directors should not only track the risk of each department but also consider the effect of the overall aggregate risk. Meanwhile, the board of directors should follow the legal capital requirement by authorities, and the relevant financial or business operating regulations that affect capital allocation.
- iv. The board of directors should establish risk management committee in accordance with Practice Principles of Risk Management in Insurance Enterprises, Practice Principles of Corporate Governance in Insurance Enterprises and the Group's risk management policies. The risk management committee should set up meetings regularly to make risk management decisions. The appointment or discharge of chief risk officer should be approved by the board of directors.

### Risk management committee

- i. The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.
- ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- iii. The committee should assist and monitor the risk management activities performed by each department.
- iv. The committee should arrange the risk category, risk limit allocation and the methods of bearing risk according to the changes in environment.
- v. The committee should enhance cross-department interaction and communication.

### Risk management department

- i. As the top supervisor of risk management, chief risk officer should coordinate the overall risk management of the assets and liabilities. The responsibilities of chief risk officer are as follows:
  - The chief risk officer should establish the appropriate risk management mechanisms, regulatory framework and procedures of monitoring report.
  - The chief risk officer should suggest the appropriate risk appetite based on the Group's capabilities of undertaking risk.
  - The chief risk officer should assess possible exposure to risk situations and propose appropriate risk response countermeasures.
  - The chief risk officer should monitor the implementation of risk management, and report the results to the risk management committee.
- ii. The risk management department should monitor, measure and evaluate daily operational risks of the Group; the department should be independent from the business units. The responsibilities of the risk management department, with due consideration of the nature of the insurance business, are as follows:
  - The risk management department should propose and execute the risk management policies set by the board of directors.
  - The risk management department should propose the risk limits based on risk appetite.
  - The risk management department should summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits. The risk management could set up risk management meetings with other departments to promote or discuss the related information.
  - The risk management department should regularly present risk management reports.
  - The risk management department should regularly review the risk limits and its use of each business unit.
  - The risk management department should assist to execute stress testing.

- The risk management department should assist to execute back testing if necessary.
- The risk management department should execute other risk management related issues.
- The risk management department should be authorized by the board of directors or the risk management committee to deal with any risk limit violations of other departments.

#### Operational units

- i. In order to transmit the risk management information and perform risk management between the risk management department and each business unit, insurance enterprises could set up risk management personnel in business units to effectively and independently perform risk management, depending on the company's organizational structure, size, and the importance or complexity of each business unit.
- ii. The risk management duties of the manager of a business unit are as follows:
  - The manager of a business unit should manage and report daily risk of the business unit and take necessary responsive actions.
  - The manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.
- iii. The risk management duties of business units are as follows:
  - The business unit should identify risks and report risk exposures.
  - The business units should evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
  - The business units should regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
  - The business units should monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
  - The business units should assist to develop the risk model and ensure that the risk measurement, application of model, and parameter settings are reasonable and consistent.
  - The business units should ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
  - The business unit should assist to collect data related to operational risk.

#### Audit department

The audit department is responsible for the audit of each department's performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Group.

18) Risk reporting and range and nature of risk assessment for property insurance business

a) Risk management reporting

- i. Each business unit should regularly deliver risk information to the risk management department as required, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.
- ii. The risk management department should report the risk management status to the risk management committee quarterly. However, when significant or specific events happen, the risk management department should report immediately to the risk management committee and track the uses of major risk limit.
- iii. The risk management committee should report the overall risk profile to the board of directors quarterly.

b) Risk information disclosure

The Group should disclose the risk information required by the authorities and by all the accounting principles generally accepted in the ROC. In addition, the Group should retain the risk management reports approved by the board of directors.

19) Procedures for risk assuming, measurement, monitoring, and control as well as adequate pricing policy and approval requirements for insurance risk.

- a) Risk identification: The Group should identify the potential risks of operating business to reach the goal of risk management.
- b) Risk measurement: The Group should measure the overall risk after identifying the risk factors of each insurance type.
- c) Risk response: The Group should take appropriate actions to deal with the risks identified and measured.
- d) Risk monitoring: The major risk limits are set up based on the nature and extent of each risk and the risk appetite, and they are applied upon the authorities' approval. In addition, the Group should establish a process to regularly examine and monitor the use of risk limits and the excess to limits. The Group should take appropriate actions if necessary.
- e) Information, communication and documentation: The data provided by the information system should be timely and reliable. Also, the Group should establish effective top-down, bottom-up and lateral communication channels within the organization. The Group's risk management mechanism should be documented.

The underwriting risks of the Group are mainly risk of premiums and risk of reserves, which are appropriately measured and monitored in accordance with risk management policies. The Group has set up the underwriting guidelines for the types of insurance operated to ensure that the risk of businesses and products have appropriate premium levels.

20) The scope of insurance risk assessment and management from a company-wide perspective

The Group manages underwriting risks at the acceptable level by following the risk management procedures of risk identification, measurement, response, and monitoring.

The underwriting risks can be measured by setting appropriate qualitative standards or quantitative methods for different types of insurance. The Group also sets up risk indicators for risk response and monitoring purposes. The main mechanisms of compilation, communication or transmission of underwriting risk information are as follows:

a) Mechanisms of quantitative assessment of underwriting risk:

The business units and the risk management department should execute the quantitative assessment of underwriting risk, and determine the risk limit of underwriting risk based on the risk appetite and risk tolerance.

b) Mechanisms of retained risk and reinsurance risk management

- i. The business units should establish the reinsurance risk management plan in accordance with relevant regulations and then revise the plan timely when operating the retained insurance business and the ceding (ceded) reinsurance business.
- ii. The business units should set the accumulated risk limit for each risk unit and for each event, considering their capability of taking risk. The liabilities exceeding the risk limit should be transferred to reinsurers to ensure the Group's solvency and security. In addition, the business units should monitor the risk exposure regularly and report any breach of the risk limit to the risk management department.
- iii. The business units should monitor the credit rating of the reinsurers regularly in accordance with related regulations and report the results and corresponding measures to the risk management department.

c) Mechanisms of catastrophe risk management

- i. The business units and the risk management department should identify the possible catastrophic events which may cause significant losses to the Group based on the nature and the characteristics of insurance products. Catastrophes include natural disasters (such as earthquakes, typhoons and floods), air crashes, severe traffic accidents, and epidemic diseases.
- ii. The probable maximum loss due to a catastrophe should be measured using risk models or scenario analysis and the accumulated effect of the catastrophe should also be considered.
- iii. The business units and the risk management department should regularly review the relationship between the accumulated risk effect for each type of insurance and the Group's risk limit under assumed catastrophes or critical incident scenarios, and then determine if the Group's own capital meets the related liabilities.
- iv. The business units and the risk management department should establish the catastrophe risk indicators and monitor these indicators continually.

d) Mechanisms of risk management of reserves

- i. The business units should review the adequacy of the provision of reserves in accordance with related regulations.
- ii. The business units should establish the appropriate procedures for the provision of reserves.
- iii. The business units should measure the risk of reserves.

21) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

Under the Regulation Governing Insurance Enterprises Engaged in Operating Reinsurance and Other Risk-Diversification Mechanisms, the Group should establish a risk management mechanism for its retained and reinsurance business that supports its risk-bearing capacity, and formulate and implement a reinsurance risk management plan. The amount of the retained risk limit per unit for each type of insurance is disclosed in the following table:

Insurance by Type	December 31	
	2020	2019
Compulsory motor liability	40% per vehicle	40% per vehicle
Motor physical damage insurance	\$ 20,000,000	\$ 20,000,000
Motor liability	200,000,000	200,000,000
Fire and allied perils	200,000,000	200,000,000
Marine cargo	50,000,000	50,000,000
Marine hull	50,000,000	50,000,000
Fishing vessel	50,000,000	50,000,000
Aircraft hull	50,000,000	50,000,000
Inland transit	100,000,000	100,000,000
Engineering	200,000,000	200,000,000
Guarantee	100,000,000	100,000,000
Other liability	150,000,000	150,000,000
Other property	150,000,000	150,000,000
Personal accident	35,000,000	35,000,000
Cancer	3,000,000	3,000,000

22) Asset-liability management strategy

The Group applies risk identification to combinations of assets and liabilities to determine the risk factors affecting cash flows. Moreover, the Group analyzes qualitatively and quantitatively the possible impact of each risk factor. If the impact exceeds the risk tolerance, the combination of assets and liabilities will be adjusted accordingly.

The Group simulates the future cash flow need for liquidity risk to ensure that the liquid assets of the Group maintained above the safe level. The Group also uses scenario analysis to estimate the impact of certain events such as significant claims demand (insurance risk) and loss on asset revaluation due to the event (market risk). The scenario analysis can help determine whether the Group's contingency fund can adequately meet the liabilities arising from catastrophic events.

23) Procedures to manage, monitor and control a special event for which property insurance business has commitment to assuming additional liabilities or funding additional capital

Under the Insurance Act, the Group's risk-based capital ratio (RBC) should be at least 200%. Otherwise, the Group would be prohibited from appropriating its earnings and required to raise additional capital. Moreover, the authorities would restrict the Group's operations and use of capital. The Group should set up an appropriate limit and perform related tests to ensure its RBC would not be lower than 200% when specific events happen.

24) Sensitivity to insurance risk

<b>For the Year Ended December 31, 2020</b>				
<b>Insurance by Type</b>	<b>Premium Revenue</b>	<b>Expected Loss Rate</b>	<b>Impact on Profit or Loss Resulting from a 1% Increase in Expected Loss Rate</b>	
			<b>Before Reinsurance</b>	<b>After Reinsurance</b>
			Voluntary auto insurance	\$ 8,541,073,359
Residential fire insurance	272,335,119	58.32%	(33,558)	(33,148)
Commercial fire insurance	1,119,454,717	64.96%	3,774,915	1,388,486
Marine insurance	319,422,239	61.03%	740,241	402,291
Miscellaneous insurance	2,061,398,113	66.11%	5,793,376	1,810,014
Accident and health insurance	642,329,697	69.37%	3,107,600	3,085,941
Compulsory auto liability insurance	1,562,764,851	NA	NA	NA

<b>For the Year Ended December 31, 2019</b>				
<b>Insurance by Type</b>	<b>Premium Revenue</b>	<b>Expected Loss Rate</b>	<b>Impact on Profit or Loss Resulting from a 1% Increase in Expected Loss Rate</b>	
			<b>Before Reinsurance</b>	<b>After Reinsurance</b>
			Voluntary auto insurance	\$ 7,729,631,474
Residential fire insurance	245,171,172	58.15%	35,800	35,731
Commercial fire insurance	1,062,249,922	64.64%	11,478,331	1,144,236
Marine insurance	329,109,559	61.05%	659,038	321,492
Miscellaneous insurance	1,846,928,408	66.17%	9,285,111	1,484,153
Accident and health insurance	717,224,472	70.25%	3,049,997	3,052,750
Compulsory auto liability insurance	1,498,023,268	NA	NA	NA

25) Risk concentration

Risk concentration refers to losses incurred from multiple risks simultaneously that could result from a single event. The risk concentration based on the amounts by insurance type and area is shown as follows:

a) Earthquake event

(In Millions of New Taiwan Dollars)

<b>Administrative Division</b>	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Total Insured Amount</b>	<b>Retained Insured Amount</b>	<b>Total Insured Amount</b>	<b>Retained Insured Amount</b>
Taipei City	\$ 150,958.7	\$ 35,591.1	\$ 122,352.3	\$ 32,993.2
New Taipei City, Keelung City	83,942.0	31,263.1	90,580.2	30,394.8
Taoyuan City	118,713.3	31,782.6	66,482.8	27,694.6
Hsinchu County	82,814.6	24,581.0	75,822.0	23,512.6
Miaoli County	40,909.6	7,616.2	30,572.9	7,099.8
Taichung City	84,761.7	25,116.5	82,426.8	24,959.5
Nantou County	3,270.8	2,128.9	2,796.7	1,779.3
Changhua County	61,883.0	7,301.4	10,765.7	6,238.6
Yunlin County	25,748.4	6,062.6	18,834.2	4,670.8
Chiayi County, Tainan City, Penghu County	77,625.6	31,250.6	70,012.2	27,807.2
Kaohsiung City, Pingtung County	76,030.1	31,126.1	74,924.6	31,899.7
Hualien County, Taitung County	4,870.4	2,516.1	5,205.4	2,779.3
Yilan County	3,777.9	2,307.3	3,107.1	1,894.1
Taiwan Province	<u>38,981.7</u>	<u>9,436.4</u>	<u>29,579.3</u>	<u>7,853.7</u>
	<u>\$ 854,287.8</u>	<u>\$ 248,079.9</u>	<u>\$ 683,462.2</u>	<u>\$ 231,577.2</u>

b) Typhoon and flood

(In Millions of New Taiwan Dollars)

Administrative Division	December 31			
	2020		2019	
	Total Insured Amount	Retained Insured Amount	Total Insured Amount	Retained Insured Amount
Taipei City	\$ 145,233.7	\$ 30,489.2	\$ 116,422.6	\$ 27,753.5
New Taipei City, Keelung City	79,139.0	28,694.3	84,925.1	27,618.0
Taoyuan City	113,241.4	29,713.0	61,314.8	25,768.7
Hsinchu County	82,198.6	21,300.7	75,557.0	20,253.1
Miaoli County	40,935.2	7,349.7	30,492.5	6,771.4
Taichung City	85,130.3	25,143.5	84,077.1	25,455.3
Nantou County	3,282.6	2,034.7	2,511.5	1,493.2
Changhua County	60,617.0	6,450.1	9,474.5	5,338.6
Yunlin County	24,250.5	4,942.9	17,733.9	3,722.7
Chiayi County, Tainan City, Penghu County	75,132.7	28,821.1	65,758.2	24,433.2
Kaohsiung City, Pingtung County	73,049.4	29,833.6	72,992.7	30,721.1
Hualien County, Taitung County	4,964.4	2,610.7	5,227.8	2,802.5
Yilan County	4,257.8	2,654.0	3,508.7	2,188.9
Taiwan Province	<u>39,104.3</u>	<u>9,559.0</u>	<u>29,660.0</u>	<u>7,934.4</u>
	<u>\$ 830,536.9</u>	<u>\$ 229,596.5</u>	<u>\$ 659,656.4</u>	<u>\$ 212,254.6</u>

26) Development trend of claims

a) The Company

For the year ended December 31, 2020

Accident Year	Before 2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments							
End of the accident year	\$ 47,721,605,916	\$ 6,023,082,278	\$ 5,881,633,420	\$ 5,968,174,706	\$ 6,857,332,317	\$ 6,263,352,351	
After the first year	49,171,129,479	6,179,092,972	5,913,934,712	5,889,120,670	7,092,575,236		
After the second year	48,573,182,010	6,084,265,042	5,919,647,626	5,871,503,423			
After the third year	48,190,400,627	6,070,221,691	5,880,262,869				
After the fourth year	48,254,794,360	6,053,258,278					
After the fifth year	48,250,004,180						
Final estimated claim payment	47,995,065,253	6,061,802,449	5,898,277,299	5,914,462,430	7,187,236,490	6,821,276,718	\$ 79,877,820,639
Accumulated claim disbursed	(47,866,387,305)	(6,023,748,982)	(5,806,840,333)	(5,638,364,708)	(5,906,118,911)	(3,874,049,095)	(75,115,509,334)
	128,677,948	38,053,467	91,436,966	275,797,722	1,281,117,579	2,947,227,623	4,762,311,305
Adjustment	-	-	-	-	-	-	-
Amount recognized in balance sheet	<u>\$ 128,677,948</u>	<u>\$ 38,053,467</u>	<u>\$ 91,436,966</u>	<u>\$ 275,797,722</u>	<u>\$ 1,281,117,579</u>	<u>\$ 2,947,227,623</u>	<u>\$ 4,762,311,305</u>

Note 1: The upper part of the table illustrates the accumulated annual estimates. For example, the accumulated claim payment was estimated \$6,023,082,278 for the insured event in 2016. At the end of 2017, the Company revised the previous estimated claim payment for the insured event to \$6,179,092,972 (disbursed and future disbursements included). The lower part of the table shows the estimated number after the accumulated actual claim disbursements were reconciled to the consolidated balance sheet.

Note 2: The table shows the totals of the direct insurance business and the reinsurance business but the totals of compulsory automobile liability insurance, nuclear energy insurance and policy earthquake insurance are excluded.

Note 3: The difference between the estimate in this table of \$4,762,311,305 and the total of \$5,611,832,783 in the consolidated balance sheet consists of these amounts: Compulsory auto insurance \$845,471,408, nuclear energy insurance \$787,974, and the amount recognized by the subsidiary \$3,262,096.

**For the year ended December 31, 2019**

Accident Year	Before 2014	2015	2016	2017	2018	2019	Total
Accumulated estimated claim payments							
End of the accident year	\$ 42,618,153,934	\$ 5,103,451,982	\$ 6,023,082,278	\$ 5,881,633,420	\$ 5,968,174,706	\$ 6,857,332,317	
After the first year	43,959,760,805	5,211,368,674	6,179,092,972	5,913,934,712	5,889,120,670		
After the second year	43,449,319,601	5,123,862,409	6,084,265,042	5,919,647,626			
After the third year	43,225,345,828	4,965,054,799	6,070,221,691				
After the fourth year	43,189,343,338	5,065,451,022					
After the fifth year	43,169,464,599						
Final estimated claim payment	42,910,825,059	5,067,636,067	6,096,278,092	5,950,985,768	5,990,736,621	7,504,860,538	\$ 73,521,322,146
Accumulated claim disbursed	(42,854,435,829)	(4,986,551,705)	(5,985,133,213)	(5,762,708,125)	(5,424,300,695)	(3,856,360,427)	(68,869,489,994)
	56,389,230	81,084,362	111,144,879	188,277,643	566,435,926	3,648,500,111	4,651,832,152
Adjustment	-	-	-	-	-	-	-
Amount recognized in balance sheet	<u>\$ 56,389,230</u>	<u>\$ 81,084,362</u>	<u>\$ 111,144,879</u>	<u>\$ 188,277,643</u>	<u>\$ 566,435,926</u>	<u>\$ 3,648,500,111</u>	<u>\$ 4,651,832,152</u>

Note 1: The upper part of table illustrates the accumulated annual estimates. For example, the accumulated claim payment was estimated \$5,103,451,982 for the insured event in 2015. At the end of 2016, the Company revised the previous estimated claim payment for the insured event to \$5,211,368,674 (disbursed and future disbursements included). The lower part of table shows the estimated number after the accumulated actual claim disbursements were reconciled to the consolidated balance sheet.

Note 2: The table shows the totals of the direct insurance business and the reinsurance business but the totals of compulsory automobile liability insurance, nuclear energy insurance and policy earthquake insurance are excluded.

Note 3: The difference between the estimate in this table of \$4,651,832,152 and the total of \$5,502,457,014 in the consolidated balance sheet consists of these amounts: Compulsory auto insurance \$838,818,109, nuclear energy insurance \$811,755, policy earthquake insurance \$118,400, and the amount recognized by the subsidiary \$10,876,598.

b) Subsidiary

As Newa Insurance (Cambodia) Plc. is still in its early stage of development, there is no data available for determining losses. The Group has decided to calculate the amount of loss reserve with a fixed ratio of earned premium.

27) No discretionary investment services were rendered in 2020 and 2019.

28) The information of unqualified ceded reinsurance is shown in Table 3.

### 31. PRO FORMA INFORMATION

The following table showed the pro forma information if the Group had not adopted the Notice for the Improvement of the Reserves for Natural Disaster Insurance (Commercial-Business Earthquake, Typhoon and Flood Insurance) for Property Insurance Enterprises, Notice for Enhancing the Reserves for Residential Earthquake Insurance Pool Members and Regulations Governing the Reserves for Nuclear Energy Insurance.

	Before	After	Difference
<u>December 31, 2020</u>			
Liabilities	\$ 14,863,971,413	\$ 15,980,285,542	\$ (1,116,314,129)
Equity	10,782,278,128	9,665,963,999	1,116,314,129
<u>For the year ended December 31, 2020</u>			
Net income	864,996,644	856,715,255	8,281,389
Earnings per share			
Basic	2.91	2.88	0.03
Diluted	2.90	2.87	0.03
<u>December 31, 2019</u>			
Liabilities	14,056,183,479	15,164,216,219	(1,108,032,740)
Equity	10,600,376,992	9,492,344,252	1,108,032,740
<u>For the year ended December 31, 2019</u>			
Net income	961,026,636	960,239,026	787,610
Earnings per share			
Basic	3.24	3.24	-
Diluted	3.23	3.23	-

**TABLE 1****TOKIO MARINE NWA INSURANCE CO., LTD. AND SUBSIDIARY****BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE  
DECEMBER 31, 2020 AND 2019  
(In New Taiwan Dollars)**

Items Asset	Amount December 31		Items Liabilities	Amount December 31	
	2020	2019		2020	2019
Cash and bank deposits	\$ 806,166,375	\$ 794,540,868	Notes payable	\$ -	\$ 1,140
Notes receivable	23,733,251	26,167,715	Claims payable	3,250	-
Premiums receivable	17,996,851	16,999,808	Reinsurance indemnity payable	-	-
Claim recoverable from reinsurers	78,950,674	63,475,534	Due to reinsurers and ceding companies	45,522,142	44,100,901
Due from reinsurers and ceding companies	-	-	Unearned premium reserves	682,582,545	647,160,989
Other receivables	-	-	Loss reserves	845,471,408	838,818,109
Financial assets at FVTOCI	-	-	Special reserves	807,267	5,087,245
Ceded unearned premium reserve	297,091,264	280,705,559	Temporary receivable	1,360,571	621,184
Ceded loss reserve	354,689,279	357,063,705	Other liabilities	2,880,511	3,163,621
Temporary payments	-	-			
Other assets	-	-			
<b>Total assets</b>	<b>\$ 1,578,627,694</b>	<b>\$ 1,538,953,189</b>	<b>Total liabilities</b>	<b>\$ 1,578,627,694</b>	<b>\$ 1,538,953,189</b>

**TABLE 2****TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY****OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019****(In New Taiwan Dollars)**

Item	For the Year Ended December 31	
	2020	2019
Operating revenues	\$ 684,895,318	\$ 660,030,014
Direct insurance premium revenues	907,651,681	859,439,332
Reinsurance premium inward	340,838,651	326,736,433
Premium revenues	1,248,490,332	1,186,175,765
Less: Reinsurance premium outward	(544,596,592)	(515,673,046)
Net change in unearned premium reserve	(19,035,851)	(10,472,705)
Retained earned premium	684,857,889	660,030,014
Interest income	37,429	-
Operating costs	684,895,318	660,030,014
Claims incurred	1,009,943,052	1,041,062,411
Reinsurance claims incurred	260,011,748	253,467,752
Less: Claims recovered from reinsurers	(589,807,229)	(616,393,045)
Retained claims	680,147,571	678,137,118
Net change in loss reserve	9,027,725	(62,305,648)
Net change in special reserve	(4,279,978)	44,198,544

## TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

TABLE OF RESERVE FOR UNQUALIFIED CEDED REINSURANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In New Taiwan Dollars)

Number	Reinsurer					Reinsurance Agent			Reinsurance Premium Outward	Reinsurance Commission Income	Unearned Premium Reserve for Current Period	Claims Recoverable from Reinsurers within 9 Months	Ceded Loss Reserve for Claims Filed But Not Yet Paid	Refundable Deposits for Reinsurance	Reserve for Unqualified Ceded Reinsurance, Balance at December 31, 2020	Reserve for Unqualified Ceded, Balance at January 1, 2020	Provision (Recovery of Provisions) of Reserve for Unqualified Ceded Reinsurance for Current Period	Note
	Symbol	Company Name	Credit Rating Institution	Credit Rating	Related Party	Symbol	Company Name	Qualified or Not										
1	TRM	Trust International Insurance and Reinsurance Company B.S.C. (C) Trust Re.	NA	NA	No	NA	NA	NA	\$ (58,663)	\$ -	\$ -	\$ (1,363)	\$ 40,000	\$ -	\$ 38,637	\$ 33,594	\$ 5,043	a. Marine insurance. b. Due to no contract with reinsurer TRM valid, there is no need to recognize provision for unearned premium. c. Reserve for unqualified ceded reinsurance recognized was \$5,043.
2	TRU	Trust International Insurance and Reinsurance Company B.S.C. (C) Trust Re.	NA	NA	No	NA	NA	NA	-	-	-	4,031,353	130,350	-	4,161,703	5,998,067	(1,836,364)	a. Miscellaneous insurance. b. Due to no contract with reinsurer TRU valid, there is no need to recognize provision for unearned premium. c. Reserve for unqualified ceded reinsurance recovered was \$1,836,364.
3	ACH	Asia Capital Reinsurance Group Pte. Ltd. (Hong Kong)	NA	NA	No	NA	NA	NA	(158,457)	1,430	-	644,249	84,598,299	-	85,242,548	119,856,263	(34,613,715)	a. Fire insurance, marine insurance and miscellaneous insurance. b. Since Asia Capital Reinsurance Group (Symbol: ACH and ARG) was acquired by Catalina Holdings (Bermuda) Ltd in March 2020, the company has been removed its credit rating by AM Best. c. Due to no contract with reinsurer ACH valid, there is no need to recognize provision for unearned premium. d. Reserve for unqualified ceded reinsurance recovered was \$34,613,715.

(Continued)

Number	Reinsurer					Reinsurance Agent			Reinsurance Premium Outward	Reinsurance Commission Income	Unearned Premium Reserve for Current Period	Claims Recoverable from Reinsurers within 9 Months	Ceded Loss Reserve for Claims Filed But Not Yet Paid	Refundable Deposits for Reinsurance	Reserve for Unqualified Ceded Reinsurance, Balance at December 31, 2020	Reserve for Unqualified Ceded, Balance at January 1, 2020	Provision (Recovery of Provisions) of Reserve for Unqualified Ceded Reinsurance for Current Period	Note
	Symbol	Company Name	Credit Rating Institution	Credit Rating	Related Party	Symbol	Company Name	Qualified or Not										
4	ARG	Asia Capital Reinsurance Group Pte Ltd. (Singapore)	NA	NA	No	NA	NA	NA	\$ -	\$ -	\$ -	\$ 369,028	\$ 1,032,521	\$ -	\$ 1,401,549	\$ 4,831,260	\$ (3,429,711)	a. Fire insurance and marine insurance. b. Due to no contract with reinsurer ARG valid, there is no need to recognize provision for unearned premium. c. Reserve for unqualified ceded reinsurance recovered was \$3,429,711.
		Total							\$ (217,120)	\$ 1,430	\$ -	\$ 5,043,267	\$ 85,801,170	\$ -	\$ 90,844,437	\$ 130,719,184	\$ (39,874,747)	

Note: The balance of reserve for unqualified ceded reinsurance at December 31, 2020 was \$90,844,437. The recovery of reserve for unqualified ceded reinsurance for the current period was \$39,874,747.

(Concluded)

## TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY

TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In New Taiwan Dollars)

Company Name	Related Party	Relationship with Related Party	Transaction Details				Abnormal Transaction		Payable or Receivable		Note
			Item	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending balance	% to Total	
Tokio Marine Nawa Insurance Co., Ltd.	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Investors with significant influence over the Group	Reinsurance premium outward	\$ 556,076,937	17	Based on agreement	\$ -	-	\$(145,733,574)	34	Note
			Claims recovered from reinsurer	(143,877,141)	(11)	Based on agreement	-	-	23,430,579	21	
			Reinsurance commission Income	(100,830,813)	(16)	Based on agreement	-	-	-	-	
	Fortune Motors Co., Ltd.	Investors with significant influence over the Group	Claims incurred	351,512,713	5	Based on agreement	-	-	-	-	
	Shung Ye Motor Co., Ltd.		Investors with significant influence over the Group	Claims incurred	142,830,625	2	Based on agreement	-	-	(2,500)	
	Carplus Auto Leasing Corporation	Others	Premium revenue	(138,793,042)	(1)	Based on agreement	-	-	1,828,994	1	
	Hsieh-Chin Property Insurance Agency Co., Ltd.		Claims incurred	130,726,129	2	Based on agreement	-	-	(19,650)	(1)	
			Others	Commission expenses	249,162,310	13	Based on agreement	-	-	(13,965,192)	

Note: Receivables or payables on the reinsurance premium outward, reinsurance commission income and claims recovered from reinsurers are presented at net amounts.

**TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Tokio Marine Newa Insurance Co., Ltd.	Newa Insurance (Cambodia) Plc.	a	Reinsurance premium inward - overseas	\$ 6,217,201	Based on agreement	-
				Reinsurance commission expenses - overseas	1,608,678	Based on agreement	-
				Due from reinsurers and ceding companies	786,363	Based on agreement	-
				Reinsurance claims incurred - overseas	190,908	Based on agreement	-

Note 1: The parent company and subsidiary are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary;
- b. From subsidiary to parent company; and
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: Information disclosed in this Table are balances and transactions between the Company and its subsidiary that have been eliminated on consolidation

**TOKIO MARINE NEWA INSURANCE CO., LTD. AND SUBSIDIARY**

**INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Highest Number of Shares	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount				
Tokio Marine Nawa Insurance Co., Ltd	Newa Insurance (Cambodia) Plc.	Cambodia	Property insurance businesses	\$ 105,390,000	\$ 105,390,000	3,600	45%	\$ 88,133,452	\$ (6,190,987)	\$ (3,275,944)	Notes 1 and 2	Note 2

Note 1: Paid in capital US\$3,600,000.

Note 2: Calculated based on financial statements which have not been audited.