# CENTRAL REINSURANCE CORPORATION

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

## DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

PWCR21000417

To Central Reinsurance Corporation

## *Opinion*

We have audited the accompanying balance sheets of Central Reinsurance Corporation (the "Company") as of December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 judgement, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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**Recognition of reinsurance revenue**

Description

For the accounting policy for reinsurance revenue, please refer to Note 4(25) of the financial statements; for critical accounting estimates and assumptions of reinsurance revenue, please refer to Note 5(2) of the financial statements.

The Company's reinsurance revenue accounts for 102% of its operating revenues. The Company estimates reinsurance revenue based on an accrual basis; that is, once reinsurance contracts are signed, the Company elects the ceding company's annual forecasted reinsurance information and then calculates the revenue proportion to be recognized in each month based on previous experience of actual statements. Thereafter, when actual statements are received, original estimates are reversed and actual statements are accrued. The Company then evaluates the reason for differences between actual statements and estimated amounts to adjust the estimated revenues of remaining period, accordingly. Because reinsurance revenue is material to the financial statements and the recognition of reinsurance revenue involves management's professional judgement, we have thus included the recognition of reinsurance revenue as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Obtained an understanding and assessed the Company's policies, internal controls, and processing procedures related to the recognition of reinsurance revenue.
2. On a sample basis, tested the effectiveness of internal controls related to the recognition of reinsurance revenue, including:
   (1) Checking the accuracy and completeness of recording reinsurance contracts into their system.
   (2)Checking the consistency of reinsurance revenue recorded in the system with the related information provided by the ceding company.
   (3)Checking the revenue proportion allocated to each month during the contract period and recognized amounts used by management to determine their accuracy.
   (4) Checking the accuracy of actual statements and recorded reversal of estimates.
   (5) Checking whether management had provided clear reasons for its adjustments on the amounts of estimated revenues of each quarter and checked whether such adjustments were appropriately approved.
3. On a sample basis, checked information of actual statements to assess the reasonableness of the Company's adjustments to estimated reinsurance revenue.

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**Estimation of claims reserve**

Description

For the accounting policy for claims reserve (under insurance liabilities), please refer to Note 4(20) of the financial statements; for critical accounting estimates and assumptions of claims reserve, please refer to Note 5(2) of the financial statements; for details on claims reserve, please refer to Note 6(8) of the financial statements.

The Company's claims reserve accounts for 64% of its insurance liabilities. Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgement for the experience of claims and underwriting. Because claims reserve is material to the financial statements and the methods and assumptions for calculating claims reserve involve management's professional judgement, we have thus included the estimation of claims reserve as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. On a sample basis, checked the accuracy and completeness of financial information used in calculating claims reserve.
2. Used the work of actuarial specialists to assist us in assessing the reasonableness of Incurred-But-Not-Reported losses reserve (including assumed and ceded claims reserve), including:
   (1) On a sample basis, examined the rationale of the method for calculating the Incurred-But-Not-Reported losses reserve.
   (2) On a sample basis, examined the rationale of the assumptions used by the Company.
   (3) On a sample basis, recalculated Incurred-But-Not-Reported losses reserve under the assumptions used by the Company to ensure the accuracy of the reserves recognized by the Company.
3. Tested a selection of material claims that were Reported-But-Not-Paid and assessed the reasonableness of the claims reserve for such cases.

## *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Chen, Hsien-I

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

| | ASSETS | Notes | December 31, 2021 AMOUNT | % | December 31, 2020 AMOUNT | % |
|---|---|---|---|---|---|---|
| 11000 | Cash and cash equivalents | 6(1) | $ 17,285,837 | 35 | $ 15,001,586 | 35 |
| 12000 | Accounts receivable | 6(2) | 282,894 | 1 | 454,002 | 1 |
| 14110 | Financial assets at fair value through profit or loss | 6(3) | 7,256,114 | 15 | 6,960,392 | 16 |
| 14145 | Financial assets at amortized cost | 6(4) | 11,492,585 | 23 | 11,174,625 | 26 |
| 14180 | Other financial assets | 6(5) | 3,083,454 | 6 | 499,556 | 1 |
| 14200 | Investment property, net | 6(7) | 385,924 | 1 | 446,815 | 1 |
| 15000 | Reinsurance contract assets | 6(8) | 7,373,316 | 15 | 6,065,459 | 14 |
| 16000 | Property and equipment, net | 6(11) | 268,554 | - | 206,513 | 1 |
| 16700 | Right-of-use assets | | 1,337 | - | 374 | - |
| 17000 | Intangible assets | | 7,248 | - | 5,240 | - |
| 17800 | Deferred income tax assets | 6(17) | 234,160 | - | 175,763 | 1 |
| 18000 | Other assets | | 1,793,526 | 4 | 1,723,263 | 4 |
| | **TOTAL ASSETS** | | $ 49,464,949 | 100 | $ 42,713,588 | 100 |
| | LIABILITIES AND EQUITY | | | | | |
| 21000 | Accounts payable | 6(12) | $ 757,107 | 2 | $ 420,922 | 1 |
| 21700 | Current income tax liabilities | | 276,454 | 1 | 105,938 | - |
| 23200 | Financial liabilities at fair value through profit or loss | 6(3) | 771 | - | 32,440 | - |
| 23800 | Lease liabilities | | 1,346 | - | 377 | - |
| 24000 | Insurance liabilities | 6(8) | 31,700,204 | 64 | 28,491,167 | 67 |
| 27000 | Provisions | 6(13) | - | - | 779 | - |
| 28000 | Deferred income tax liabilities | 6(17) | 60,590 | - | 126,240 | 1 |
| 25000 | Other liabilities | | 116,066 | - | 126,488 | - |
| | **TOTAL LIABILITIES** | | 32,912,538 | 67 | 29,304,351 | 69 |
| 30000 | EQUITY | | | | | |
| 31000 | Capital | | | | | |
| 31100 | Common stock | 6(14) | 5,903,888 | 12 | 5,903,888 | 14 |
| 32000 | Capital reserve | | 300,000 | - | 300,000 | - |
| 33000 | Retained earnings | | | | | |
| 33100 | Legal reserve | | 2,766,037 | 6 | 2,463,493 | 6 |
| 33200 | Special reserve | 6(16) | 3,288,295 | 7 | 2,757,597 | 6 |
| 33300 | Undistributed earnings | | 1,879,407 | 4 | 1,414,347 | 3 |
| 34000 | Other equity interest | | 2,414,784 | 4 | 569,912 | 2 |
| | **TOTAL EQUITY** | | 16,552,411 | 33 | 13,409,237 | 31 |
| | **TOTAL LIABILITIES AND EQUITY** | | $ 49,464,949 | 100 | $ 42,713,588 | 100 |

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | Year ended December 31 | | | | Changes |
|---|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | | Percentage |
| | Items | Notes | AMOUNT | % | AMOUNT | % | (%) |
| 41000 | Operating revenues | | | | | | |
| 41100 | Gross premiums written | | $ 20,899,658 | 102 | $ 18,407,855 | 104 | 14 |
| 51100 | Less: Reinsurance premiums ceded | | ( 1,453,861) | ( 7) | ( 1,324,739) | ( 7) | 10 |
| 51310 | Net change in unearned premium reserve | 6(8) | ( 454,873) | ( 2) | ( 657,697) | ( 4) | ( 31) |
| 41130 | Retention earned premiums | | 18,990,924 | 93 | 16,425,419 | 93 | 16 |
| 41300 | Reinsurance commission revenue | | 328,925 | 2 | 343,754 | 2 | ( 4) |
| 41400 | Overriding commission revenue | | 23,271 | - | 21,872 | - | 6 |
| 41500 | Net gain from investment | | | | | | |
| 41510 | Interest income | | 403,780 | 2 | 479,256 | 3 | ( 16) |
| 41521 | Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss | | 2,870,927 | 14 | 1,436,526 | 8 | 100 |
| 41526 | Realized gain or loss on financial assets at amortized cost | 6(4) | 48,410 | - | ( 90) | - | ( 53889) |
| 41550 | Foreign exchange (loss) gain | | ( 369,159) | ( 2) | ( 511,225) | ( 3) | ( 28) |
| 41570 | Gain (loss) on investment property | 6(7) | 15,051 | - | 18,761 | - | ( 20) |
| 41585 | Expected credit impairment and reversal of profit from investments | 6(4) | 627 | - | ( 170) | - | ( 469) |
| 41600 | Gain (loss) upon reclassification of applying overlay approach | 6(3) | ( 1,874,206) | ( 9) | ( 567,537) | ( 3) | 230 |
| | Total net gain from investment | | 1,095,430 | 5 | 855,521 | 5 | 28 |
| 41800 | Other operating revenues | | 2,405 | - | 10,357 | - | ( 77) |
| | Total operating revenues | | 20,440,955 | 100 | 17,656,923 | 100 | 16 |
| 51000 | Operating costs | | | | | | |
| 51200 | Reinsurance claims paid | | ( 10,023,133) | ( 49) | ( 10,162,084) | ( 58) | ( 1) |
| 41200 | Less: Reinsurance claims recovery | | 697,770 | 3 | 685,892 | 4 | 2 |
| 51260 | Retention reinsurance claims paid | | ( 9,325,363) | ( 46) | ( 9,476,192) | ( 54) | ( 2) |
| 51300 | Net changes in other insurance liabilities | 6(8) | ( 2,518,768) | ( 12) | ( 1,179,773) | ( 7) | 113 |
| 51500 | Reinsurance commission expenses | | ( 5,588,191) | ( 28) | ( 4,811,110) | ( 27) | 16 |
| 51700 | Financial cost | | ( 19) | - | ( 5) | - | 280 |
| 51800 | Other operating costs | | ( 44,140) | - | ( 49) | - | 89982 |
| | Total operating costs | | ( 17,476,481) | ( 86) | ( 15,467,129) | ( 88) | 13 |
| 58000 | Operating expenses | | | | | | |
| 58100 | Selling expenses | | ( 308,033) | ( 1) | ( 274,857) | ( 1) | 12 |
| 58200 | Administration expenses | | ( 184,870) | ( 1) | ( 128,207) | ( 1) | 44 |
| 58300 | Training expenses | | ( 606) | - | ( 424) | - | 43 |
| 58400 | Expected credit impairment reversal from non-investments | 13 | - | - | 8 | - | ( 100) |
| | Total operating expenses | | ( 493,509) | ( 2) | ( 403,480) | ( 2) | 22 |
| | Net operating income | | 2,470,965 | 12 | 1,786,314 | 10 | 38 |
| 59000 | Non-operating income and expenses | | 183 | - | 2,322 | - | ( 92) |
| 62000 | **Income from continuing operations before tax** | | 2,471,148 | 12 | 1,788,636 | 10 | 38 |
| 63000 | Income tax expense | 6(17) | ( 406,071) | ( 2) | ( 272,907) | ( 1) | 49 |
| 64000 | **Income from continuing operations after tax** | | 2,065,077 | 10 | 1,515,729 | 9 | 36 |
| 66000 | **Net income** | | $ 2,065,077 | 10 | $ 1,515,729 | 9 | 36 |

(Continued)

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | Items | Notes | Year ended December 31 2021 AMOUNT | 2021 % | 2020 AMOUNT | 2020 % | Changes Percentage (%) |
|---|---|---|---|---|---|---|---|
| 83000 | **Other comprehensive income** | | | | | | |
| 83100 | **Items may not be reclassified to profit or loss subsequently** | | | | | | |
| 83110 | Remeasurements of defined benefit plans | 6(13) | $ 912 | - | ($ 3,766) | - | ( 124) |
| 83180 | Income tax relating to the items may not be reclassified to profit or loss subsequently | 6(17) | ( 182) | - | 753 | - | ( 124) |
| 83200 | **Items may be reclassified to profit or loss subsequently** | | | | | | |
| 83210 | Exchange differences on translation of foreign financial statements | | ( 102,492) | - | ( 170,502) | ( 1) | ( 40) |
| 83295 | Other comprehensive income (loss) upon reclassification of applying overlay approach | 6(3) | 1,874,206 | 9 | 567,537 | 3 | 230 |
| 83280 | Income tax relating to items that may be reclassified | 6(17) | 73,158 | - | 1,713 | - | 4171 |
| | **Total other comprehensive income for the year (after tax)** | | 1,845,602 | 9 | 395,735 | 2 | 366 |
| 85000 | **Total comprehensive income for the year** | | $ 3,910,679 | 19 | $ 1,911,464 | 11 | 105 |
| | Earnings per share | | | | | | |
| 97500 | Basic and Diluted (in NT dollars) | | $ 3.50 | | $ 2.57 | | |

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

| | | | | Retained Earnings | | | Other Equity Interest | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Common Stock | Capital Reserve | Legal Reserve | Special Reserve | Undistributed Earnings | Exchange Differences on Translation of Foreign Financial Statements | Other Comprehensive Income (Loss) upon Reclassification of Applying Overlay Approach | Total Equity |
| 2020 | | | | | | | | | |
| Balance at January 1, 2020 | | $ 5,903,888 | $ 300,000 | $ 2,242,647 | $ 2,358,192 | $ 1,053,232 | ($ 69,352 ) | $ 240,516 | $ 12,029,123 |
| Net income for the year | | - | - | - | - | 1,515,729 | - | - | 1,515,729 |
| Other comprehensive income (loss) for the year | | - | - | - | - | ( 3,013 ) | ( 136,402 ) | 535,150 | 395,735 |
| Total comprehensive income (loss) | | - | - | - | - | 1,512,716 | ( 136,402 ) | 535,150 | 1,911,464 |
| Distributions of 2019 earnings | | | | | | | | | |
| Legal reserve | | - | - | 220,846 | - | ( 220,846 ) | - | - | - |
| Cash dividends | 6(16) | - | - | - | - | ( 531,350 ) | - | - | ( 531,350 ) |
| Appropriation for special reserve for the year | | - | - | - | 399,405 | ( 399,405 ) | - | - | - |
| Balance at December 31, 2020 | | $ 5,903,888 | $ 300,000 | $ 2,463,493 | $ 2,757,597 | $ 1,414,347 | ($ 205,754 ) | $ 775,666 | $ 13,409,237 |
| 2021 | | | | | | | | | |
| Balance at January 1, 2021 | | $ 5,903,888 | $ 300,000 | $ 2,463,493 | $ 2,757,597 | $ 1,414,347 | ($ 205,754 ) | $ 775,666 | $ 13,409,237 |
| Net income for the year | | - | - | - | - | 2,065,077 | - | - | 2,065,077 |
| Other comprehensive income (loss) for the year | | - | - | - | - | 730 | ( 81,993 ) | 1,926,865 | 1,845,602 |
| Total comprehensive income (loss) | | - | - | - | - | 2,065,807 | ( 81,993 ) | 1,926,865 | 3,910,679 |
| Distributions of 2020 earnings | | | | | | | | | |
| Legal reserve | | - | - | 302,544 | - | ( 302,544 ) | - | - | - |
| Cash dividends | 6(16) | - | - | - | - | ( 767,505 ) | - | - | ( 767,505 ) |
| Appropriation for special reserve for the year | 6(16) | - | - | - | 530,698 | ( 530,698 ) | - | - | - |
| Balance at December 31, 2021 | | $ 5,903,888 | $ 300,000 | $ 2,766,037 | $ 3,288,295 | $ 1,879,407 | ($ 287,747 ) | $ 2,702,531 | $ 16,552,411 |

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Year ended December 31 2021 | Year ended December 31 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | $ 2,471,148 | $ 1,788,636 |
| Adjustments | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 8,587 | 8,428 |
| Amortization | 4,065 | 4,081 |
| Provision for loss allowance of reinsurance contract assets | 881 | 6,559 |
| Provision for bad debt | 452 | - |
| (Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss | ( 1,714,171 ) | ( 671,495 ) |
| Interest expense | 19 | 5 |
| Interest income | ( 407,377 ) | ( 481,235 ) |
| Dividend income | ( 68,087 ) | ( 88,048 ) |
| Net change in reserves | 2,973,641 | 1,837,470 |
| Expected credit (reversal) impairment on investments | ( 627 ) | 170 |
| Expected credit (reversal) impairment on non-investments | - | ( 8 ) |
| Loss upon reclassification of applying overlay approach | 1,874,206 | 567,537 |
| Unrealized foreign exchange loss | 115,317 | 364,668 |
| Changes in operating assets and liabilities | | |
| Changes in operating assets | | |
| Accounts receivable | 164,606 | ( 151,465 ) |
| Financial assets at fair value through profit or loss | 1,387,184 | ( 299,887 ) |
| Financial assets at amortized cost | ( 462,115 ) | 1,379,469 |
| Other financial assets | ( 2,583,898 ) | ( 399,556 ) |
| Reinsurance contract assets | ( 1,081,529 ) | ( 584,304 ) |
| Other assets | ( 40,662 ) | ( 404,900 ) |
| Changes in operating liabilities | | |
| Accounts payable | 336,185 | ( 35,621 ) |
| Provisions | 133 | ( 20,998 ) |
| Other liabilities | ( 10,422 ) | 56,392 |
| Cash inflow generated from operations | 2,967,536 | 2,875,898 |
| Interest received | 425,855 | 514,563 |
| Dividend received | 67,238 | 88,139 |
| Interest paid | ( 19 ) | ( 5 ) |
| Income tax paid | ( 286,626 ) | ( 493,053 ) |
| Net cash flows from operating activities | 3,173,984 | 2,985,542 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | ( 8,975 ) | ( 7,907 ) |
| Acquisition of intangible assets | ( 6,073 ) | ( 455 ) |
| Acquisition of investment property | ( 355 ) | ( 426 ) |
| Net cash flows used in investing activities | ( 15,403 ) | ( 8,788 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of principal portion of lease liabilities | ( 401 ) | ( 234 ) |
| Payment of cash dividends | ( 767,505 ) | ( 531,350 ) |
| Net cash flows used in financing activities | ( 767,906 ) | ( 531,584 ) |
| Effects of exchange rate changes | ( 106,424 ) | ( 47,356 ) |
| Net increase in cash and cash equivalents | 2,284,251 | 2,397,814 |
| Cash and cash equivalents at beginning of year | 15,001,586 | 12,603,772 |
| Cash and cash equivalents at end of year | $ 17,285,837 | $ 15,001,586 |

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Central Reinsurance Corporation (the "Company") was originally a state-owned enterprise, incorporated on October 31, 1968, and provides a broad range of property and life inward and outward reinsurance services. The Company's shares of stock have been traded on the Taiwan Stock Exchange since July 6, 2000. On July 9, 2002, the Ministry of Finance (MOF), the major shareholder of the Company, privatized the Company in accordance with rules of privatization of government-owned enterprises, effective on July 11, 2002. In addition, the Company has obtained the certificate for establishment and business license for its offshore insurance branch, and commenced its operation on January 1, 2016. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company's parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2' | January 1, 2021 |
| Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021' | April 1, 2021 |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
| --- | --- |
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
| --- | --- |
| 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 International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | 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 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, 'Insurance contracts'

IFRS 17, 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held－recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) <u>Compliance statement</u>

These financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred to herein as the "IFRSs").

(2) Basis of preparation

A. The Company does not have a subsidiary, and the Company's financial statements are separate financial statements composed of the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows, and relevant notes.

B. Except for the following items, these financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

(d) Various insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

A. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars ("NTD"), which is the Company's functional currency.

(a) Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction date. The translation differences upon actual payment are recognized in current profit or loss.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the reporting date. Exchange differences arising upon re-translation at the reporting date are recognized in current profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) Except for aforementioned non-monetary assets denominated in foreign currencies held at fair value through profit or loss, foreign exchange gains or losses that arise from investing activities are recognized under net gain (loss) from investment in the statement of comprehensive income. Other foreign exchange gains or losses that do not arise from investing activities are recognized under other operating revenues or other operating costs.

B. The financial position and financial performance of offshore insurance branch that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of the trade date; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Cash equivalents

A. The statement of cash flows is prepared on the basis of cash and cash equivalents.

B. Cash equivalents refer to short-term, highly liquid investments that are:

(a)Readily convertible to known amount of cash; and

(b)Subject to an insignificant risk of changes in value.

C. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations (including time deposits within 12 months of the contract period) are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

(a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and

(b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

E. The Company values the difference of reclassification amounts of financial assets at fair value through profit or loss and fair value through other comprehensive income for the financial assets applying overlay approach, using:

(a) The amount reported in profit or loss for the designated financial assets applying overlay approach under IFRS 9; and

(b) The amount that would have been reported in profit or loss for the designated financial assets if IAS 39 had been applied.

(6) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(7) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

(8) Impairment of financial assets

For financial assets at amortized cost such as accounts receivable, other financial assets and refundable deposits under other assets, etc., at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased or credit impaired since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

(9) Investment property

A. An investment property is stated initially at its cost including related transaction costs; measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions can be sold separately, the own-use portion is accounted for in accordance with IAS 16, "Property, Plant and Equipment". However, property held either to earn rental income or for capital appreciation or for both is subject to IAS 40, "Investment Property". If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.

C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain or loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain or loss on investment property under net gain from investment. Except for land, property is depreciated on a straight-line basis over its estimated useful life of 3 to 60 years. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

(10) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Leases liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost, which is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(11) Reinsurance contract assets

Reinsurance contract assets include due from reinsurers and ceding companies, ceded unearned premium reserve, ceded claims reserve, ceded premium deficiency reserve, ceded liability reserve and ceded liability adequacy reserve. Each of the reinsurance contract assets should be in compliance with relevant regulation and policy of "Regulation Governing Financial and Business Operations of Professional Reinsurance Enterprises" and "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

(12) Impairment on reinsurance contract assets

Regular evaluation on reinsurance assets should be made to evaluate if there is any impairment. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer, the Company should reduce its carrying amount accordingly and recognize impairment loss.

(13) Property and equipment

A. Property and equipment are stated initially at its cost including related transaction costs, measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Reserve for land revaluation increment tax set aside for revaluation over the current land value is recognized as deferred income tax liabilities. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. Depreciation is computed using straight-line method over the estimated service lives as follows: buildings and equipment, 3 to 60 years; computer equipment, 3 to 6 years; transportation equipment, 3 to 10 years; and miscellaneous equipment, 3 to 10 years.

C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

D. When an asset is retired or disposed, the cost plus revaluation increment, if any, and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to non-operating income and expenses during the financial period in which they are incurred.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized. Impairment loss and gain on reversal of impairment loss for investment property are recognized under operating revenue. Impairment loss and gain on reversal of impairment loss for property and equipment are recognized in non-operating income and expenses.

(15) Loss allowance

A. Loss allowance for accounts receivable, other financial assets and refundable deposits under other assets should be assessed and recognized in accordance with IFRS 9 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

B. Loss allowance for reinsurance contract assets and reinsurance liability reserves contributed under other assets should be assessed and recognized in accordance with IFRS 4 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(16) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, financial liabilities at fair value through profit or loss are measured at fair value plus transaction costs. The Company subsequently measures the financial liabilities at fair value, and recognizes the gain or loss in profit or loss.

(17) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(19) Classification of reinsurance contracts

Classification of reinsurance contracts should be made in compliance with IFRS 4, “Insurance Contracts”.

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. A contract with no significant insurance risk being transferred is not classified as an insurance contract and is recognized by deposit accounting.

A contract that falls within the definition of insurance contract on the initial recognition will still be deemed as insurance contract before its maturity.

(20) Insurance liabilities

The reserves related to Compulsory Automobile Liability Insurance are determined in accordance with “Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance”.

The special reserve related to residential earthquake insurance is determined in accordance with “Regulations Governing Implementation of the Residential Earthquake Risk Spreading Mechanism”.

The reserve related to nuclear insurance is determined in accordance with “Regulations Governing the Setting Aside of Nuclear Insurance Liability Reserves”.

The reserves excluding the reserve listed above were determined in accordance with “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises ” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” to calculate unearned premium reserve, claims reserve, premium deficiency reserve, liability reserve, liability adequacy reserve and other reserve of inward reinsurance business.

According to “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, subsequent special reserve recognized under liabilities by December 31, 2012 should still be recognized under liabilities. Starting from January 1, 2013, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing and should not be distributed without approval. The release of the special reserve shall be made through special reserve under liabilities first. If such reserves are insufficient for release, then the deficiency shall be released through special reserves under equity based on its net amount after tax in accordance with IAS 12.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(21) Liability adequacy test

When the estimated future cash flow of insurance contracts recognized as insurance liability at book value is insufficient, the entire deficiency is recognized in current loss in accordance with the requirement of the Actuarial Institution of Republic of China.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts should be recognized in profit or loss of the following year.

(23) Income tax

A. The income tax expense (benefit) for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Income tax on undistributed earnings is recorded as expense in the year when the stockholders approve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to common stock on the effective date of new shares issuance.

(25) Reinsurance revenues

Income from reinsurance business refers to various premiums earned from reinsurance operations, including those that meet the requirements in IFRS 4 and can be recognized as income. The Company's estimates for reinsurance premium income are assessed based on estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Reinsurance related revenues are recognized on the accrual basis.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors (including the impact of Covid-19). Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Reinsurance premiums

The Company's estimated reinsurance revenue is based on the ceding company's annual forecasted reinsurance information and then the Company calculates the revenue proportion to be recognized in each quarter based on previous experience of actual statements. Thereafter, when actual statements are received each quarter, original estimates are reversed and actual statements are accrued. The reason for differences between actual statements and estimated amounts is evaluated to adjust the estimated revenues of remaining period, accordingly.

B. Claims reserve (under insurance liabilities)

Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgement for the experience of claims and underwriting. Any change in the methodology and assumptions used in calculating the ultimate loss ratio would significantly affect the amount of claims reserve. A part of claims reserve is recognized using the case-by-case estimation method for Reported-But-Not-Paid cases while the remaining is provisioned for Incurred-But-Not-Reported claims.

C. Fair value measurement of financial instruments

Except for the financial instruments with available public pricing information, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date. For details on the main methods and assumptions used to measure the fair value of financial instruments, please refer to Note 12 (1) D.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash: | | |
| Petty cash | $ 123 | $ 121 |
| Checking accounts | 9,107 | 4,536 |
| Demand deposits | 4,459,697 | 3,679,281 |
| Cash equivalents: | | |
| Time deposits | 12,816,910 | 11,317,648 |
| | $ 17,285,837 | $ 15,001,586 |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

C. Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please see Note 6 (5).

### (2) Accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable | $ 220 | $ 855 |
| Other receivables | 282,697 | 453,170 |
| Total | 282,917 | 454,025 |
| Less: Loss allowance | ( 23) | ( 23) |
| Net amount | $ 282,894 | $ 454,002 |

As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable was $282,894 and $454,002, respectively. Information relating to credit risk and movements of loss allowance is provided in Note 13 (1).

(3) Financial assets and financial liabilities at fair value through profit or loss

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Domestic items: | | |
| Listed and over-the-counter common stocks | $ 1,995,278 | $ 2,082,682 |
| Listed and over-the-counter preferred stocks | 212,232 | 212,232 |
| Unlisted stocks | 166,747 | 166,747 |
| Open-end funds | 589,818 | 665,348 |
| Index funds | 304,780 | - |
| Derivatives | 96,269 | 240,388 |
| Foreign items: | | |
| Listed and over-the-counter common stocks | 1,113,079 | 1,864,474 |
| Open-end funds | - | 604,866 |
| Index funds | 85,065 | 115,896 |
| Government bonds | - | 141,534 |
| | 4,563,268 | 6,094,167 |
| Valuation adjustment | 2,692,846 | 866,225 |
| | $ 7,256,114 | $ 6,960,392 |

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial liabilities held for trading | | |
| Domestic items: | | |
| Non-hedging derivatives | $ 771 | $ 31,744 |
| Foreign items: | | |
| Non-hedging derivatives | - | 696 |
| | $ 771 | $ 32,440 |

A. The non-hedging derivative instruments transaction and contract information are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Derivative instruments | Contract amount (Notional principal) | Contract period | Contract amount (Notional principal) | Contract period |
| FX swap contracts | $ 7,771,712 | 2020.08.19~ 2023.05.04 | $ 7,732,265 | 2020.01.02~ 2022.09.08 |
| Forward foreign exchange contracts | 1,622,681 | 2021.10.04~ 2022.11.28 | 2,086,126 | 2020.04.21~ 2021.11.26 |
| Futures | - | - | 42,065 | 2020.12.22~ 2021.03.19 |

Note: Contract amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the period.

(a) FX swap contracts

The Company entered into FX swap contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these FX swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(c) Futures

The Company holds mainly Mini S&P500 index futures. As of December 31, 2021 and 2020, the related margins were $171,154 and $300,701, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 13 (1).

D. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply overlay approach and recognized gain or loss for designated financial assets in accordance with IFRS 4.

(a) The designated financial assets applying overlay approach that are connected with insurance contracts are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Domestic items: | | |
| Listed and over-the-counter common stocks | $ 1,911,798 | $ 1,808,286 |
| Listed and over-the-counter preferred stocks | 212,232 | 212,232 |
| Unlisted stocks | 166,747 | 166,747 |
| Open-end funds | 589,818 | 665,348 |
| Index funds | 304,780 | - |
| Foreign items: | | |
| Listed and over-the-counter common stocks | 1,110,667 | 1,854,798 |
| Open-end funds | - | 604,866 |
| Index funds | 85,065 | 115,896 |
| | 4,381,107 | 5,428,173 |
| Valuation adjustment | 2,692,738 | 818,532 |
| | $ 7,073,845 | $ 6,246,705 |

(b) Reclassified amounts of the designated financial assets applying overlay approach at fair value through profit and loss and fair value through comprehensive income are listed below:

| | 2021 | 2020 |
|---|---|---|
| Gain (loss) under IFRS 9 | $ 2,598,583 | $ 1,036,544 |
| Less: (Gain) loss under IAS 39 | ( 724,377) | ( 469,007) |
| Amount of reclassification applying overlay approach | $ 1,874,206 | $ 567,537 |
| Income tax benefit (expense) on other comprehensive income | $ 52,659 | ($ 32,387) |

(4) Financial assets at amortized cost

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Domestic items: | | |
| Securitized financial asset products | $ 250,000 | $ 250,000 |
| Corporate bonds | 1,200,870 | 1,326,143 |
| Financial bonds | 100,000 | - |
| Government bonds | 977,414 | 947,361 |
| Foreign items: | | |
| Securitized financial asset products | 156,529 | 420,147 |
| Corporate bonds | 7,980,393 | 6,417,522 |
| Financial bonds | 1,808,512 | 2,426,307 |
| Government bonds | - | 338,852 |
| | 12,473,718 | 12,126,332 |
| Less: Loss allowance | ( 3,719) | ( 4,346) |
| Less: Statutory deposits | ( 977,414) | ( 947,361) |
| | $ 11,492,585 | $ 11,174,625 |

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

| | 2021 | 2020 |
|---|---|---|
| Interest income | $ 319,596 | $ 366,895 |
| Impairment reversal (loss) | 627 | ( 170) |
| Gain (loss) on disposal | 48,410 | ( 90) |
| | $ 368,633 | $ 366,635 |

Gain or loss on disposal of the financial assets at amortized cost arose from infrequent sale or insignificant in value, both individually and in aggregate.

B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was $12,469,999 and $12,121,986, respectively.

C. Under the Insurance Act, the Company is required to deposit an amount equal to 15% of its paid-in capital. As of December 31, 2021 and 2020, the Company both provided government bonds with a par value of $900,000 as statutory deposit.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 13 (1).

(5) Other financial assets

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Time deposits | $ 3,083,454 | $ 499,556 |

A. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the other financial assets were $3,083,454 and $499,556, respectively.

B. The Company transacts with financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

C. The Company has no other financial assets pledged to others.

D. Information relating to credit risk of other financial assets is provided in Note 13 (1).

(6) Structured entities

A. Information about the interests in structured entities that are not controlled by the Company is as follows:

December 31, 2021

| Type of structured entities | Book value | Nature |
|---|---|---|
| Securitized financial asset products | $ 406,467 | The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds. |

December 31, 2020

| Type of structured entities | Book value | Nature |
|---|---|---|
| Securitized financial asset products | $ 670,085 | The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds. |

The structured entities that are not controlled by the Company are held for the purpose of generating investment income.

B. As of December 31, 2021 and 2020, the structured entities that are not controlled by the Company are all accounted for as financial assets at amortized cost. The entity’s maximum exposure is the carrying amount of assets held. The investment position is restricted by contract terms and conditions of issue and exposes the corresponding market risk. The Company has considered risk management approach of relevant market. Please see Note 13 (1).

(7) Investment property

| | Land | Buildings | Total |
|---|---|---|---|
| **At January 1, 2021** | | | |
| Cost | $ 411,606 | $ 87,185 | $ 498,791 |
| Accumulated depreciation | - | ( 51,976) | ( 51,976) |
| | $ 411,606 | $ 35,209 | $ 446,815 |
| **2021** | | | |
| At January 1 | $ 411,606 | $ 35,209 | $ 446,815 |
| Additions-from subsequent expenditure | - | 277 | 277 |
| Transferred from property and equipment | - | 78 | 78 |
| Transferred to property and equipment-cost | ( 56,275) | ( 13,280) | ( 69,555) |
| Transferred to property and equipment-accumulated depreciation | - | 10,278 | 10,278 |
| Depreciation | - | ( 1,969) | ( 1,969) |
| At December 31 | $ 355,331 | $ 30,593 | $ 385,924 |
| **At December 31, 2021** | | | |
| Cost | $ 355,331 | $ 74,260 | $ 429,591 |
| Accumulated depreciation | - | ( 43,667) | ( 43,667) |
| | $ 355,331 | $ 30,593 | $ 385,924 |

| | Land | Buildings | Total |
|---|---|---|---|
| **At January 1, 2020** | | | |
| Cost | $ 411,606 | $ 86,759 | $ 498,365 |
| Accumulated depreciation | - | ( 49,809) | ( 49,809) |
| | $ 411,606 | $ 36,950 | $ 448,556 |
| **2020** | | | |
| At January 1 | $ 411,606 | $ 36,950 | $ 448,556 |
| Additions-from subsequent expenditure | - | 426 | 426 |
| Depreciation | - | ( 2,167) | ( 2,167) |
| At December 31 | $ 411,606 | $ 35,209 | $ 446,815 |
| **At December 31, 2020** | | | |
| Cost | $ 411,606 | $ 87,185 | $ 498,791 |
| Accumulated depreciation | - | ( 51,976) | ( 51,976) |
| | $ 411,606 | $ 35,209 | $ 446,815 |

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Rental revenue from the lease of the investment property | $ 20,003 | $ 24,032 |
| Direct operating expenses arising from the investment property that generated rental income in the period | 4,952 | 5,271 |

The Company recognized rent income based on the operating lease agreement, which does not include variable lease payments.

B. The Company leases investment properties to others under non-cancellable operating lease agreements. Rental contracts are typically made for periods between 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 2021 | $ - | $ 19,138 |
| 2022 | 17,258 | 12,163 |
| 2023 | 11,451 | 6,053 |
| 2024 | 1,850 | - |
| | $ 30,559 | $ 37,354 |

C. The fair values of the investment property held by the Company were estimated by an accredited external independent appraiser under "Regulations on Real Estate Appraisal" using valuation techniques of both the income approach and comparison approach, based on observable active market prices and the characteristics, locations and conditions of each asset on the measurement date–December 31, 2021 and 2020. The fair values of the investment property as at the aforementioned measurement dates were $1,031,859 and $1,266,817, respectively, which is categorized as Level 3 within the fair value hierarchy. Key assumptions of the income approach are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Capitalization rate | 1.25%~1.50% | 1.02%~1.46% |

D. The above assets were not pledged to others as collateral.

(8) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Due from reinsurers and ceding companies | $ 4,914,348 | $ 3,825,421 |
| Due from reinsurers and ceding companies-overdue | 27,941 | 35,561 |
| Reinsurance reserve assets | | |
| Ceded unearned premium reserve | 428,334 | 392,396 |
| Ceded claims reserve | 1,645,861 | 1,428,299 |
| Ceded liability reserve | 374,854 | 403,861 |
| Ceded premium deficiency reserve | 3,844 | 1,128 |
| | 7,395,182 | 6,086,666 |
| Less: Loss allowance-Due from reinsurers and ceding companies | ( 21,866) | ( 21,207) |
| | $ 7,373,316 | $ 6,065,459 |

(a) The credit quality information of reinsurance contract assets that are neither past due nor impaired is as follows, and the evaluation of credit rating was conducted according to the ultimate reinsurers:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Group 1 | $ 2,824 | $ 21,726 |
| Group 2 | 863,925 | 777,398 |
| Group 3 | 5,433,846 | 4,408,590 |
| Group 4 | 105,984 | 86,714 |
| Group 5 | 15,198 | 15,839 |
| Group 6 | 697,614 | 466,658 |
| | $ 7,119,391 | $ 5,776,925 |

Group 1: S&P AAA or equivalents.

Group 2: Over S&P AA- or equivalents.

Group 3: Over S&P A- or equivalents.

Group 4: Over S&P BBB- or equivalents.

Group 5: Under S&P BBB- or equivalents.

Group 6: Without credit rating etc.

Note: Reinsurances undertaken without a credit rating are primarily from domestic insurance companies.

(b) The balances and ageing analysis of reinsurance contract assets that were past due but not impaired and impaired are as follows:

| | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| Over one month, under three months | $ 172,305 | $ 115,057 |
| Over three months, under six months | 65,595 | 121,950 |
| Over six months, under nine months | 20,302 | 46,407 |
| Over nine months | 17,589 | 26,327 |
| | $ 275,791 | $ 309,741 |

i. The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classified by its booking date.

ii. The overdue amounts due from reinsurance and ceding companies above indicate the ultimate reinsurers that were due but not paid and were transferred to overdue accounts in nine months after they became due.

(c) Movement analysis on the Company's provision for impairment of reinsurance contract assets is as follows:

| | 2021 | 2020 |
| --- | --- | --- |
| At January 1 | $ 21,207 | $ 15,175 |
| Write-off of bad debts | ( 222) | ( 527) |
| Provision of loss allowance | 881 | 6,559 |
| At December 31 | $ 21,866 | $ 21,207 |

(d) The Company does not hold any collateral as security.

B. Details of insurance liabilities are as follows:

| | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| Unearned premium reserve | $ 7,272,590 | $ 6,773,592 |
| Claims reserve | 20,436,561 | 17,748,343 |
| Liability reserve | 374,854 | 403,861 |
| Special reserve | 3,553,802 | 3,515,773 |
| Premium deficiency reserve | 62,397 | 49,598 |
| | $ 31,700,204 | $ 28,491,167 |

C. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

| | 2021 | 2020 |
|---|---|---|
| Ceded unearned premium reserve | | |
| At January 1 | $ 392,396 | $ 357,475 |
| Provision | 428,790 | 393,339 |
| Recovery | ( 393,339) | ( 358,225) |
| Impairment reversal | - | 34 |
| Exchange differences on translation of foreign financial statements | 487 | ( 227) |
| At December 31 | $ 428,334 | $ 392,396 |

| Unearned premium reserve | 2021 | 2020 |
|---|---|---|
| At January 1 | $ 6,773,592 | $ 6,083,352 |
| Provision | 7,280,429 | 6,790,105 |
| Recovery | ( 6,790,105) | ( 6,097,294) |
| Exchange differences on translation of foreign financial statements | 8,674 | ( 2,571) |
| At December 31 | $ 7,272,590 | $ 6,773,592 |

D. Details and movements of ceded claims reserve and claims reserve are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Ceded claims reserve | | |
| Outstanding losses | $ 848,846 | $ 575,243 |
| Incurred but not reported losses | 797,015 | 853,056 |
| | $ 1,645,861 | $ 1,428,299 |

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Claims reserve | | |
| Outstanding losses | $ 7,859,696 | $ 6,045,847 |
| Incurred but not reported losses | 12,576,865 | 11,702,496 |
| | $ 20,436,561 | $ 17,748,343 |

| | 2021 | 2020 |
|---|---|---|
| Ceded claims reserve | | |
| At January 1 | $ 1,428,299 | $ 1,023,354 |
| Provision | 1,645,861 | 1,428,299 |
| Recovery | ( 1,428,299) | ( 1,023,362) |
| Impairment reversal | - | 8 |
| At December 31 | $ 1,645,861 | $ 1,428,299 |

| | 2021 | 2020 |
|---|---|---|
| Claims reserve | | |
| At January 1 | $ 17,748,343 | $ 15,969,362 |
| Provision | 20,436,561 | 17,748,343 |
| Recovery | ( 17,748,343) | ( 15,969,362) |
| At December 31 | $ 20,436,561 | $ 17,748,343 |

E. Movements of ceded liability reserve and liability reserve are as follows:

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign currency amount (in thousands) | Currency | Exchange rate | NTD (in thousands) | Foreign currency amount (in thousands) | Currency | Exchange rate | NTD (in thousands) |
| Ceded liability reserve | | | | | | | | |
| At January 1 | $ 92,205 | CNY | 4.380 | $ 403,861 | $ 97,491 | CNY | 4.321 | $ 421,249 |
| Provision | 1,530 | | | 3,418 | 1,789 | | | 12,695 |
| Recovery | ( 7,483) | | | ( 32,425) | ( 7,075) | | | ( 30,083) |
| At December 31 | $ 86,252 | CNY | 4.346 | $ 374,854 | $ 92,205 | CNY | 4.380 | $ 403,861 |

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign currency amount (in thousands) | Currency | Exchange rate | NTD (in thousands) | Foreign currency amount (in thousands) | Currency | Exchange rate | NTD (in thousands) |
| Liability reserve | | | | | | | | |
| At January 1 | $ 92,205 | CNY | 4.380 | $ 403,861 | $ 97,491 | CNY | 4.321 | $ 421,249 |
| Provision | 1,530 | | | 3,418 | 1,789 | | | 12,695 |
| Recovery | ( 7,483) | | | ( 32,425) | ( 7,075) | | | ( 30,083) |
| At December 31 | $ 86,252 | CNY | 4.346 | $ 374,854 | $ 92,205 | CNY | 4.380 | $ 403,861 |

The provisions above include the effects of foreign exchange gains and losses.

F. Special reserves

(a) Details of special reserves are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Special reserve for statutory insurance | $ 972,724 | $ 934,695 |
| Reserve for fluctuation of risk | 2,055,296 | 2,055,296 |
| Reserve for extraordinary business losses | 525,782 | 525,782 |
| | $ 3,553,802 | $ 3,515,773 |

(b) Movement of special reserves is as follows:

| | 2021 | 2020 |
|---|---|---|
| At January 1 | $ 3,515,773 | $ 3,707,071 |
| Provision | 38,029 | - |
| Recovery | - | ( 191,298) |
| At December 31 | $ 3,553,802 | $ 3,515,773 |

(c) According to Jin-Kuan-Bao-Tsai Order No. 10102517491, "Directions for Strengthening Special Reserve by Reinsurance Enterprises", Jin-Kuan-Bao-Chan Order No. 10102531541, "Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance" and Jin-Kuan-Bao-Tsai Order No. 10102517091, "Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises" dated December 28, 2012, the Company's accounts applicable or not applicable for the reserve for the years ended December 31, 2021 and 2020 are as follows:

| | Year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | Net income | Earnings per share (in dollars) | Total liabilities | Total equity |
| Applicable | $ 2,065,077 | $ 3.50 | $ 32,912,538 | $ 16,552,411 |
| Not applicable | 2,065,077 | 3.50 | 30,695,208 | 18,769,741 |
| Effect | $ - | $ - | ($ 2,217,330) | $ 2,217,330 |

| | Year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Net income | Earnings per share (in dollars) | Total liabilities | Total equity |
| Applicable | $ 1,515,729 | $ 2.57 | $ 29,304,351 | $ 13,409,237 |
| Not applicable | 1,515,729 | 2.57 | 27,087,021 | 15,626,567 |
| Effect | $ - | $ - | ($ 2,217,330) | $ 2,217,330 |

G. Movements of ceded premium deficiency reserve and premium deficiency reserve are as follows:

| | 2021 | 2020 |
|---|---|---|
| Ceded premium deficiency reserve | | |
| At January 1 | $ 1,128 | $ 2,266 |
| Provision | 3,844 | 1,128 |
| Recovery | ( 1,128) | ( 2,266) |
| At December 31 | $ 3,844 | $ 1,128 |

| | 2021 | 2020 |
|---|---|---|
| Premium deficiency reserve | | |
| At January 1 | $ 49,598 | $ 53,709 |
| Provision | 62,397 | 49,598 |
| Recovery | ( 49,598) | ( 53,709) |
| At December 31 | $ 62,397 | $ 49,598 |

H. The Company's future cash flows of insurance liabilities (excluding special reserve) are as follows:

| December 31, 2021 | Due in one year | Due after one year | Total |
|---|---|---|---|
| Insurance liabilities | | | |
| Unearned premium reserve | $ 3,428,019 | $ 2,264,473 | $ 5,692,492 |
| Claims reserve | 10,984,206 | 7,255,924 | 18,240,130 |
| Liability reserve | - | 374,854 | 374,854 |
| Premium deficiency reserve | 37,576 | 24,821 | 62,397 |

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,776,529).

| December 31, 2020 | Due in one year | Due after one year | Total |
|---|---|---|---|
| Insurance liabilities | | | |
| Unearned premium reserve | $ 3,045,137 | $ 2,170,925 | $ 5,216,062 |
| Claims reserve | 9,085,546 | 6,477,226 | 15,562,772 |
| Liability reserve | - | 403,861 | 403,861 |
| Premium deficiency reserve | 28,955 | 20,643 | 49,598 |

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,743,101).

(9) Reserves for unqualified reinsurance

A. Summary of unqualified reinsurance contracts are set forth as follows:

The Company entered into contracts with insurance companies and insurance brokers as follows: The scope of reinsurance is the same as the Company's insurance contracts.

| Insurance companies / Insurance brokers | Type of contract |
|---|---|
| WALSUN INSURANCE LTD. | Fire insurance, marine cargo insurance, inland marine insurance, marine hull insurance, casualty insurance and engineering insurance |
| BEST RE (L) LIMITED | Fire insurance and casualty insurance |
| MILLI REASURANS T. A. S. SINGAPORE BRANCH | Fire insurance, engineering insurance, marine hull insurance and marine cargo insurance |
| WILSON RE LIMITED | Casualty insurance |
| M.B. BODA REINSURANCE BROKERS PVT. LTD. | Fire insurance |
| COSMOS SERVICES CO., LTD. | Fire insurance |
| INTERLINK INSURANCE & REINSURANCE BROKERS PVT. LTD. | Fire insurance |
| J B BODA INSURANCE SERVICES (L) BHD | Fire insurance |
| GUY CARPENTER & COMPANY LTD. | Fire insurance and automobile insurance |

B. As of December 31, 2021 and 2020, the Company's unqualified reinsurance premiums ceded were $5 and ($3,507), respectively.

C. Reserve for unqualified reinsurance as of December 31, 2021 and 2020 were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Ceded claims reserve | $ 42 | $ 59 |

(10) Offsetting financial assets and financial liabilities

A. The Company has derivative assets that do not meet the offsetting criteria in paragraph 42 of IAS 32. However, the Company has transactions that are or are similar to net settled master netting arrangements. If one party breaches the contract (in the case of default and insolvency or bankruptcy), the counterparty can choose to use net settlement. The related amount of offsetting shall not exceed the gross amounts of recognized financial assets and liabilities.

B. The related information of financial assets and financial liabilities that can be settled under agreements of net settled master netting arrangements or similar arrangements are as follows:

(a) Financial assets

| Description | Gross amounts of recognized financial assets | Financial instruments not set off in the balance sheet | Net amount |
|---|---|---|---|
| December 31, 2021 | | | |
| Derivatives | $ 96,269 | $ 771 | $ 95,498 |
| December 31, 2020 | | | |
| Derivatives | $ 240,388 | $ 10,633 | $ 229,755 |

Note: The above-mentioned items are all accounted as financial assets at fair value through profit or loss.

(b) Financial liabilities

| Description | Gross amounts of recognized financial liabilities | Financial instruments not set off in the balance sheet | Net amount |
|---|---|---|---|
| December 31, 2021 | | | |
| Derivatives | $ 771 | $ 771 | $ - |
| December 31, 2020 | | | |
| Derivatives | $ 32,440 | $ 10,633 | $ 21,807 |

Note: The above-mentioned items are all accounted as financial liabilities at fair value through profit or loss.

(11) Property and equipment

| | Land | Buildings | Computer equipment | Transportation equipment | Miscellaneous equipment | Prepayments for equipment | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2021 | | | | | | | |
| Cost | $ 180,796 | $ 94,046 | $ 32,034 | $ 4,861 | $ 3,530 | $ - | $ 315,267 |
| Accumulated depreciation | - | ( 80,808) | ( 20,249) | ( 4,861) | ( 2,836) | - | ( 108,754) |
| | $ 180,796 | $ 13,238 | $ 11,785 | $ - | $ 694 | $ - | $ 206,513 |
| 2021 | | | | | | | |
| At January 1 | $ 180,796 | $ 13,238 | $ 11,785 | $ - | $ 694 | $ - | $ 206,513 |
| Additions | - | 2,076 | 5,571 | - | 937 | 469 | 9,053 |
| Disposals-cost | - | - | ( 1,396) | - | ( 221) | - | ( 1,617) |
| Disposals-accumulated depreciation | - | - | 1,396 | - | 221 | - | 1,617 |
| Transferred from investment property-cost | 56,275 | 13,280 | - | - | - | - | 69,555 |
| Transferred from investment property-accumulated depreciation | - | ( 10,278) | - | - | - | - | ( 10,278) |
| Transferred to investment property | - | - | - | - | - | ( 78) | ( 78) |
| Transferred from prepayments for equipment | - | 391 | - | - | - | ( 391) | - |
| Depreciation | - | ( 2,082) | ( 3,823) | - | ( 306) | - | ( 6,211) |
| At December 31 | $ 237,071 | $ 16,625 | $ 13,533 | $ - | $ 1,325 | $ - | $ 268,554 |
| At December 31, 2021 | | | | | | | |
| Cost | $ 237,071 | $ 109,793 | $ 36,209 | $ 4,861 | $ 4,246 | $ - | $ 392,180 |
| Accumulated depreciation | - | ( 93,168) | ( 22,676) | ( 4,861) | ( 2,921) | - | ( 123,626) |
| | $ 237,071 | $ 16,625 | $ 13,533 | $ - | $ 1,325 | $ - | $ 268,554 |

| | Land | Buildings | Computer equipment | Transportation equipment | Miscellaneous equipment | Total |
|---|---|---|---|---|---|---|
| At January 1, 2020 | | | | | | |
| Cost | $ 180,796 | $ 91,648 | $ 27,174 | $ 4,861 | $ 4,303 | $ 308,782 |
| Accumulated depreciation | - | ( 78,571) | ( 17,539) | ( 4,699) | ( 3,342) | ( 104,151) |
| | $ 180,796 | $ 13,077 | $ 9,635 | $ 162 | $ 961 | $ 204,631 |
| 2020 | | | | | | |
| At January 1 | $ 180,796 | $ 13,077 | $ 9,635 | $ 162 | $ 961 | $ 204,631 |
| Additions | - | 2,398 | 5,462 | - | 47 | 7,907 |
| Disposals-cost | - | - | ( 602) | - | ( 820) | ( 1,422) |
| Disposals-accumulated depreciation | - | - | 602 | - | 820 | 1,422 |
| Depreciation | - | ( 2,237) | ( 3,312) | ( 162) | ( 314) | ( 6,025) |
| At December 31 | $ 180,796 | $ 13,238 | $ 11,785 | $ - | $ 694 | $ 206,513 |
| At December 31, 2020 | | | | | | |
| Cost | $ 180,796 | $ 94,046 | $ 32,034 | $ 4,861 | $ 3,530 | $ 315,267 |
| Accumulated depreciation | - | ( 80,808) | ( 20,249) | ( 4,861) | ( 2,836) | ( 108,754) |
| | $ 180,796 | $ 13,238 | $ 11,785 | $ - | $ 694 | $ 206,513 |

The above assets were not pledged to others as collateral.

(12) Accounts payable

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Notes payable | $ | 574 | $ | 1,354 |
| Due to reinsurers and ceding companies | | 388,174 | | 222,247 |
| Other payables | | 368,359 | | 197,321 |
| | $ | 757,107 | $ | 420,922 |

(13) Employee benefits

A. Defined benefit obligation

(a)The Company has established a defined benefit pension plan in accordance with the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit once or in installments.

(b) The amounts recognized in the balance sheet are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Present value of defined benefit obligations | ($ | 37,338) | ($ | 37,944) |
| Fair value of plan assets | | 48,105 | | 47,342 |
| Net defined benefit assets | $ | 10,767 | $ | 9,398 |

(c) Movements in net defined benefit assets (liabilities) are as follows:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit asset (liability) |
|---|---|---|---|
| Year ended December 31, 2021 | | | |
| Balance at January 1 | ($ 37,944) | $ 47,342 | $ 9,398 |
| Current service cost | ( 410) | - | ( 410) |
| Interest (expense) income | ( 132) | 165 | 33 |
| | ( 38,486) | 47,507 | 9,021 |
| Remeasurements: | | | |
| Change in demographic assumptions | ( 170) | - | ( 170) |
| Change in financial assumptions | 323 | - | 323 |
| Experience adjustments | 51 | 708 | 759 |
| | 204 | 708 | 912 |
| Pension fund contribution | - | 834 | 834 |
| Paid pension | 944 | ( 944) | - |
| Balance at December 31 | ($ 37,338) | $ 48,105 | $ 10,767 |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit asset (liability) |
|---|---|---|---|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | ($ 48,803) | $ 52,452 | $ 3,649 |
| Current service cost | ( 830) | - | ( 830) |
| Interest (expense) income | ( 322) | 347 | 25 |
| Past service cost | 9,450 | - | 9,450 |
| | ( 40,505) | 52,799 | 12,294 |
| Remeasurements: | | | |
| Change in demographic assumptions | 207 | - | 207 |
| Change in financial assumptions | ( 5,586) | - | ( 5,586) |
| Experience adjustments | ( 114) | 1,727 | 1,613 |
| | ( 5,493) | 1,727 | ( 3,766) |
| Pension fund contribution | - | 870 | 870 |
| Paid pension | 8,054 | ( 8,054) | - |
| Balance at December 31 | ($ 37,944) | $ 47,342 | $ 9,398 |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Discount rate | 0.70% | 0.35% |
| Salary increment | 3.99% | 3.72% |

Assumptions regarding the mortality and the disability rates are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Discount rate increase 0.5% | ($ 1,738) | ($ 1,968) |
| Discount rate decrease 0.5% | 1,878 | 2,132 |
| Salary increment increase 0.5% | 1,808 | 2,050 |
| Salary increment decrease 0.5% | ( 1,693) | ( 1,915) |

The sensitivity analysis above is based on the condition that only one assumption is changed while all other assumptions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumption used in preparing the current year sensitivity analysis are identical with those of the prior year.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2022 amount to $850.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 10 years.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”). Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the above-mentioned pension plan of the Company for the years ended December 31, 2021 and 2020 were $7,813 and $7,566, respectively.

(14) Common stock

As of December 31, 2021 and 2020, the Company's authorized capital were all $6,000,000, and the paid-in capital were all $5,903,888, with a par value of $10 (in dollars) per share.

(15) Capital reserve

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. However, according to Jin-Kuan-Bao-Tsai Letter No. 10202501991, for the purpose of strengthening the solvency and operation, insurance companies having no deficit should submit relevant documents demonstrating the financial soundness and steady operation of their companies to FSC for approval before the stockholders' meeting if they propose to use legal reserve provided under Article 145-1 of Insurance Act and capital surplus to issue cash to shareholders in proportion to their share ownership in accordance with Article 241 of the R.O.C. Company Act.

(16) Retained earnings

A. Limitation on distribution of retained earnings and dividend policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve. Afterwards, the Company shall recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

The Company's dividends are distributed in the form of cash dividends and stock dividends, in a coordinated way, among which, the cash dividends shall account for at least 50% of the total dividends distributed.

Pursuant to the R.O.C. Insurance Act, legal reserve shall be set aside until the total amount reaches the total capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital. In addition, procedures for those requiring approval from competent authorities to use legal reserve for issuance of cash in accordance with Jin-Kuan-Bao-Tsai Letter No. 10202501991 are set out in Note 6 (15).

B. Special reserve

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Special reserve | $ 3,145,711 | $ 2,615,013 |
| Unrealized revaluation increment | 126,557 | 126,557 |
| Employees' education and training | 16,027 | 16,027 |
| | $ 3,288,295 | $ 2,757,597 |

(a) For the year 2021, the provision for special reserve amounting to $530,698 had been recognized as special reserve under equity upon annual resolution and is not available for distribution.

(b) The amounts previously set aside by the Company as special reserve in accordance with Jin-Kuan-Bao-Tsai Order No. 11004920441, dated June 11, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company had transferred the amount of $126,557 of unrealized gain from real estate value-added to special reserve under equity.

(c) In accordance with the regulations of Jin-Kuan-Bao-Tsai Order No. 10502066461 promulgated on July 13, 2016, upon appropriating the earnings of 2016 through 2018, the Company shall provision 0.5% of income after tax as special reserve. And starting from the subsequent year of the provision of such special reserve, special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. However, the above-mentioned order was repealed by Jin-Kuan-Bao-Tsai Order No. 10804932431 on July 30, 2019, resulting in the Company no longer having to provide special reserve starting 2019. The remaining special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. The Company had transferred the amount of $16,027 for expenditures that were for employees' education and training and for the protection of employees' interest to special reserve under equity.

C. On May 28, 2021, the distribution of earnings for 2020 as approved by the stockholders through electronic voting which met the legal threshold was $767,505 (cash dividends of $1.3 (in dollars) per share), and was resolved by the stockholders on July 15, 2021. On March 17, 2022, the distribution of earnings for 2021 as proposed by the Board of Directors was $1,062,700 (cash dividends of $1.8 (in dollars) per share).

Detailed information on earnings appropriation resolved by the Board of Directors and ratified at the stockholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. For information relating to employees' compensation and directors' remuneration, please see Note 6 (18).

(17) Income tax

A. Components of income tax expense:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Current income tax: | | |
| Current income tax on profits for the period | $ 451,673 | $ 332,315 |
| Income tax on undistributed earnings | 2,163 | 72 |
| Adjustments in respect of prior years | 3,306 | 340 |
| Deferred income tax: | | |
| Origination and reversal of temporary difference | ( 51,071) | ( 59,820) |
| Income tax expense | $ 406,071 | $ 272,907 |

B. The income tax relating to components of other comprehensive income are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Exchange differences on translation of foreign financial statements | ($ 20,499) | ($ 34,100) |
| Other comprehensive income upon reclassification of applying overlay approach | ( 52,659) | 32,387 |
| Remeasurement of defined benefit obligations | 182 | ( 753) |
| | ($ 72,976) | ($ 2,466) |

C. Reconciliation between income tax expense and accounting profit:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 494,230 | $ 357,727 |
| Impact of tax adjustments by tax regulations | ( 93,628) | ( 85,232) |
| Tax on undistributed earnings | 2,163 | 72 |
| Prior year income tax underestimation | 3,306 | 340 |
| Income tax expense | $ 406,071 | $ 272,907 |

D. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Deferred tax assets | | | | |
| Employee benefits-pension expense | $ 4,034 | $ 117 | ($ 182) | $ 3,969 |
| Employee benefits-unused compensated absences | 1,734 | 247 | - | 1,981 |
| Expected credit impairment and reversal of profit from investment | 345 | 71 | - | 416 |
| Expected credit impairment and reversal of profit from non-investment | 4 | - | - | 4 |
| Unrealized foreign exchange losses | 118,208 | 27,852 | - | 146,060 |
| Loss upon reclassification of applying overlay approach | - | - | 9,793 | 9,793 |
| Exchange differences on translation of foreign financial statements | 51,438 | - | 20,499 | 71,937 |
| | $ 175,763 | $ 28,287 | $ 30,110 | $ 234,160 |
| Deferred tax liabilities | | | | |
| Gain on revaluation of land | $41,555 | $ - | $ - | $ 41,555 |
| Gain upon reclassification of applying overlay approach | 42,866 | - | ( 42,866) | - |
| Unrealized profit on valuation of financial assets | 41,819 | ( 22,784) | - | 19,035 |
| | $ 126,240 | ($ 22,784) | ($ 42,866) | $ 60,590 |

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Deferred tax assets | | | | |
| Employee benefits-pension expense | $ 5,577 | ($ 2,296) | $ 753 | $ 4,034 |
| Employee benefits-unused compensated absences | 1,714 | 20 | - | 1,734 |
| Expected credit impairment and reversal of profit from investment | 400 | ( 55) | - | 345 |
| Expected credit impairment and reversal of profit from non-investment | 5 | ( 1) | - | 4 |
| Loss allowance of reinsurance contract assets | 8 | ( 8) | - | - |
| Unrealized foreign exchange losses | 38,732 | 79,476 | - | 118,208 |
| Exchange differences on translation of foreign financial statements | 17,338 | - | 34,100 | 51,438 |
| | $ 63,774 | $ 77,136 | $ 34,853 | $ 175,763 |
| Deferred tax liabilities | | | | |
| Gain on revaluation of land | $41,555 | $ - | $ - | $ 41,555 |
| Gain upon reclassification of applying overlay approach | 10,479 | - | 32,387 | 42,866 |
| Unrealized profit on valuation of financial assets | 24,503 | 17,316 | - | 41,819 |
| | $ 76,537 | $ 17,316 | $ 32,387 | $ 126,240 |

E. The Company’s income tax returns have been assessed and approved by the Tax Authority up to 2019.

(18) Employee benefits expense, depreciation and amortization

Employee benefits expense, depreciation and amortization by function are as follows:

| | Year ended December 31, 2021 | | Year ended December 31, 2020 | |
|---|---|---|---|---|
| | Operating Costs | Operating Expenses | Operating Costs | Operating Expenses |
| Employee benefits expense | $ - | $ 300,073 | $ - | $ 242,423 |
| Salaries | - | 251,508 | - | 206,832 |
| Employees' insurance | - | 14,572 | - | 12,960 |
| Pension | - | 8,781 | - | ( 4,904) |
| Directors' remuneration | - | 14,273 | - | 18,164 |
| Other employee benefits expense (Note 1) | - | 10,939 | - | 9,371 |
| Depreciation (Note 2) | 1,969 | 6,618 | 2,167 | 6,261 |
| Amortization | - | 4,065 | - | 4,081 |

Note 1:Other employee benefits expense include employees' welfare and training expenses.

Note 2:The depreciation, which is classified as operating cost, is accounted for as deduction to gain on investment property.

A. As of December 31, 2021 and 2020, the average numbers of employees were both 145, and the average number of directors who were not employed as employees were both 8.

B. According to the Company's Articles of Incorporation, after covering accumulated deficits with current year earnings, the remainder, if any, shall provision employees' compensation of no less than 0.5% and directors' remunerations of no more than 1%.

C. The Company's estimated employees' compensation of $25,010 and $16,288 for the years ended December 31, 2021 and 2020, respectively, were determined from earnings and the distribution in the past on a pro-rata basis, which fell within the scope of the Company's Articles of Incorporation's requirements. The Company's estimated directors' remuneration were both $4,850 for the years ended December 31, 2021 and 2020. The estimates, which fell within the scope of the Company's Articles of Incorporation's requirements, were determined from earnings and the past distribution experiences during the tenure of directors. The aforementioned amounts were recognized in directors' remuneration.

The 2020 employees' compensation of $16,288 and directors' remuneration of $4,850 as approved by the Board of Directors of the Company were in agreement with the amounts recognized in the 2020 financial statements, and employees' compensation and directors' remuneration are distributed in the form of cash.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. For the years ended December 31, 2021 and 2020, the averages of employee benefit expense were $2,086 and $1,637, respectively.

E. For the years ended December 31, 2021 and 2020, the averages of employee salaries expense were $1,836 and $1,510, respectively, and the average employee salaries expense increased by 21.59% for the year ended December 31, 2021.

F. There was no supervisors' remuneration for the years ended December 31, 2021 and 2020.

Note: The Company has set up an audit committee, so there was no supervisors' remuneration.

G. The Company's compensation policy (including directors, managers, and employees):

(a) Directors: According to the Company's Articles of Incorporation and the remuneration payment policies for directors, after covering accumulated deficits with current year earnings, the remainder, if any, shall be provisioned for directors' remunerations of no more than 1%. Individual directors' remuneration is distributed based on the degree of each director's participation in the operation of the Company and the value of their contributions as well as in consideration of the general pay levels of the industry within the total directors' remuneration. The degree of each director's participation in the operation of the Company and the value of their contributions are determined by individual behavior and performance (including attendance, training performance, degree of participation in the operation of the Company, interaction with the operation team, etc.).

(b) Managers and employees: The distribution of managers' and employees' annual compensation is conducted in accordance with regulations such as the Company's Articles of Incorporation, compensation payment policies for managements, the management policies of employees' salary payment and factors such as profit of the current year and performance result after annual assessment; the distribution of year-end bonus and employees' compensation is also based on the same principles.

(c) In addition, the Company has set a remuneration committee to review the policy, system, standard and structure of the directors' and managers' remuneration regularly and to assess and structure of directors' and managers' remuneration regularly.

## 7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and their relationship with the Company

| Names of related parties | Relationship with the Company |
|---|---|
| Evergreen International Corporation | Parent company |
| Evergreen Insurance Company Limited | Other related parties |
| Evergreen Marine Corporation (Note) | Other related parties |
| Directors, general managers, vice general managers, etc. | Key management of the Company |

Note: Evergreen Marine Corporation has become the director of the Company since May 28, 2020.

(2) Significant related party transactions and balances

A. Due from reinsurers and ceding companies (shown under reinsurance contract assets)

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other related parties | $ 11 | $ 212 |

B. Other payables (shown under accounts payable)

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Parent | $ 1,230 | $ 1,245 |
| Other related parties | 11 | 12 |
| | $ 1,241 | $ 1,257 |

C. Operating revenues and operating costs

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Other related parties | | |
| Gross premiums written | $ 7,444 | $ 19,499 |
| Reinsurance premiums ceded | 166 | ( 36) |
| Overriding commission revenue | 1 | - |
| Reinsurance commission expenses | 1,161 | 8,468 |
| Reinsurance commission revenue | ( 42) | 9 |
| Reinsurance claims paid | 9,984 | 7,060 |
| Reinsurance claims recovery | 26 | ( 29) |

D. Operating expenses

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Parent | | |
| System service charge, fees paid to stock transfer agent and printing expenses, etc. | $ 15,066 | $ 14,317 |
| Rent expenses (Note) | 465 | - |
| Other related parties | | |
| Service fees-Others | 82 | 54 |
| | $ 15,613 | $ 14,371 |

Note：The Company leased the building from the parent company, and the lease contract period is 0.5 year. Rents are calculated per square meter and paid by the end of each month.

The differences of prices and conditions between related parties and non-related parties were not significant.

(3) Key management compensation

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 38,574 | $ 37,582 |
| Post-employment benefits | 994 | ( 3,429) |
| | $ 39,568 | $ 34,153 |

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

None.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Fair value information

A. The fair value of the Company’s financial instruments not measured at fair value is provided in Note 12 (1) K. The fair value of the Company’s investment property measured at cost model is provided in Note 6 (7).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on-going basis. The fair value of the Company’s investment in listed and over-the-counter stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company’s investment in off-the-run government bonds, corporate bonds, financial bonds and derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company’s investment in part of investments in debt instrument without active market, unlisted stocks and investment property is included in Level 3.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of December 31, 2021 and 2020 is as follows:

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | |
| Listed and over-the-counter common stocks | $ 3,156,981 | $ - | $ - | $ 3,156,981 |
| Listed and over-the-counter preferred stocks | - | 231,880 | - | 231,880 |
| Unlisted stocks | - | - | 2,798,704 | 2,798,704 |
| Index funds | 392,466 | - | - | 392,466 |
| Open-end funds | 579,814 | - | - | 579,814 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| FX swap contracts | $ - | $ 88,169 | $ - | $ 88,169 |
| Forward foreign exchange contracts | - | 8,100 | - | 8,100 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| FX swap contracts | $ - | $ 567 | $ - | $ 567 |
| Forward foreign exchange contracts | - | 204 | - | 204 |

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | |
| Listed and over-the-counter common stocks | $ 4,302,426 | $ - | $ - | $ 4,302,426 |
| Listed and over-the-counter preferred stocks | - | 231,330 | - | 231,330 |
| Unlisted stocks | - | - | 595,489 | 595,489 |
| Index funds | 113,029 | - | - | 113,029 |
| Open-end funds | 1,335,658 | - | - | 1,335,658 |
| Government bonds | - | 142,072 | - | 142,072 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| FX swap contracts | $ - | $ 237,476 | $ - | $ 237,476 |
| Forward foreign exchange contracts | - | 2,912 | - | 2,912 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| FX swap contracts | $ - | $ 9,382 | $ - | $ 9,382 |
| Forward foreign exchange contracts | - | 22,362 | - | 22,362 |
| Futures | - | 696 | - | 696 |

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| Listed shares | Index funds | Open-end funds |
|---|---|---|
| Closing price | Closing price | Net asset value |

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market and swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques. Forward exchange contracts are usually valued based on the current forward exchange rate.

(e) The Company uses the market approach to evaluate the fair value of unlisted stocks. The used factors include unobservable input. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12 (1) I.

(f) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(g) The Company takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2021 and 2020, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the years ended December 31, 2021 and 2020:

| | Year ended December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Acquired in the period | | Disposed of in the period | | |
| | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income (Note) | Buy or issuance | Transfers into level 3 | Sell, disposal or settle | Transfers out from level 3 | Ending balance |
| Non-Derivative financial instruments | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 595,489 | $ - | $ 2,203,215 | $ - | $ - | $ - | $ - | $ 2,798,704 |

| | Year ended December 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Acquired in the period | | Disposed of in the period | | |
| | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income (Note) | Buy or issuance | Transfers into level 3 | Sell, disposal or settle | Transfers out from level 3 | Ending balance |
| Non-Derivative financial instruments | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 155,230 | $ - | $ 440,259 | $ - | $ - | $ - | $ - | $ 595,489 |

Note: Financial assets mandatorily measured at fair value through profit or loss recognized in other comprehensive income upon reclassification of applying overlay approach.

Unrealized gain or loss on valuation recognized in other comprehensive income arising from the assets held for the years ended December 31, 2021 and 2020 was $2,203,215 and $440,259, respectively.

G. For the years ended December 31, 2021 and 2020, there were no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Financial segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Unlisted stocks (Note) | $ 2,798,704 | Market approach Black-Scholes model | Liquidity discount | 3.60% | The lower the liquidity discount, the higher the fair value |

| | Fair value at December 31, 2020 | | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| --- | --- | --- | --- | --- | --- | --- |
| Financial assets at fair value through profit or loss | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | | |
| Unlisted stocks (Note) | $ | 595,489 | Market approach Black-Scholes model | Liquidity discount | 15.15% | The lower the liquidity discount, the higher the fair value |

Note: Items that affect the fair value measurement of unlisted stocks include observable stock prices.

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value; however, different valuation model or input could result in different valuation results. Specifically, if the valuation of financial instrument classified in Level 3 increase or decrease 10%, the effects on other comprehensive income in the period would be as follows:

| | December 31, 2021 | | | | December 31, 2020 | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | Change in fair value recognized in other comprehensive income | | | | Change in fair value recognized in other comprehensive income | | | |
| | Favorable | | Unfavorable | | Favorable | | Unfavorable | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ | 279,870 | ($ | 279,870) | $ | 59,549 | ($ | 59,549) |

K. Fair value of the financial instruments not measured at fair value

Except for the financial instruments below and investment property, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other financial assets and accounts payable) are approximate to their fair values.

| | December 31, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value | | | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | | | |
| Financial assets at amortized cost | $ 12,469,999 | $ - | $ 12,843,022 | $ - | $ 12,121,986 | $ - | $ 12,709,333 | $ 249,938 |

The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (1) B, and the methods and assumptions are as follows:

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

(2) Assets and liabilities recoverable or payable within or over 12 months from the reporting date are as follows:

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| Assets | Book value | Within 12 months | Over 12 months | Book value | Within 12 months | Over 12 months |
| Cash and cash equivalents | $ 17,285,837 | $ 17,285,837 | $ - | $ 15,001,586 | $ 15,001,586 | $ - |
| Accounts receivable | 282,894 | 282,894 | - | 454,002 | 454,002 | - |
| Financial assets at fair value through profit or loss | 7,256,114 | 7,251,891 | 4,223 | 6,960,392 | 6,960,392 | - |
| Financial assets at amortized cost | 11,492,585 | 1,726,211 | 9,766,374 | 11,174,625 | 923,671 | 10,250,954 |
| Other financial assets | 3,083,454 | 3,083,454 | - | 499,556 | 499,556 | - |
| Investment property | 385,924 | - | 385,924 | 446,815 | - | 446,815 |
| Reinsurance contract assets | 7,373,316 | 6,171,817 | 1,201,499 | 6,065,459 | 4,903,355 | 1,162,104 |
| Property and equipment | 268,554 | - | 268,554 | 206,513 | - | 206,513 |
| Right-of-use asset | 1,337 | 138 | 1,199 | 374 | - | 374 |
| Intangible assets | 7,248 | - | 7,248 | 5,240 | - | 5,240 |
| Other assets | 1,793,526 | 210,032 | 1,583,494 | 1,723,263 | 873,272 | 849,991 |
| Liabilities | | | | | | |
| Accounts payable | $ 757,107 | $ 755,268 | $ 1,839 | $ 420,922 | $ 420,347 | $ 575 |
| Current income tax liabilities | 276,454 | 276,454 | - | 105,938 | 105,938 | - |
| Financial liabilities at fair value through profit or loss | 771 | 771 | - | 32,440 | 32,440 | - |
| Lease liabilities | 1,346 | 380 | 966 | 377 | 240 | 137 |
| Insurance liabilities | 31,700,204 | 18,226,330 | 13,473,874 | 28,491,167 | 15,902,739 | 12,588,428 |
| Provisions | - | - | - | 779 | - | 779 |
| Other liabilities | 116,066 | 113,494 | 2,572 | 126,488 | 123,805 | 2,683 |

(3) Calculation of retention earned premiums are shown below:

| | Year ended December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Category of insurance | Gross premiums written (1) | Reinsurance premiums ceded (2) | Retention premiums (3)=(1)-(2) | Net change in unearned premium reserve (4) | Retention earned premiums (5)=(3)-(4) |
| Non-Compulsory insurance | $ 18,241,326 | $ 1,453,861 | $ 16,787,465 | $ 434,731 | $ 16,352,734 |
| Compulsory insurance | 2,658,332 | - | 2,658,332 | 20,142 | 2,638,190 |
| | $ 20,899,658 | $ 1,453,861 | $ 19,445,797 | $ 454,873 | $ 18,990,924 |

| | Year ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Category of insurance | Gross premiums written (1) | Reinsurance premiums ceded (2) | Retention premiums (3)=(1)-(2) | Net change in unearned premium reserve (4) | Retention earned premiums (5)=(3)-(4) |
| Non-Compulsory insurance | $ 15,807,678 | $ 1,324,739 | $ 14,482,939 | $ 645,136 | $ 13,837,803 |
| Compulsory insurance | 2,600,177 | - | 2,600,177 | 12,561 | 2,587,616 |
| | $ 18,407,855 | $ 1,324,739 | $ 17,083,116 | $ 657,697 | $ 16,425,419 |

(4) Calculation of retention reinsurance claims paid are shown below:

| Category of insurance | Year ended December 31, 2021 Reinsurance claims paid (1) | Reinsurance claims recovery (2) | Retention reinsurance claims paid (3)=(1)-(2) |
|---|---|---|---|
| Non-Compulsory insurance | $ 7,428,214 | $ 697,770 | $ 6,730,444 |
| Compulsory insurance | 2,594,919 | - | 2,594,919 |
| | $ 10,023,133 | $ 697,770 | $ 9,325,363 |

| Category of insurance | Year ended December 31, 2020 Reinsurance claims paid (1) | Reinsurance claims recovery (2) | Retention reinsurance claims paid (3)=(1)-(2) |
|---|---|---|---|
| Non-Compulsory insurance | $ 7,427,730 | $ 685,892 | $ 6,741,838 |
| Compulsory insurance | 2,734,354 | - | 2,734,354 |
| | $ 10,162,084 | $ 685,892 | $ 9,476,192 |

(5) Balance sheets for compulsory automobile liability insurance are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 4,093,501 | $ 4,033,524 |
| Due from reinsurers and ceding companies | 441,546 | 432,492 |
| | $ 4,535,047 | $ 4,466,016 |
| Liabilities | | |
| Unearned premium reserve | $ 1,556,496 | $ 1,536,354 |
| Claims reserve | 2,196,412 | 2,185,552 |
| Special reserve | 782,139 | 744,110 |
| | $ 4,535,047 | $ 4,466,016 |

Note: As of December 31, 2021 and 2020, certain time deposits, which amounted to $188,400 and $0, respectively, included above as cash and cash equivalents of compulsory automobile liability insurance did not meet the definition of cash equivalents, consequently they are presented under other financial assets.

(6) Details of revenues and costs for compulsory automobile liability insurance are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Operating revenues | | |
| Reinsurance premiums | $ 2,658,332 | $ 2,600,177 |
| Net change in unearned premium reserve | ( 20,142) | ( 12,561) |
| Retention earned premiums | 2,638,190 | 2,587,616 |
| Interest income | 5,618 | 7,717 |
| | $ 2,643,808 | $ 2,595,333 |
| Operating costs | | |
| Reinsurance claims paid | $ 2,594,919 | $ 2,734,354 |
| Net change in claims reserve | 10,860 | 52,277 |
| Net change in special reserve | 38,029 | ( 191,298) |
| | $ 2,643,808 | $ 2,595,333 |

13. RISK MANAGEMENT

The Company has established risk management policy being the highest directive of promoting enterprise risk management, to efficiently identify, assess, respond and monitor all the risks assumed and to ensure that all risks are within the limitations as planned. Reasonable consideration relationship between risk and reward has been taken into account to maximize the value of equity, maintain the capital adequacy and solvency capability and strengthen the long-term operations of business. The Company has set up risk management committee which is in charge of executing risk management decisions made by the Board of Directors, as well as independent risk management unit which is responsible for executive affairs in daily monitoring, assessment and evaluation of risks.

With regard to various circumstances of the risk management and the monitoring specification, the Company implemented “Risk Managing Mechanism” covering market, credit, liquidity, operation, insurance, asset and liability, emerging market, money laundering, terrorist financing and other risks. In addition, in order to better improve the strategic risk management efficiency, risk quantitative module, finance of risk variance are put to use to analyze various businesses. In addition, the Company sets up risk capacity and risk bearing as the basis for risk management, and promoting the modularization of various risks to continually strengthen the efficiency of risk management at the same time.

(1) Financial instruments

A. Financial risk management policies

Except for derivatives held by the Company, the Company’s financial instruments mainly comprise cash and cash equivalents, and all kinds of investments. The Company utilizes those instruments to achieve adjustments to operating cash flows. The Company holds other financial assets and liabilities as well, such as notes receivable from operating activities, due from (to) reinsurers and ceding companies, reinsurance receivables (payables), other accounts receivable, and other accounts payable.

The Company undertakes derivative financial instruments such as futures, forward foreign exchange contracts and FX swap contracts to hedge fair value risk arising from fluctuations in stock prices and exchange rates.

B. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

To hedge cash flow fair value risk arising from fluctuations in exchange rates, the Company undertakes derivative financial instruments such as FX swap contracts and forward foreign exchange contracts to hedge recognized assets and liabilities denominated in foreign currencies.

The Company estimates that the conditions of the hedge instruments and the hedged items are the same, thus maximizing the hedging effectiveness.

(i)The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the Offshore Insurance Branch's currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value |
| Assets | | | |
| Monetary items | | | |
| CNY | 337,362 | 4.346 | 1,466,194 |
| EUR | 13,968 | 31.331 | 437,643 |
| HKD | 65,413 | 3.551 | 232,258 |
| ILS | 40,038 | 8.894 | 356,082 |
| JPY | 1,428,583 | 0.240 | 343,530 |
| KRW | 4,130,632 | 0.023 | 96,203 |
| THB | 298,234 | 0.830 | 247,642 |
| USD | 509,621 | 27.690 | 14,111,419 |
| Non-monetary items | | | |
| CNY | 84,601 | 4.346 | 367,679 |
| HKD | 111,370 | 3.551 | 395,435 |
| USD | 11,009 | 27.690 | 304,832 |
| Liabilities | | | |
| Monetary items | | | |
| CNY | 207,281 | 4.346 | 900,853 |
| EUR | 11,509 | 31.331 | 360,592 |
| ILS | 17,002 | 8.894 | 151,206 |
| INR | 422,798 | 0.372 | 157,216 |
| JPY | 1,001,407 | 0.240 | 240,807 |
| KRW | 19,132,553 | 0.023 | 445,600 |
| USD | 161,992 | 27.690 | 4,485,550 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value |
| Assets | | | |
| Monetary items | | | |
| CAD | $ 3,639 | 22.364 | $ 81,383 |
| CNY | 384,445 | 4.380 | 1,683,890 |
| EUR | 7,779 | 35.042 | 272,582 |
| HKD | 62,103 | 3.678 | 228,384 |
| ILS | 25,701 | 8.877 | 228,148 |
| JPY | 755,190 | 0.276 | 208,735 |
| KRW | 5,203,346 | 0.026 | 136,545 |
| THB | 265,877 | 0.952 | 253,076 |
| USD | 443,344 | 28.508 | 12,638,837 |
| Non-monetary items | | | |
| CNY | 130,868 | 4.380 | 573,208 |
| EUR | 9,415 | 35.042 | 329,923 |
| HKD | 194,655 | 3.678 | 715,846 |
| USD | 39,425 | 28.508 | 1,123,941 |
| Liabilities | | | |
| Monetary items | | | |
| CNY | 171,020 | 4.380 | 749,076 |
| EUR | 3,657 | 35.042 | 128,162 |
| INR | 402,225 | 0.390 | 156,964 |
| JPY | 1,382,834 | 0.276 | 382,218 |
| KRW | 12,387,866 | 0.026 | 325,079 |
| THB | 86,753 | 0.952 | 82,576 |
| USD | 134,007 | 28.508 | 3,820,262 |

(ii)Sensitivity analysis of foreign exchange risk for monetary financial assets and liabilities listed in the table below is performed for reasonably possible changes in foreign exchange rates with other conditions held constant and without considering foreign exchange derivatives for hedge, the effects on profit or loss before tax for the years ended December 31, 2021 and 2020 are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Foreign currencies to NTD appreciate by 1% | $ 101,275 | $ 92,739 |
| Foreign currencies to NTD depreciate by 1% | ( 101,275) | ( 92,739) |

ii. Price risk

(i) The values of financial instruments may be changed by economic situations, industrial circumstances, market capital flows and government monetary policies. To hedge market value risk exposures, the Company adopts diversified assets allocation strategy taking into account the current trends of financial markets to flexibly adjust assets portfolio under the provisions of Article 146 (1) ~ (8) of the Insurance Act, regulating the limits of funds utilization ratios and accordingly, disperse the market value risk.

(ii)The Company adopts the FX swap contracts and forward foreign exchange contracts to hedge exchange rate fluctuations risk on foreign-currency denominated assets. As the gain (loss) arising from exchange rate changes will mostly offset against the loss (gain) on hedged objectives, the Company estimates no material market value risk would arise. The Company is exposed to price risk because of investments in stock-related futures, which have fair value in the active market and are used for hedging purposes. The Company sets limits to control the transaction volume to reduce its market risk.

(iii)The Company's investments comprise equity securities and REITs, etc. Their fair value would change due to the change of the prices of equity securities. If the prices of these equity securities and REITs had increased/decreased by 5% with all other variables held constant, the effects on profit and loss and equity in the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | Changes in variables | Changes in profit or loss before tax | Changes in other comprehensive income (before tax) |
| Financial assets at fair value through profit or loss | Increased/ decreased by 5% | $ 4,300 | $ 353,692 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Changes in variables | Changes in profit or loss before tax | Changes in other comprehensive income (before tax) |
| Financial assets at fair value through profit or loss | Increased/ decreased by 5% | $ 16,562 | $ 312,335 |

iii.Interest rate risk

Sensitivity analysis of interest rate risk listed in the table below is performed for reasonably possible changes in interest rate with other conditions held constant, showing the effect on profit or loss before tax and other comprehensive income before tax. Measurement of interest rate risk only takes into consideration the duration but does not include convexity. Relevant effects may differ from the actual values, but the differences are not significant.

As of December 31, 2021, debt instruments held by the Company were all classified as financial assets at amortized cost. Therefore, the Company was not exposed to interest rate risk.

| | December 31, 2020 | | |
|---|---|---|---|
| | Changes in variables | Changes in profit or loss before tax | Changes in other comprehensive income (before tax) |
| Financial assets at fair value through profit or loss | Increase/ decrease 50 basis points | Decrease $6,688/ Increase $6,688 | - |

(b) Credit risk

i. When investing in financial instruments, the Company will encounter the risks that the transaction or credit counterparties may default on contracts and the custodians may incur operating difficulties. The Company utilizes funds and makes investments in accordance with the Article 146 of Insurance Act and relevant laws, and conducts transactions only with counterparties with good credit ratings, or ensures that financial instruments are issued or guaranteed by reputable financial institutions, or acquires adequate collaterals. The Insurance Act also puts a limit to the transaction amount on an individual transaction or credit counterparty. Accordingly, the maximum loss to the Company is the total amount of all book value.

ii. The Company utilizes funds and makes investments in financial instruments except for short-term notes and bills, time deposits, demand deposits and cash equivalents in accordance with the Article 146 of Insurance Act and related laws, and sets limits to control the investment volume with an individual institution. Therefore, the Company has lower significant concentrations of credit risk. As for the management of credit risk of debt instruments, the Company identifies the credit risk by its rating provided by external institutions, credit quality, conditions of locations, and risk of counterparties. For credit ratings of transaction or credit counterparties, the Company strictly complies with the Article 146 of Insurance Act, the relevant legal interpretations and the Company's internal regulations on risk control. The transaction or credit counterparties of bond investments are those financial institutions and companies with a certain degree of credit rating.

iii. The Company undertakes FX swap contracts and forward foreign exchange contracts only with high-credit-quality financial institutions. If the counterparties of Taiwan Stock Index Futures default, the futures brokers will be liable for the losses incurred on the default. Accordingly, the Company estimates no material credit risk would arise.

iv. The Company recognizes the following events as financial instruments' credit risk increases significantly:

(i) Bond interest receivable and debt instrument investments at amortized cost:

a. When an independent external rating system has rated such investment instrument as investment grade, then it is classified as low credit risk;

b. When an independent external rating system has downgraded such investment instrument 2 notches and to non-investment grade; or

c. When an independent external rating system has rated such investment instrument as non-investment grade and decline in market value (against to the cost) exceeds 30%, then it is classified as the credit risk increases significantly.

(ii) Accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost:

When contractual payments (excluding the debt instruments) are more than 30 days past due but less than 90 days, then it is classified as the credit risk increases significantly.

(iii) For the financial assets mentioned above, in order to accurately measure the impacts that Covid-19 has had on it due to a significant increase in credit risk, further and supplemental considerations would be needed.

v. The Company uses the following indicators to assess whether a financial asset has a credit impairment:

(i) A breach of contract, such as a default or delinquency in interest or principal payments; when a contract (excluding the debt instruments) is overdue more than 90 days, it is deemed breached.

(ii) The issuer enters into bankruptcy or reorganization that significantly affects its business.

vi. The Company wrote-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered. The indicators for reasonably expected to be unrecoverable include:

(i) The recourse procedure has ceased.

(ii) The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

vii. The Company uses credit ratings (including forward-looking information), probability of default and loss given default figures periodically published by international credit rating agencies to estimate expected credit loss of bond interest receivable and debt instruments at amortized cost. Information about expected loss rate is as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | 12 Months | Lifetime Significant increase in credit risk | 12 Months | Lifetime Significant increase in credit risk |
| Bond interest receivable | | | | |
| Group 1 | 0.0000% | - | 0.0000% | - |
| Group 2 | 0.0000%~0.0249% | - | 0.0000%~0.0248% | - |
| Group 3 | 0.0182%~0.0374% | - | 0.0182%~0.0372% | - |
| Group 4 | 0.0623%~0.0873% | - | 0.0745%~0.1365% | - |
| Group 5 | - | 0.2556% | - | 0.2482% |
| Debt instruments at amortized cost | | | | |
| Group 1 | 0.0000% | - | 0.0000% | - |
| Group 2 | 0.0000%~0.0249% | - | 0.0000%~0.0248% | - |
| Group 3 | 0.0182%~0.0374% | - | 0.0182%~0.0372% | - |
| Group 4 | 0.0623%~0.0873% | - | 0.0745%~0.1365% | - |
| Group 5 | - | 0.2556% | - | 0.5608% |

Group 1: S&P AAA or equivalents.
Group 2: Over S&P AA- or equivalents.
Group 3: Over S&P A- or equivalents.
Group 4: Over S&P BBB- or equivalents.
Group 5: Under S&P BBB- or equivalents.

The following credit risk information for the accounts receivable – bond interest receivable and investments in debt instruments at amortized cost as of December 31, 2021 and 2020:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | 12 Months | Lifetime Significant increase in credit risk | 12 Months | Lifetime Significant increase in credit risk |
| Bond interest receivable | | | | |
| Group 1 | $ 6,050 | $ - | $ 9,027 | $ - |
| Group 2 | 35,559 | - | 35,100 | - |
| Group 3 | 46,906 | - | 47,354 | - |
| Group 4 | 4,373 | - | 5,054 | - |
| Group 5 | - | 114 | - | 114 |
| | $ 92,888 | $ 114 | $ 96,535 | $ 114 |
| Debt instruments at amortized cost | | | | |
| Group 1 | $ 704,222 | $ - | $ 1,321,755 | $ - |
| Group 2 | 4,716,299 | - | 3,842,693 | - |
| Group 3 | 6,052,328 | - | 5,635,741 | - |
| Group 4 | 800,869 | - | 1,126,143 | - |
| Group 5 | - | 200,000 | - | 200,000 |
| | $ 12,273,718 | $ 200,000 | $ 11,926,332 | $ 200,000 |

Movements of loss allowance for bond interest receivable and investments in debt instruments at amortized cost as of December 31, 2021 and 2020 are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 12 Months | Lifetime Significant increase in credit risk | 12 Months | Lifetime Significant increase in credit risk |
| Bond interest receivable | | | | |
| At January 1 | $ 23 | $ - | $ 31 | $ - |
| Recovery | - | - | ( 8) | - |
| At December 31 | $ 23 | $ - | $ 23 | $ - |

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 12 Months | Lifetime Significant increase in credit risk | 12 Months | Lifetime Significant increase in credit risk |
| Debt instruments at amortized cost | | | | |
| At January 1 | $ 3,224 | $ 1,122 | $ 4,176 | $ - |
| Transfer to credit risk has increased significantly | - | - | ( 285) | 285 |
| Provision | - | - | - | 837 |
| Recovery | ( 16) | ( 611) | ( 667) | - |
| At December 31 | $ 3,208 | $ 511 | $ 3,224 | $ 1,122 |

viii. The Company considers expected loss rate based on historical and current information and takes into account forecasts of future economic conditions to estimate expected credit loss of accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost. As of December 31, 2021 and 2020, the Company's accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost are not overdue or past due no more than 30 days. The Company therefore assessed credit risk as low and do not recognize loss allowance for credit loss. The book value as of December 31, 2021 and 2020, are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | 12 Months | 12 Months |
| Accounts receivable (excluding bond interest) | $ 189,915 | $ 357,376 |
| Other financial assets | 3,083,454 | 499,556 |
| Refundable deposits under other assets | 192,583 | 321,980 |

(c) Liquidity risk

i. The Company uses time deposits to adequately adjust its cash flows. When conducting investment evaluation, the Company will take into account the liquidity of financial instruments in secondary markets and may allocate some funds to lower-liquidity but higher-yield-rate financial instruments on condition that the risk is controlled. Even if those financial instruments are sold in the short-term, there is a less likelihood that liquidity risk would arise due to the selling price being significantly lower than the fair value. However, those financial instruments are not intended to be sold in the short-term.

ii. The notional principal of FX swap contracts and forward foreign exchange contracts is normally used as a calculation basis of receivables and payables for these transactions, and is not the actual settlement amount, except for new undertaking or non-renewing transactions. The actual settlement amount is usually lower than the notional principal. The Company has paid margins in advance before undertaking stock-related futures transactions, and daily evaluates the unsettled futures positions. In case additional margins have to be paid later on, the Company has sufficient working capital to fulfill its payment obligations. Accordingly, the Company estimates no material cash flow risk would arise.

iii. The table below analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

(i) Non-derivative financial liabilities

| December 31, 2021 | Due in one year | Due after one year through three years | Total |
|---|---|---|---|
| Accounts payable | $ 755,268 | $ 1,839 | $ 757,107 |
| Deposits-in (under other liabilities) | 1,679 | 2,572 | 4,251 |

| December 31, 2020 | Due in one year | Due after one year through three years | Total |
|---|---|---|---|
| Accounts payable | $ 420,347 | $ 575 | $ 420,922 |
| Deposits-in (under other liabilities) | 2,872 | 2,683 | 5,555 |

(ii) Net-settled derivative financial liabilities

| December 31, 2021 | Due in three months | Due after three months through one year | Total |
|---|---|---|---|
| FX swap contracts | $ - | $ 567 | $ 567 |
| Forward foreign exchange contracts | 204 | - | 204 |

| December 31, 2020 | Due in three months | Due after three months through one year | Total |
|---|---|---|---|
| FX swap contracts | $ 1,006 | $ 8,376 | $ 9,382 |
| Forward foreign exchange contracts | 21,571 | 791 | 22,362 |
| Futures | 696 | - | 696 |

(2) Risk management of insurance contracts

All insurance contracts assumed by the Company, after assessment, were considered risks transferred by reinsurance. Risk management and procedures are summarized below:

A. Measurement and management of insurance risk:

Insurance risk occurs when loss frequency, severity, timing and other possible risk factors are far from past experience. For example, natural and man-made catastrophes risk may occur randomly and thus actual claims may be more than expected.

The Company follows underwriting and risk management related guidelines to assume reinsurance business. The Company's internal quantitative model, external monitoring model, internal control system and other related systems are developed to ensure insurance risks are efficiently identified, measured, steered and monitored.

(a) Underwriting policy

The reinsurance portfolio of the Company consists of various types of reinsurance and businesses from different countries and territories. The insurance types include life insurance, property and casualty insurance and others which are in compliance with regulatory requirement. The Company's development direction is to actively deepen the domestic market and steadily expand the international market to diversify risks of regional concentration.

(b) Retrocession strategy

In consideration of financial strength, capacity and the operation strategies, the Company arranges retrocession to increase the capacity, diversify risks, mitigate retained risk and increase business competitiveness. Furthermore, the Company has purchased catastrophe cover to minimize the exposure to catastrophe loss which may greatly impact the Company's financial performance. Stringent evaluation of the reputation and credit rating of the reinsurer is taken into account when the Company arranges a retrocession contract.

Although the Company adopts various prescribed methods to control insurance risk, given the random and unpredictable nature of insured incidents, deviation may occur between the actual result and the expectation derived from historical experience.

B. Concentration of insurance risk

Premium income and retention premium income ratio based on the business type are as follows:

| Year / Type | Year ended December 31, 2021 | | Year ended December 31, 2020 | |
|---|---|---|---|---|
| | Reinsurance premiums | Retention premiums | Reinsurance premiums | Retention premiums |
| Domestic inward property reinsurance business | 65.67% | 64.75% | 63.38% | 62.16% |
| Domestic inward life reinsurance business | 14.38% | 15.14% | 15.96% | 16.85% |
| Subtotal-Domestic inward reinsurance business | 80.05% | 79.89% | 79.34% | 79.01% |
| Foreign inward reinsurance business | 19.95% | 20.11% | 20.66% | 20.99% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% |

C. Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the years ended December 31, 2021 and 2020 were $16,352,734 and $13,837,803, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the years ended December 31, 2021 and 2020 would be approximately $163,527 and $138,378, respectively.

D. Loss development pattern

(a) As of December 31, 2021, the following table indicates the loss development pattern of the Company's inward business:

| Year of underwriting | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|
| Non-statutory insurance | | | | | | | |
| Accumulated estimated claim amount | | | | | | | |
| At the end of the year | $ 4,823,223 | $ 4,676,211 | $ 4,930,116 | $ 5,429,011 | $ 6,182,109 | $ 7,121,181 | |
| After the first year | 7,371,808 | 7,200,462 | 8,375,507 | 8,960,138 | 10,391,862 | | |
| After the second year | 7,038,930 | 7,175,700 | 8,368,857 | 8,642,445 | | | |
| After the third year | 6,840,249 | 7,025,963 | 8,047,413 | | | | |
| After the fourth year | 6,705,805 | 6,916,847 | | | | | |
| After the fifth year | 6,678,514 | | | | | | |
| Accumulated estimated claim amount | 6,678,514 | 6,916,847 | 8,047,413 | 8,642,445 | 10,391,862 | 7,121,181 | $ 47,798,262 |
| Accumulated claim payment | ( 6,287,353) | ( 6,275,639) | ( 7,156,696) | ( 6,917,997) | ( 5,113,374) | ( 499,919) | ( 32,250,978) |
| Accumulated unpaid claim | 391,161 | 641,208 | 890,717 | 1,724,448 | 5,278,488 | 6,621,262 | 15,547,284 |
| Accumulated unpaid claim before 2015 | | | | | | | 2,692,846 |
| Subtotal | | | | | | | 18,240,130 |
| Provision for statutory insurance claims reserve (Note) | - | - | 24,983 | 454,002 | 1,109,042 | 608,404 | 2,196,431 |
| Total | | | | | | | $ 20,436,561 |

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(b) As of December 31, 2021, the following table indicates the loss development pattern of the Company's retention business:

| Year of underwriting | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|
| Non-statutory insurance | | | | | | | |
| Accumulated estimated claim amount | | | | | | | |
| At the end of the year | $ 4,501,311 | $ 4,427,596 | $ 4,566,834 | $ 4,965,602 | $ 5,507,600 | $ 6,488,150 | |
| After the first year | 6,787,551 | 6,686,191 | 7,512,520 | 8,197,721 | 9,303,467 | | |
| After the second year | 6,519,989 | 6,712,808 | 7,418,997 | 7,937,308 | | | |
| After the third year | 6,321,303 | 6,546,353 | 7,159,109 | | | | |
| After the fourth year | 6,192,607 | 6,461,136 | | | | | |
| After the fifth year | 6,166,722 | | | | | | |
| Accumulated estimated claim amount | 6,166,722 | 6,461,136 | 7,159,109 | 7,937,308 | 9,303,467 | 6,488,150 | $ 43,515,892 |
| Accumulated claim payment | ( 5,787,550) | ( 5,851,288) | ( 6,434,650) | ( 6,348,885) | ( 4,609,656) | ( 508,865) | ( 29,540,894) |
| Accumulated unpaid claim | 379,172 | 609,848 | 724,459 | 1,588,423 | 4,693,811 | 5,979,285 | 13,974,998 |
| Accumulated unpaid claim before 2015 | | | | | | | 2,619,271 |
| Subtotal | | | | | | | 16,594,269 |
| Provision for statutory insurance claims reserve (Note) | - | - | 24,983 | 454,002 | 1,109,042 | 608,404 | 2,196,431 |
| Total | | | | | | | $ 18,790,700 |

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(c) As of December 31, 2020, the following table indicates the loss development pattern of the Company's inward business:

| Year of underwriting | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|
| Non-statutory insurance | | | | | | | |
| Accumulated estimated claim amount | | | | | | | |
| At the end of the year | $ 5,067,741 | $ 4,823,223 | $ 4,676,211 | $ 4,930,116 | $ 5,429,011 | $ 6,182,109 | |
| After the first year | 7,521,055 | 7,371,808 | 7,200,462 | 8,375,507 | 8,960,138 | | |
| After the second year | 7,049,813 | 7,038,930 | 7,175,700 | 8,368,857 | | | |
| After the third year | 6,892,499 | 6,840,249 | 7,025,963 | | | | |
| After the fourth year | 6,804,183 | 6,705,805 | | | | | |
| After the fifth year | 6,732,022 | | | | | | |
| Accumulated estimated claim amount | 6,732,022 | 6,705,805 | 7,025,963 | 8,368,857 | 8,960,138 | 6,182,109 | $ 43,974,894 |
| Accumulated claim payment | ( 6,043,724) | ( 6,253,749) | ( 6,160,254) | ( 6,785,397) | ( 5,230,020) | ( 526,236) | ( 30,999,380) |
| Accumulated unpaid claim | 688,298 | 452,056 | 865,709 | 1,583,460 | 3,730,118 | 5,655,873 | 12,975,514 |
| Accumulated unpaid claim before 2014 | | | | | | | 2,587,258 |
| Subtotal | | | | | | | 15,562,772 |
| Provision for statutory insurance claims reserve (Note) | - | - | 25,405 | 450,294 | 1,086,640 | 623,232 | 2,185,571 |
| Total | | | | | | | $ 17,748,343 |

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(d) As of December 31, 2020, the following table indicates the loss development pattern of the Company's retention business:

| Year of underwriting | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|
| Non-statutory insurance | | | | | | | |
| Accumulated estimated claim amount | | | | | | | |
| At the end of the year | $ 4,796,487 | $ 4,501,311 | $ 4,427,596 | $ 4,566,834 | $ 4,965,602 | $ 5,507,600 | |
| After the first year | 7,012,164 | 6,787,551 | 6,686,191 | 7,512,520 | 8,197,721 | | |
| After the second year | 6,605,203 | 6,519,989 | 6,712,808 | 7,418,997 | | | |
| After the third year | 6,459,501 | 6,321,303 | 6,546,353 | | | | |
| After the fourth year | 6,371,512 | 6,192,607 | | | | | |
| After the fifth year | 6,303,221 | | | | | | |
| Accumulated estimated claim amount | 6,303,221 | 6,192,607 | 6,546,353 | 7,418,997 | 8,197,721 | 5,507,600 | $ 40,166,499 |
| Accumulated claim payment | ( 5,633,408) | ( 5,770,944) | ( 5,740,076) | ( 6,082,639) | ( 4,782,257) | ( 525,281) | ( 28,534,605) |
| Accumulated unpaid claim | 669,813 | 421,663 | 806,277 | 1,336,358 | 3,415,464 | 4,982,319 | 11,631,894 |
| Accumulated unpaid claim before 2014 | | | | | | | 2,502,579 |
| Subtotal | | | | | | | 14,134,473 |
| Provision for statutory insurance claims reserve (Note) | - | - | 25,405 | 450,294 | 1,086,640 | 623,232 | 2,185,571 |
| Total | | | | | | | $ 16,320,044 |

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

14. <u>THE OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT</u>

The Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Company in order to support the Company's sustainable development and continuously create interests for shareholder.

In practice, Taiwan insurance enterprises usually measure whether the capital is adequate by using the ratio of self-owned capital to risk-based capital (the "capital adequacy ratio")and the net worth ratio. Pursuant to Article 5 of "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy level of an insurance enterprise refers to the capital adequacy ratio equaling or exceeding 200% and the net worth ratio being at least 3% in one of the most recent two periods. The Company calculates the capital adequacy ratio every six months in accordance with the "Regulations Governing Capital Adequacy of Insurance Companies" to ensure that it can continuously meet the statutory capital requirement.

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Capital adequacy ratios and the net worth ratio of the Company of the latest two years were all at capital adequacy level. In addition, the net worth ratio of the Company as of December 31, 2021 and 2020 is 33.46% and 31.39%, respectively, in accordance with the Article 15 of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

15. <u>OTHER DISCLOSURES</u>

(1) <u>Information of significant transactions</u>

A. Acquisition of real estate in excess of $300,000 or 20% of the paid-in capital: None.

B. Disposals of real estate in excess of $300,000 or 20% of the paid-in capital: None.

C. Related party transactions in excess of $100,000 or 20% of the paid-in capital: None.

D. Accounts receivable from related parties in excess of $100,000 or 20% of the paid-in capital: None.

E. Derivative business transactions: Please see Note 6 (3).

F. Business and significant transactions between the parent company and subsidiaries, and those between subsidiaries: None.

(2) <u>Information related to long-term investments</u>

None.

(3) <u>Investments in Mainland China and business transactions</u>

None.

(4) Major shareholders information

| Names of major shareholders \ Shares | Number of shares held | Shareholding ratio(%) |
|---|---|---|
| Evergreen International Corporation | 207,419,251 | 35.13% |
| Ministry of Finance | 90,905,773 | 15.39% |
| Evergreen International Storage and Transport Corporation | 50,353,414 | 8.52% |
| Evergreen Marine Corporation | 49,866,466 | 8.44% |

Note: Major shareholders information on this exhibit refers to the shareholders who own 5% or more dematerialized registered and delivered shares of the Company on the last business day of each quarter.

16. SEGMENT INFORMATION

(1) General information

The Company operates business only in reinsurance services. The Company allocates resources and assesses performance of the Company as a whole, and has identified that the Company has only one reportable operating segment.

(2) Product information

The Company has only one kind of product; therefore, disclosure of financial information by product is not applicable.

(3) Geographical information

Premium income of the Company from domestic and foreign clients for the years ended December 31, 2021 and 2020 are as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Domestic inward reinsurance | $ 16,729,515 | $ 14,605,616 |
| Foreign inward reinsurance | 4,170,143 | 3,802,239 |
| | $ 20,899,658 | $ 18,407,855 |

(4) Major customer information

There are specific customers of Compulsory Motor Insurance Pool that contributed over 10% of the total revenue stated on the Company's statement of comprehensive income. In 2021 and 2020, the premium income from these customers amounted to $2,658,332 and $2,600,177, constituting 12.72% and 14.13% of the related totals, respectively.

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

18. ACQUISITION, CONSTRUCTION, IDLELIZATION AND SALES OF MAIN OPERATING ASSETS AND REAL ESTATE INVESTMENTS

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

20. IMPORTANT CONTRACTS SIGNED, DISCHARGED BY PERFORMANCE, AGREEMENT, OR BREACHED

    Aside from regular contracts related to the insurance business, the Company had no important contracts signed, discharged by performance, agreement, or breached.

21. INVESTMENT ITEMS AND INVESTMENT CEILINGS WITH THE INVESTMENT FUNDS BEING HANDLED AND MANAGED BY THE SECURITIES INVESTMENT TRUST COMPANIES OR SECURITIES INVESTMENT CONSULTING COMPANIES

    None.

22. ADJUSTMENT OF ORGANIZATION AND SIGNIFICANT CHANGE OR REFORM OF MANAGEMENT MECHANISM

    None.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

    None.

24. INFORMATION ON DISCONTINUED OPERATIONS

    None.

25. MAJOR OPERATIONS, ASSETS, AND LIABILITIES RECEIVED FROM OR TRANSFERRED TO OTHER INSURANCE BUSINESSES

    None.