

The First Insurance Co., Ltd.



2017 Annual Report

**Market Observation Post System: <http://mops.twse.com.tw>
Company website: <http://www.firstins.com.tw>**

Published June 16, 2018

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**III. Address and contact number of the headquarter, branches and offices
(Please refer to page 5)**

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VI. Name of overseas exchange where securities are listed, and method of inquiry: None.

VII. Company website: <http://www.firstins.com.tw>

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One. Letter to Shareholders

Ladies and gentlemen:

Welcome to the annual general meeting of The First Insurance Co., Ltd.

In 2017, the global economy outgrew stagnation and increased trade activities that resulted in falling unemployment, rising consumer confidence, and expanding production in world's major economies. With the world's advanced economies leading the recovery throughout the first half, investment, trade and industrial production activities strengthened around the world, which brought transaction volume into the financial market and resulted in growth performance that was higher than what the market had anticipated. In terms of the domestic economy, increased electronics and machinery exports combined with rising international raw material prices had contributed to the significant growth in product and service exports. In the meantime, private spending increased while price level remained stable. Overall, the nation's full-year economic growth rate was concluded at 2.84%, up 1.34 percentage points from the 1.50% in 2016.

Below is a summary of the Company's 2017 operational performance and 2018 business plans:

I. 2017 operational performance:

(I) Written premium revenues by insurance category: (in NT\$ 1,000)

Class	2017	2016
Fire	887,156	856,294
Marine	379,369	380,523
Motor	4,317,972	4,043,563
Others	1,415,288	1,356,346
Total	6,999,785	6,636,726

(II) Budget execution:

The Company did not publish an auditor-certified financial forecast for 2017, hence is not required to explain budget accomplishment.

(III) Income and expense:

The Company generated NT\$5,881,343,000 of revenue in 2017 and incurred NT\$4,122,629,000 of operating costs and NT\$1,242,794,000 of operating expenses, which produced NT\$515,920,000 of operating profit. After deducting income tax expense of NT\$55,224,000, net income was concluded at NT\$460,310,000.

(IV) Profitability analysis:

Return on Asset	3.07%
Return on Equity	8.31%
Net Investment Income Ratio	2.37%
Return on Investment	2.18%
Combined Ratio	96.23%
Retained Expense Ratio	37.23%
Retained Earned Loss Ratio	59.00%
EPS	NT\$1.53

(V) Research and development:

The Company's product development efforts are focused on satisfying customers' needs. Given the rapid change in consumers' preference, the Company encourages employees to take initiative in innovative thinking and participate in new product and service development in ways that would expand the variety of insurance products offered to customers. The Company has also been inspiring creativity among employees to provide fresh ideas for new insurance products and new business opportunities, which will prove essential to future growth.

In 2017, the Company submitted applications for 116 insurance products of various categories including group casualty insurance, public liability insurance, motor insurance, personal liability insurance, commercial fire insurance and engineering insurance to the competent authority. These included new products as well as modifications of existing products.

II. Highlights of 2018 business plan:

(I) Operational guidelines:

1. Strict control of loss ratio and expense ratio.
2. Develop reinsurance channels and strengthen reinsurance capacity.
3. Install and improve IT & Cloud platform.
4. Strengthen educational training and raise staff's professionalism.
5. Marketable products and differentiation and offer high quality insurance plans.
6. Continue to use information strategies in order to enhance management and operational efficiency.
7. Explore new insurance services, quality customers and bancassurance partners.
8. Enhance the professional capacity of the all-in-one underwriting, reinsurance, damage prevention and claims service team.
9. Raise underwriting, claims and risk management capacity for improved service quality.
10. Adopt a business-oriented approach that matches products to the appropriate customers. Raise productivity and enhance marketing of value-adding products.

(II) Business objectives:

Projected insurance weight for 2018:

1. Fire Insurance 16.86%.
2. Marine Insurance 6.23%.
3. Motor Insurance 62.57%.
4. Other Insurance 14.34%.

(III) Key production/sales policies:

1. Create a diversified marketing network and design suitable products for customers of different distribution channels.
2. Adopt a client-oriented approach and raise customers' satisfaction and loyalty by introducing high value-adding services.
3. Form alliances with participants of different industries for further expansion of service scope and customer reach.
4. Introduce customized products as a means to increase direct sales.

In November 2017, Taiwan Ratings Corp. published an assessment on the Company's credit standing and financial strength, in which it issued a credit rating of "twAA-" along with a "Stable" outlook, given the Company's satisfactory business risk

structure and strong capital position.

Although changing international monetary policies, global capital flow, U.S. tax reform, exchange rate movements, corporate credit risks in China and cross-strait relations do present uncertainties with respect to Taiwan's 2018 outlook, the nation's economy should continue to expand as a result of ongoing growth around the world and strengthened domestic demand. According to the latest forecasts made by leading institutions local and abroad, Taiwan's economic growth rate in 2018 has been estimated at 1.9%~2.5%. The government's current efforts to promote new infrastructures, remove investment obstacles, improve the capital environment, support innovative industrial projects and stimulate semiconductor manufacturers in adopting more advanced technologies should increase private investments in the future. In response, the Company shall continue focusing on its core business activities while at the same time explore improvements with a focus on stability, pragmatism, and innovation. In terms of asset allocation, the Company will strive to raise capital efficiency and asset yields as a show of gratitude for the support of our shareholders.

Lastly,

we would like to give you our best regards for the future ahead.

Chairman Cheng-Han Lee

Two. Company Overview

- I. Date of establishment: September 4, 1962
- II. Address and contact number of the headquarter, branches and offices:

Unit description	Address	TEL
Head Office	10F and 11F, No. 54, Section 1, Zhongxiao East Road, Zhongzheng District, Taipei City	(02)2391-3271
Taipei Branch Office	16F, No. 37, Section 2, Sanmin Road, Banqiao District, New Taipei City	(02)2964-9588
Taochu Branch Office	21F-2, No. 398, Huanbei Road, Zhongli District, Taoyuan City	(03)426-2666
Taichung Branch Office	9F, No. 726, Section 1, Taiwan Boulevard, West District, Taichung City	(04)2201-3135
Tainan Branch Office	6F, No. 515, Chenggong Road, West Central District, Tainan City	(06)258-5200
Kaohsiung Branch Office	4F and 5F, No. 263, Siwei 3rd Road, Lingya District, Kaohsiung City	(07)335-5669
Keelung Liaison Office	4F, No. 11, Ai 9th Road, Renai District, Keelung City	(02)2422-2279
Neihu Liaison Office	4F-1, No. 160, Section 6, Min Chuan East Road, Neihu District, Taipei City	(02)2792-7902
Chunglun Liaison Office	1F and 2F, No. 26, Section 4, Bade Road, Songshan District, Taipei City	(02)2764-5190
Sanchung Liaison Office	1F and 2F, No. 46, Zhongzheng North Road, Sanchong District, New Taipei City	(02)2981-3365
Xinshu Liaison Office	15F-1, No. 229, Xintai Road, Xinzhuang District, New Taipei City	(02)2998-8600
Banqiao Liaison Office	19F-3, No. 37, Section 2, Sanmin Road, Banqiao District, New Taipei City	(02)2964-3989
Luzhou Liaison Office	1F, No. 707, Changrong Road, Luzhou District, New Taipei City	(02)2282-0978
Xindian Liaison Office	11F, No. 103, Minquan Road, Xindian District, New Taipei City	(02)8667-1586
Taitung Liaison Office	No. 503, Xinsheng Road, Taitung City, Taitung County	(08)932-2380
Hualien Liaison Office	No. 215, Zhongzheng Road, Hualien City, Hualien County	(03)832-3346
Lanyang Liaison Office	6F, No. 338-6, Gongzheng Road, Luodong Township, Yilan County	(03)955-0511
Taoyuan Liaison Office	5F-2, No. 9, Jingguo Road, Taoyuan District, Taoyuan City	(03)358-8328
Bade Liaison Office	2F, No. 234 & 236, Section 1, Jieshou Road, Bade District, Taoyuan City	(03)367-2132
Hsinchu Liaison Office	10F-5, No. 9, Section 3, Zhonghua Road, North District, Hsinchu City	(03)523-9789
Toufen Liaison	2F, No. 485, Zhongyang Road, Toufen Town,	(037)681-012

Office	Miaoli County	
Miaoli Liaison Office	No. 428-1, Zhigong Road, Miaoli City, Miaoli County	(037)327-665
Fengyuan Liaison Office	No. 52, Fengdong Road, Fengyuan District, Taichung City	(04)2522-3928
Taichung Harbor Liaison Office	No. 181, Section 8, Taiwan Boulevard, Wuqi District, Taichung City	(04)2662-5539
Changhua Liaison Office	8F, No. 2, Section 2, Zhongshan Road, Changhua City, Changhua County	(04)711-7990
Yuanlin Liaison Office	No. 170, Nanping Street, Yuanlin Township, Changhua County	(04)835-1161
Tsaotwen Liaison Office	No. 7, Minquan West Road, Caotun Township, Nantou County	(049)231-5890
Yunlin Liaison Office	No. 78, Nanchang West Road, Dounan Township, Yunlin County	(05)597-6696
Chiayi Liaison Office	11F-1, No. 316, Chuiyang Road, East District, Chiayi City	(05)222-2933
Hsinying Liaison Office	No. 27-3, Datung Road, Xinying District, Tainan City	(06)632-7348
Chiali Liaison Office	No. 217, Jiadong Road, Jiali District, Tainan City	(06)721-1478
Yongkang Liaison Office	9F, No. 1-42, Zhonghua Road, Yongkang District, Tainan City	(06)311-0321
Fengshan Liaison Office	6F, No. 360, Section 1, Qingnian Road, Fengshan District, Kaohsiung City	(07)710-7001
Luchu Liaison Office	6F, No. 1187, Zhongshan Road, Luzhu District, Kaohsiung City	(07)607-2237
Nantze Liaison Office	14F-2, No. 800, Junxiao Road, Nanzi District, Kaohsiung City	(07)365-8867
Pingtung Liaison Office	No. 229-35, Zhongxiao Road, Pingtung City, Pingtung County	(08)766-6827
Penghu Liaison Office	2F, No. 68, Xinsheng Road, Magong City, Penghu County	(06)927-6225

III. Company history

(I) Date of establishment

The Company was founded on September 4, 1962 with a goal to contribute to the “stability of the domestic economy, welfare of the society, and prosperity of the industrial and commercial sectors.” Headquartered at No. 91, Section 1, Zhongxiao West Road, Taipei City, the Company began with a simplified organization with only two departments: Finance and Business. Owing to the management's conservative business approach and employees' contribution, the Company has been able to expand business with much success, and self-funded the construction of “First Insurance Tower” at No. 54, Section 1, Zhongxiao East Road, Taipei City, later on 1973.

(II) Milestones and developments:

January 1, 1975 marked the completion of the main office tower. Meanwhile, growing business activities led the Company to expand its internal organization and adopt a structure comprising five departments, namely: Finance Department, Administration Department, Fire Insurance Department, Casualty Insurance Department, and Marine Insurance. To further support business growth, the Company began establishment of a comprehensive service network by creating branch offices in Taichung and Kaohsiung, followed by liaison offices in main counties and cities throughout Taiwan.

Since the re-organization in June 1984, the Company has been introducing new solutions to improve work efficiency, service quality and financial position, and making reviews and improvements to existing management practices. Over time, the Company has developed a robust structure comprising multiple departments such as: Fire Insurance Department, Marine Insurance Department, Motor Insurance Department, Casualty Insurance Department, Business Department, Marketing Department, Finance Department, Accounting Department, Auditing Department, Information Department and Planning Department.

1993

The Company's shares were approved for public offering by Securities and Futures Commission, Ministry of Finance.

1995

Under the approval granted by the Ministry of Finance in Letter No.

Tai-Cai-Bao-841504666 dated May 6, 1995, the Company created three new liaison offices: Chiali, Toufen and Dounan on May 15, 1995.

1996

1. Under the approval granted by the Ministry of Finance in Letter No.

Tai-Cai-Bao-851846380 dated July 23, 1996, the Company created its new Fengshan Liaison Office at 6F, No. 360, Section 1, Qingnian Road, Fengshan District, Kaohsiung City on August 1, 1996.

2. Under the approval granted by the Ministry of Finance in Letter No.

Tai-Cai-Bao-851846344 dated November 26, 1996, the Company created its new Dali Liaison Office at No. 28, Daming Road, Dali City, Taichung County.

1997

1. Under the approval granted by the Ministry of Finance in Letter No.

Tai-Cai-Bao-861768724 dated March 18, 1997, the Company created its new Gangshan Liaison Office at 3F, No. 138, Zhongshan North Road, Gangshan Township, Kaohsiung County.

2. Under the approval granted by the Ministry of Finance in Letter No. Tai-Cai-Bao-861782565 dated May 8, 1997, the Company created its new Taoyuan Liaison Office at 3F-5-2, No. 9, Jingguo Road, Taoyuan City.
- 2000
1. Under the approval granted by the Ministry of Finance in Letter No. Tai-Cai-Bao-0890707409 dated August 2, 2000, the Company created its Daya Liaison Office at 1F and 2F, No. 127, Section 2, Yahuan Road, Daya Township, Taichung County.
 2. Under the approval granted by the Ministry of Finance in Letter No. Tai-Cai-Bao-0890709387 dated September 27, 2000, the Company created its new Tainan Branch Office at 5F, No. 515, Chenggong Road, West Central District, Tainan City
 3. Under the approval granted by the Ministry of Finance in Letter No. Tai-Cai-Bao-0890712554 dated December 26, 2000, the Company renamed its Gangshan Liaison Office to Luchu Liaison Office.
 4. Under the approval granted by the Securities and Futures Bureau, Ministry of Finance, in Letter No. (89)Tai-Cai-Cheng-(I)-72667 dated August 24, 2000, the Company's shares were listed for trading on TWSE on November 28 (Monday), 2000.
- 2001
1. The Company created its Nantze Liaison Office at 14F, No. 800, Junxiao Road, Kaohsiung City on July 1, 2001, and registered with The Non-Life Insurance Association.
 2. Under the approval granted by the Ministry of Finance in Letter No. Tai-Cai-Bao-0900709457 dated October 16, 2001, the Company created its Taipei Branch Office at 16F, No. 37, Section 2, Sanmin Road, Banqiao City, Taipei County, and Taochu Branch Office at 21F-2, No. 398, Huanbei Road, Zhongli District, Taoyuan City.
- 2002
1. The Company created its Rende Liaison Office at No. 1147, Section 2, Zhongzheng Road, Rende Township, Tainan City on January 1, 2002, and registered with The Non-Life Insurance Association.
 2. The Company created its Banqiao Liaison Office at 3F, No. 105, Section 1, Sichuan Road, Banqiao City, Taipei County on December 1, 2002, and registered with The Non-Life Insurance Association.
 3. The Company created its Shuanghe Liaison Office at 1F, No. 8, Dehe Road, Yonghe City, Taipei County on December 1, 2002, and registered with The Non-Life Insurance Association.
- 2003
1. On September 1, 2003, the Company renamed its Dounan Liaison Office to Yunlin Liaison Office, and registered with The Non-Life Insurance Association.
- 2004
1. The Company created its Toufen Liaison Office on January 1, 2004, and registered with The Non-Life Insurance Association.
 2. On June 8, 2004, the Company's "The First Golfer All Risks Insurance" won Best Product during RMIM's "Insurance Faith, Hope, and Love Award."

3. Customer Service Department was created on August 26, 2004.
4. Actuarial Department was created on August 26, 2004.
5. Direct Marketing Department was created on August 26, 2004.
6. Financial Insurance Marketing Department was created on August 26, 2004.
7. The Company created its Donggang Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
8. The Company created its Madou Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
9. The Company created its Chongde Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
10. The Company created its Baojian Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
11. The Company created its Puzi Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
12. The Company created its Douliu Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
13. The Company created its Beidou Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
14. The Company created its Bade Liaison Office on November 1, 2004, and registered with The Non-Life Insurance Association.
15. On November 30, 2004, Taiwan Ratings Corp. awarded the Company a rating “twA+” for financial strength and issuer credit while S&P awarded a rating of “BBB”; both institutions concluded a “Stable” outlook.
16. The Company created its Xinzhuang Liaison Office on December 24, 2004, and registered with The Non-Life Insurance Association.

2005

1. The Company created its Xiaogang Liaison Office on April 22, 2005, and registered with The Non-Life Insurance Association.
2. The Company created its Zhubei Liaison Office on May 1, 2005, and registered with The Non-Life Insurance Association.
3. The Company created its Xinyi Liaison Office on December 1, 2005, and registered with The Non-Life Insurance Association.

2006

1. The Company created its Xinpu Liaison Office on January 1, 2006, and registered with The Non-Life Insurance Association.
2. On December 6, 2006, Taiwan Ratings Corp. awarded the Company a rating “twA+” for financial strength and issuer credit, along with a “Stable” outlook.

2007

1. The Company created its Penghu Liaison Office on September 1, 2007, and registered with The Non-Life Insurance Association.
2. On November 20, 2007, Taiwan Ratings Corp. awarded the Company a rating “twA+” for financial strength and issuer credit, along with a “positive” outlook.
3. The Company closed down Xiaogang Liaison Office on December 20, 2007, and registered with The Non-Life Insurance Association.

2008

1. The Company closed down Madou Liaison Office on March 1, 2008, and registered with The Non-Life Insurance Association.
2. The Company closed down Xinzhuang Liaison Office on April 1, 2008, and registered with The Non-Life Insurance Association.
3. The Company closed down Daya Liaison Office on August 20, 2008, and registered with The Non-Life Insurance Association.
4. On September 18, 2008, Taiwan Ratings Corp. (Taiwan Ratings) awarded The First Insurance Co., Ltd. (First Insurance) a rating of “twA+” for issuer credit and financial strength, and adjusted outlook from “Positive” to “Stable.” Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” and adjusted outlook from “Positive” to “Stable.”
5. The Company closed down Shuanghe Liaison Office on October 1, 2008, and registered with The Non-Life Insurance Association.
6. The Company closed down Chongde Liaison Office on October 31, 2008, and registered with The Non-Life Insurance Association.
7. The Company closed down Dali Liaison Office on November 1, 2008, and registered with The Non-Life Insurance Association.
8. On November 18, 2008, Taiwan Ratings awarded First Insurance a rating of “twA+” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” along with a “Stable” outlook.
9. The Company closed down Douliu Liaison Office on December 1, 2008, and registered with The Non-Life Insurance Association.

2009

1. The Company closed down Beidou Liaison Office on January 31, 2009, and registered with The Non-Life Insurance Association.
2. The Company closed down Xindian Liaison Office on February 11, 2009, and registered with The Non-Life Insurance Association.
3. Taipei County Branch Office was renamed Taipei Branch Office with a change of the person-in-charge. The change had been approved by the Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Bao-3-09802053130 dated April 3, 2009.
4. The Company closed down Puzi Liaison Office on June 1, 2009, and registered with The Non-Life Insurance Association.
5. The Company closed down Donggang Liaison Office on June 30, 2009, and registered with The Non-Life Insurance Association.
6. The Company closed down Zhubei Liaison Office on July 17, 2009, and registered with The Non-Life Insurance Association.
7. On December 3, 2009, Taiwan Ratings awarded First Insurance a rating of “twA+” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” along with a “Stable” outlook.

2010

1. Risk Management Department was created on August 25, 2010.
2. On November 19, 2010, Taiwan Ratings awarded First Insurance a rating of

“twA+” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” along with a “Stable” outlook.

2011

1. The Company created its Luzhou Liaison Office on July 1, 2011, and registered with The Non-Life Insurance Association.
2. The Company created its Xindian Liaison Office on July 1, 2011, and registered with The Non-Life Insurance Association.
3. On November 10, 2011, Taiwan Ratings awarded First Insurance a rating of “twA+” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” along with a “Stable” outlook.

2012

1. On November 20, 2012, Taiwan Ratings awarded First Insurance a rating of “twA+” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB,” along with a “Stable” outlook.

2013

1. Shulin Liaison Office was renamed Xinshu Liaison Office on January 1, 2013.
2. On July 3, 2013, Taiwan Ratings adjusted First Insurance's issuer credit and financial strength rating from “twA+” to “twAA-” and gave a “Stable” outlook. Meanwhile, S&P adjusted First Insurance's issuer credit and financial strength rating from “BBB” to “BBB+” and gave a “Stable” outlook.
3. The Company closed down Xinpui Liaison Office on September 1, 2013, and registered with The Non-Life Insurance Association.
4. On November 14, 2013, Taiwan Ratings awarded First Insurance a rating of “twAA-” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB+,” along with a “Stable” outlook.
5. The Company closed down Xinyi Liaison Office on December 31, 2013, and registered with The Non-Life Insurance Association.

2014

1. Rende Liaison Office was renamed Yongkang Liaison Office on May 19, 2014
2. Under the approval granted by the Financial Supervisory Commission in Letter No. Jin-Guan-Bao-Chan-10302109800 dated September 11, 2014, the Company reappointed David Huang as the new President, amended business registration, and made a placement issue of business license.
3. On November 27, 2014, Taiwan Ratings awarded First Insurance a rating of “twAA-” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB+,” along with a “Stable” outlook.

2015

1. Compliance Department was created on January 01, 2015.
2. Direct Marketing Department was removed on February 15, 2015.
3. E-Commerce Marketing Department was created on February 16, 2015.
4. On November 25, 2015, Taiwan Ratings awarded First Insurance a rating of

“twAA-” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB+,” along with a “Stable” outlook.

2016

1. Corporate Governance Center was created on March 28, 2016.
2. On November 28, 2016, Taiwan Ratings awarded First Insurance a rating of “twAA-” for issuer credit and financial strength, along with a “Stable” outlook. Meanwhile, S&P gave First Insurance an issuer credit and financial strength rating of “BBB+,” along with a “Stable” outlook.

2017

1. On November 17, 2017, Taiwan Ratings awarded First Insurance a rating of “twAA-” for issuer credit and financial strength, along with a “Stable” outlook. On November 27, 2017, S&P gave First Insurance an issuer credit and financial strength rating of “BBB+,” along with a “Stable” outlook.

2018

1. Removed Personal Lines Insurance Group, Commercial Lines Insurance Group and Special Lines Insurance Group, and reorganized all subordinate departments under the Business Group.
2. Removed Management Support Resource Group and Enterprise Development Resource Group, and reorganized all subordinate departments under the Resource Management Group.
3. Renamed Personal Insurance Department to Injury and Health Insurance Department.

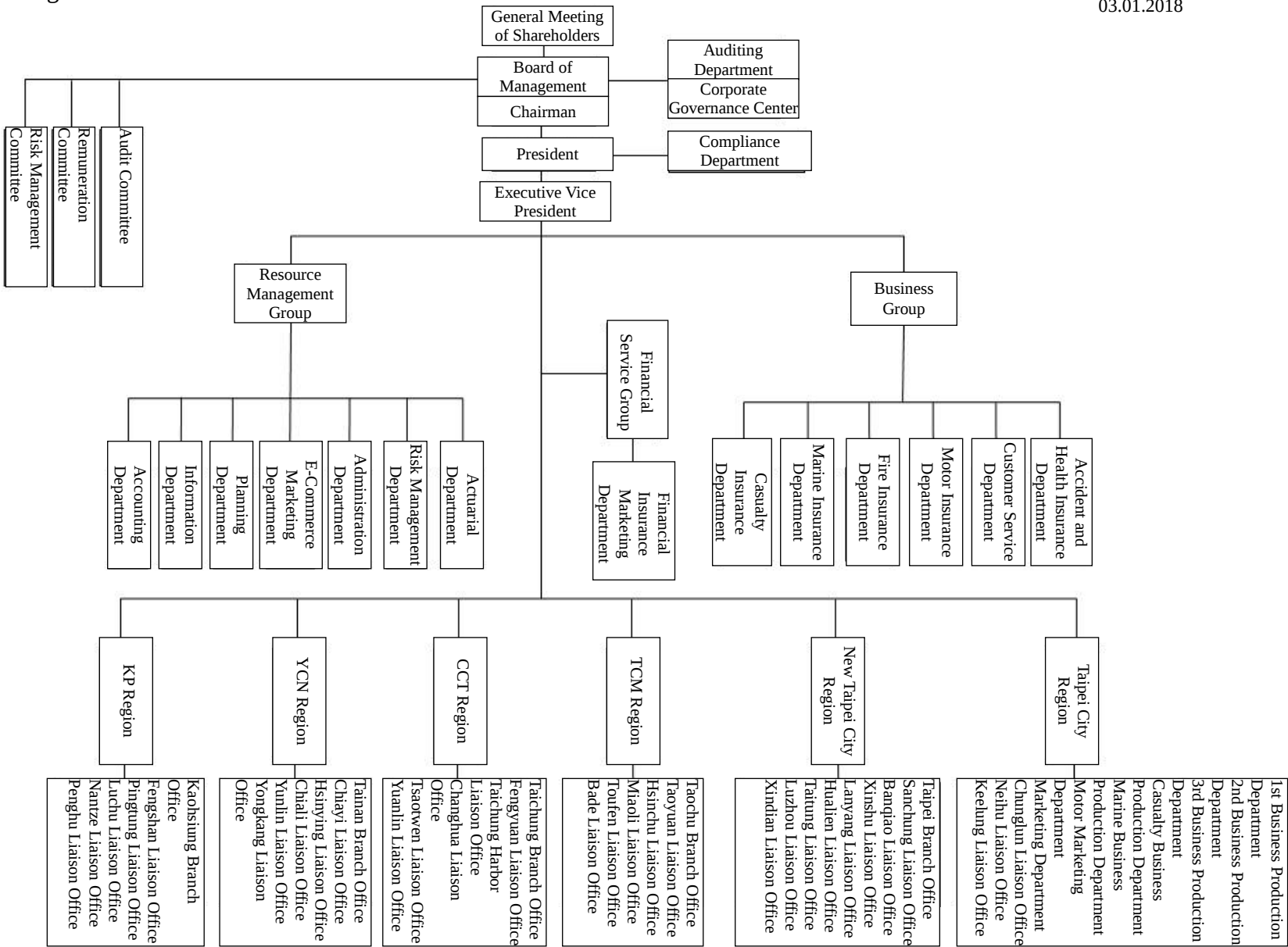
(III) Mergers, acquisitions, investments in affiliated companies, and restructuring that took place in the last financial year, up till the publication date of this annual report: None.

(IV) Impacts following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest, or change of management team, management practice or business activities, or any event capable of affecting shareholders' interests: None.

Three. Corporate Governance Report

- I. Organization System:
 - (I) Organizational Structure

03.01.2018



(II) The job function of the departments are specified below:

1. Auditing Dept.: administer the examination and audits of all operations of the corporate HQ and the branches, evaluate the performance of the self-assessment of the departments and assigned duties.
2. Administration Dept.: the purchase, registration, and management of supplies, disposition of residual supplies by auction, the trading, leasing, management and registration of company tools, equipment, and the receiving, collection of premiums, management, review and keeping of statistical reports. Cashier service, registration and keeping of funds and securities, and indentures.
3. Accounting Dept.: administer the budgeting and account settlement of the Company, design of the accounting system, accounting and statistical compilation, request for commission payment, joint effort in the acceptance of printed matters, stationary, machines and equipment, and other duties as required by law.
4. Planning Dept.: administer the personnel management of the company, which includes human resources, personnel administration, training and management, the design of long and short-term business plans, the surveys and design of different systems and organizations, and related revision and amendment.
Perform secretarial duties Circulation and checking of messages and documents, the management of using corporate seal and filing.
5. Information Dept.: administer the design, installation, and keeping of the whole information system, design and implement data processing in all departments, the analysis, backup, development and maintenance of all operating systems and data use, the research and development, improvement, and recommendation of the use of related information technologies.
6. Motor Insurance Dept.: administer the research and development and business design of motor insurance products, business development, policy underwriting, the review, establishment and keeping of the reinsurance contracts and counter-protection business, the generation, study and improvement of related statements and reports.
7. Fire Insurance Dept.: administer the design of products for fire insurance and allied perils, business development, underwriting of policy, domestic and overseas reinsurance contracts, agreements, clause, statement and the adjustment, indemnity of reinsurance and benefit claims of fire insurance, fire allied perils insurance and contractors' insurance, liability insurance claims and related establishment, study, and improvement.
8. Casualty Insurance: administer the research and development and design of contractors' insurance and liability insurance, business development, policy underwriting, domestic and overseas reinsurance contracts, agreements, clause, statements and the establishment study, and improvement of related business.
9. Marine Insurance Dept.: administer the research and development and design of marine cargo insurance, marine hull insurance, transport insurance and related products, business design, business service development, policy underwriting, domestic and overseas reinsurance contracts, agreements, clause, statement, and the adjustment of claims, indemnity of reinsurance, claims processing and the establishment, study, and improvement of related business.
10. The Business Production Depts: development of all insurance business and

performing of assigned duties. Recruitment and management of marketing personnel, managers, agents, and sale personnel and related training. Market intelligence and adjustment of policy and analysis and review of business performance, and study on improvement.

11. Marketing Dept.: administer the design and assignment of business targets. Study, implementation, development and maintenance of joint marketing plans with automobile insurance agent, life insurance and banks. Development and establishment of newly emerged channels such as strategic alliance, Internet, telephone, mail and joint marketing. Recruitment, training, and employment of marketing personnel. Performance of duties assigned by superior officers. Response and recommendation of marketing related activities.
12. Injury and Health Insurance Dept.: administer the research and development of the design of personal insurance products, development of personal insurance service and policy underwriting, preparation of statements and the review, establishment, and keeping of reinsurance and counter-protection contracts, adjustment of claims, indemnity of reinsurance, claims processing and the study, improvement and recommendation of related reinsurance.
13. Customer Service Dept.: administer the adjustment of claims, indemnity of reinsurance, and claims processing of automobile insurance, preparation of statements and rejection of claims with controversy, financing and proceedings in summary court, handling stolen cars, and the establishment, study, and improvement of related business.
14. Actuarial Dept.: administer the setting and review of insurance premium rate and liability reserve, decision-making in investment, assessment of the ability to repay debt, research and development of products and participation in the sale procedure, the research and development, improvement and recommendation of actuarial techniques.
15. Risk Management Dept.: administer risk management policies, structure, organizational functions, risk tolerance, and review the development, installation, and performance of the overall risk management mechanism, assistance and monitoring of the risk management taken by the departments, report on risk management at regular intervals and presentation of reports to the Board with timely feedback on the status of risk management in action, and give recommendation necessary for improvement.
16. Compliance Dept.: design, management and implementation of compliance system, legal proceedings, reconciliation, compulsory action, contracts and postal witness statements, study, review and counter-signature of insurance products before selling, gathering of information and study on insurance related laws and related amendment, supervision on anti-money laundering and personal information protection and compliance with applicable laws, legal affairs and improvement.
17. Corporate Governance Center: coordinate and administer the Corporate Social Responsibility Committee, Outsourcing Committee, Equal Treatment of Customers Committee, Ethical Corporate Management Committee and other matters of corporate governance.

II. Profiles of the Directors, President, Executive Vice Presidents, Vice Presidents, and the heads of the departments and branches:

(I) Directors

1. Profiles of Directors

April 30, 2018

Occupational Title (Note 1)	Nationality of place of registration	Name	Sex	Date of (elected to) office:	Tenure	Initial date of elected to office (Note 2)	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents		Shareholding under the title of a third party		Major experience (education) (Note 3)	Holding other positions of the Company and other companies at present	Other executive, Director or Supervisor who is a spouse or kindred within the 2nd tier under the Civil Code.		
							Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Occupational title	Name	Relation
Chairman	Republic of China	Yi Chi Co., Ltd.	-	June 24, 2016	3 years	730628	4,928,750	1.64%	4,928,750	1.64%	0	0%	0	0%	None	None	None	None	None
	Republic of China	Representative: Cheng-Han Lee	Male	June 24, 2016	3 years	790309	0	0%	1,699,367	0.56%	3,719,751	1.24%	0	0%	Master, USIU, USA	Executive Director: Da Feng Construction Engineering Co., Ltd; Taiwan Fuji Molding Co., Ltd. , Chien Chi Co., Ltd. ; Representative of Institutional Executive Director: Tsai Cheng Enterprise Co., Ltd., Chien Cheng Development Co., Ltd.; Director: Ho Tu Enterprise Co., Ltd., Chung Cheng Enterprise Co., Ltd., Chin Rai Chang Construction Co., Ltd., Yi Chi Co., Ltd. Lee Chien Cheng Memorial Education Foundation; Representative of Institutional Director: Hai Hwa Construction Co., Ltd., Hwa Wang Construction Co., Ltd., Taiwan Construction Management Co., Ltd.; Supervisor: Forbes Construction Co., Ltd.	Director Director	Cheng-Tsung Lee Cheng-Tu Lee	Brothers
Director	Republic of China	Chien Yi Industrial Co., Ltd.	-	June 24, 2016	3 years	730628	9,148,189	3.04%	7,335,189	2.44%	0	0%	0	0%	None	None	None	None	None
	Republic of China	Representative: Cheng-Tsung Lee	Male	June 24, 2016	3 years	730628	0	0%	1,329,102	0.44%	183,647	0.06%	0	0%	Dept. of Civil Engineering, Tamkang University	Chairman: Chien Cheng Development Co., Ltd., Taiwan Fjui Molding Co., Ltd., Chien Yi Industrial Co., Ltd., Forbes Construction Co., Ltd., Chin Rai Chang Construction Co., Ltd., Yi Fang Co., Ltd., Lee Chien Cheng Memorial Education Foundation, Hwa Wang Construction Co., Ltd., Hai Hwa Construction Co., Ltd., Taiwan Apartment Management and Maintenance Co., Ltd., Taiwan Architecture Management Co., Ltd., Representative of Institutional Director: Chung Cheng Enterprise Co., Ltd., Chi Yi Construction Management Co., Ltd.; Director: Tu Ho Enterprise Co., Ltd., Rai San Co., Ltd., Executive Director: Tsai Cheng Enterprise Co., Ltd., Bao Shan Construction Co., Ltd.	Chairman Director	Cheng-Han Lee Cheng-Tu Lee	Brothers

Director	Republic of China	Cheng-Tu Lee	Male	June 24, 2016	3 years	790623	3,296,991	1.09%	3,296,991	1.09%	606,203	0.20%	0	0%	Dept. of Accounting and Statistics, Shih Chien University	Chairman: Tu Ho Enterprise Co., Ltd., Da Feng Construction Engineering Co., Ltd., Wang Cheng Enterprise Co., Ltd., Chung Cheng Enterprise Co., Ltd.; Representative of Institutional Director: Hwa Wang Construction Co., Ltd., Hai Hwa Construction Co., Ltd., Taiwan Architecture Management Co., Ltd.; Executive Director: Chien Cheng Development Co., Ltd., Taiwan Fuji Molding Co., Ltd., Yung Chi Enterprise Co., Ltd., Chin Shi Engineering Co., Ltd.; Director: Forbes Construction Co., Ltd., Lee Chien Cheng Memorial Education Foundation; Supervisor: Chin Rai Chang Construction Co., Ltd.; Representative of Institutional Supervisor: Chia Tai Construction Co., Ltd., Taiwan Apartment Management and Maintenance Co., Ltd.	Director Chairman	Cheng-Tsung Lee Cheng-Han Lee	Brothers
Director	Republic of China	Yi-Lung Lai	Male	June 24, 2016	3 years	930527	459,352	0.15%	459,352	0.15%	0	0%	0	0%	EMBA National Cheng Chi University	None	None	None	None
Director	Republic of China	Shao-Ying Lee	Male	June 24, 2016	3 years	990625	195,104	0.06%	195,104	0.06%	208	0%	0	0%	Special Program of Metrology, Tamkang University.	Director: Tsai Cheng Enterprise Co., Ltd., Chien Cheng Development Co., Ltd., Bao Shan Construction Co., Ltd., Yung Chi Enterprise Co., Ltd., Chin Shi Engineering Co., Ltd.; Supervisor: Da Feng Construction Engineering Co., Ltd., Rai San Co., Ltd..	None	None	None
Director	Republic of China	Chimax Development Co., Ltd.	-	June 24, 2016	3 years	820527	1,357,389	0.45%	1,357,389	0.45%	0	0%	0	0%	None	None	None	None	None
	Republic of China	Representative: Chi-Chen Tu	Male	June 24, 2016	2 years	1030505	0	0%	241,968	0.80%	83,830	0.03%	0	0%	Dept. of Land Administration, University of Chinese Culture	Chairman: Chimax Development Co., Ltd.; Director: Yuan Hu Construction Co., Ltd.; Supervisor: Bao Shan Construction Co., Ltd.	None	None	None
Director	Republic of China	David Huang	Male	June 24, 2016	3 years	1050624	828,518	0.28%	828,518	0.28%	5,114	0%	0	0%	Dept. of Business Administration, Soochow University	None	None	None	None
Director	Republic of China	Cheng-Chin Lee	Male	June 24, 2016	3 years	900525	347,000	0.12%	347,000	0.12%	190,000	0.06%	0	0%	Corporate Management, Dept. of Business Administration, Takushoku University, Japan	Chairman: Bao Shan Construction Co., Ltd., Teng Min Co., Ltd.; Director: Si Yuan Co., Ltd.; Executive Director: Rai San Co., Ltd., Chien Cheng Development Co., Ltd.	None	None	None
Director	Republic of China	Da Feng Construction Engineering Co., Ltd.	-	June 24, 2016	3 years	990625	15,823,085	5.25%	15,823,085	5.25%	0	0%	0	0%	None	None	None	None	None

	Republic of China	Representative: Chien-Yi Hsu	Male	June 24, 2016	3 years	990625	0	0%	0	0%	0	0%	0	0%	Dept. of Accounting, Soochow University	Chairman: Chia Tai Construction Co., Ltd.; Representative of Institutional Supervisor: Taiwan Architecture Management Co., Ltd.; Supervisor: Chi Yi Architecture Management Co., Ltd.; Director: Lee Chien Cheng Memorial Education Foundation, Yi Kuang Enterprise Development Co., Ltd.	None	None	None
Director	Republic of China	Chien Cheng Development Co., Ltd.	-	June 24, 2016	3 years	930527	19,400,192	6.44%	18,806,192	6.24%	0	0%	0	0%	None	None	None	None	None
	Republic of China	Representative: Tien-Ching Yang	Male	June 24, 2016	3 years	930527	0	0%	0	0%	0	0%	0	0%	Disciplined in commerce, Chang Hwa Senior Commercial High School	Representative of Institutional Director: Tsai Cheng Enterprise Co., Ltd.; Representative of Institutional Supervisor: Taiwan Fuji Molding Co., Ltd.; Director: Lee Chien Cheng Memorial Education Foundation; Supervisor: Chien Da Technology Co., Ltd.	None	None	None
Independent Director	Republic of China	Jui-Tung Lu	Male	June 24, 2016	3 years	1050624	0	0	0	0%	0	0	0	0%	Dept. of Business Administration, Tamkang University	None	None	None	None
Independent Director	Republic of China	Ming-Chieh Chen	Male	June 24, 2016	3 years	930527	457,320	0.15%	457,320	0.15%	0	0%	0	0%	Dept. of Chinese Medicine, Chung Hwa Medical College	None	None	None	None
Independent Director	Republic of China	Jui-Ping Lee	Male	June 24, 2016	3 years	960615	226,000	0.08%	226,000	0.08%	0	0%	0	0%	Business Administration, National Tam Shui Commercial Industrial Vocational Senior High School	Chairman: Home Gradinia Co., Ltd.; Director: Tien Shan Metal Industrial Co., Ltd.	None	None	None

Note 1: For Institutional Shareholders, the names of shareholders and their representatives shall be presented separately (for representatives of Institutional shareholders, specify the names of the institutional shareholders), and shall fill in Table 1 below.

Note 2: If the Directors or Supervisors of the Company assumed office for the first time, and there was interruption in the tenure, specify in supplementary note.

Note 3: Experience relevant to current positions, such as employed by the CPA firm or its affiliates retained by the Company in the aforementioned period, specify the occupational title and the professed duties.

Table 1: Dominant Shareholders of Institutional Shareholders

April 30, 2018

Names of Institutional Shareholders (Note 1)	Dominant Shareholders of Institutional Shareholders (Note 2)
Yi Chi Co., Ltd.	Cheng-Han Lee (50.29%) Hsiu-Chuen Lee-Yang (16.96%), Edward Y. C. Lee (12.33%), Ching-Ru, Lee (6.67%), Wei-Ru Lee (6.67%), Teh-Sung Yang (3.33%), Teh-Huei Yang (2.5%), Hsiu-Mei Yang (1.25%).
Chien Yi Industrial Co., Ltd.	Cheng-Tsung Lee (74.67%), Yue-Hwa Lee-Chang (12.07%) , Po-Wei Lee (7.53%) , Chan-Kuei Chang (2%) , Chi-Chuan Chang (1.33%) , Wan-Ling Lee (0.8%) , Wan-Chi Lee (0.8%) , Wan-Hsuen Lee (0.8%)
Chimax Development Co., Ltd.	Chung-Lung Tu (16.33%) , Chi-Chen Tu (9.66%) , Chi-Jen Tu (9.66%) , Chao-Mei Lin (8%) , Chi-Hsiu Tu (5.6%) , Chi-Chung Tu (5.1%) , Chi-Hsiang Tu (5%) , Chi-Yuan Tu (5%) , Li-Rong Tu (0.68%)
Chien Cheng Development Co., Ltd.	Chien Yi Industrial Co., Ltd., (10.37%), Tu Ho Enterprise Co., Ltd. (9.34%), Yi Chi Co., Ltd. (6.44%), Po-Wen Yang (4.5%), Kai Heng Co., Ltd. (4.48%), Tsai Rai Enterprise Co., Ltd. (3.51%), Cheng-Tsung Lee (2.93%), Chu Kuan Enterprise Co., Ltd. (2.33%), Da Feng Construction Engineering Co., Ltd. (2.22%), Ching-Hsiang Chang (2.11%).
Da Feng Construction Engineering Co., Ltd.	Tsai Cheng Enterprise Co., Ltd. (13.09%), Kai Heng Co., Ltd. (6.78%), Tu Ho Enterprise Co., Ltd. (6.57%), Po-Wen Yang (4.57%), Cheng-Han Lee (4.2%), Chien Yi Industrial Co., Ltd. (3.95%), Cheng-Tsung Lee (3.9%), Chia-Liang Chang (3.89%), Tsai Rai Enterprise Co., Ltd. (3%), Chu Kuan Enterprise Co., Ltd. (2.63%).

Note 1: If the Directors and Supervisors are representatives of Institutional Directors, fill in the names of the Institutional Directors.

Note 2: Fill in the names of the dominant shareholders of the Institutional Shareholders (Top 10 by quantity of shareholding) and the proportion of shareholding. If the dominant shareholders of the Institutional Shareholders are also institutional shareholders, fill in Table 2 below.

Table 2: Table 1- Dominant shareholders of the Institutional Shareholders are institutional shareholders.

April 30, 2018

Name of institution (Note 1)	Dominant shareholders of the institution (Note 2)
Yi Chi Co., Ltd.	Cheng-Han Lee (50.29%) , Hsiu-Chuen Lee-Yang (16.96%) , Edward Y. C. Lee (12.33%) , Ching-Ru Lee (6.67%) , Wei-Ru Lee (6.67%) , Teh-Sung Yang (3.33%) , Teh-Huei Yang (2.5%) , Hsiu-Mei Yang (1.25%)
Tu Ho Enterprise Co., Ltd.	Cheng-Tu Lee (48.93%) , Cheng-Han Lee (17.14%) , Chia-Chia Lee (11.07%) , Ching-Fang Lee-Wu (8.57%) , Cheng-Tsung Lee (7.14%) , Chi-Wei Lee (2.86%) , You-You Lee (2.86%) , Hsiu-Chuen Lee-Yang (0.71%), Tien-Ching Yang (0.71%)
Chien Yi Industrial Co., Ltd.	Cheng-Tsung Lee (74.67%) , Yue-Hwa Lee-Change (12.07%) , Po-Wei Lee (7.53%) , Chan-Kuei Chang (2%) , Chi-Chuan Chang

	(1.33%) , Wan-Ling Lee (0.8%) , Wan-Chi Lee (0.8%) , Wan-Hsuan Lee (0.8%)
Tsai Rai Enterprise Co., Ltd.	Pei-Chuen Lee , (98.33%) , Chin-Yun Chang (1.67%)
Chu Kuan Enterprise Co., Ltd.	Pei-Ting Lee (54.6%) , Cheng-Hsiu Tsai (5.63%), Ai-Ru Tsai (19.88%), Cheng-Han Tsai (19.88%).
Tsai Cheng Enterprise Co., Ltd.	Tu Ho Enterprise Co., Ltd. (18.18%), Chung Cheng Enterprise Co., Ltd. (8.33%), Chien Cheng Development Co., Ltd. (6.67%), Yi Chi Co., Ltd. (6.35%), Kai Heng Co., Ltd. (5.62%), Da Feng Construction Engineering Co., Ltd. (5%), Po-Wen Yang (4.5%), Chien Yi Industrial Co., Ltd. (4.41%), Huei-Lee Chang (4.02%), Chia-Liang Chang (2.71%).
Da Feng Construction Engineering Co., Ltd.	Tsai Cheng Enterprise Co., Ltd. (13.09%), Kai Heng Co., Ltd. (6.78%), Tu Ho Enterprise Co., Ltd. (6.57%), Po-Wen Yang (4.57%), Cheng-Han Lee (4.2%), Chien Yie Industrial Co., Ltd. (3.95%), C. C. Lee (3.9%), Chia-Liang Chang (3.89%), Tsai Rai Enterprise Co., Ltd. (3%), Chu Kuan Enterprise Co., Ltd. (2.63%).
Kai Heng Co., Ltd.	Yang-Ming Chen (3.07%) , Pei-Fen Lee (3.07%) , Kai-Lung Chen (15.13%) , Kai-Chun Chen (15.13%) , Ou-Shan Chang (0.13%) ,Cheng-Kuang Tseng (0.13%) , Chin-Yun Chang (0.13%) , You-Tsai Hsieh (0.13%,) Rong-Tai Fang (0.13%) , GOSUCCESS PROPERTIES LIMITED (62.93%)

Note 1: If the dominant shareholders in Table 1 are institutional shareholders, fill in the names of the Institutional Directors.

Note 2: Fill in the names of the dominant shareholders of the Institutional Shareholders (Top 10 by quantity of shareholding) and the proportion of shareholding.

2. Professional standing and independence of the Independent Directors

Condition Name (Note 1)	More than 5 years of work experience and the following professional qualification			Status of independence (Note 2)										Number of public companies that Independent Directors also hold positions
	As a lecturer or higher position at a public or private school of higher education in commerce, law, finance and banking, accounting, or the disciplines and subject required for company operation.	Professional or expert through national examinations with issuance of certificates such as court judge, public prosecutor, lawyer, accountants or other specialization required for company operation.	Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	1	2	3	4	5	6	7	8	9	10	
Yi Chi Co., Ltd.; Representative: Cheng-Han Lee			✓	✓	✓	✓			✓	✓		✓		None
Chien Yi Industrial Co., Ltd.; Representative: Cheng-Tsung Lee			✓	✓	✓	✓			✓	✓		✓		None
Cheng-Tu Lee			✓	✓	✓				✓	✓		✓	✓	None
Yi-Lung Lai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Shao-Ying Lee			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	None
Chimax Development Co., Ltd.; Representative: Chi-Chen Tu			✓	✓	✓	✓	✓		✓	✓	✓	✓		None
David Huang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Cheng-Chin Lee			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	None

Da Feng Construction Engineering Co., Ltd.; Representative: Chien-Yi Hsu			✓	✓	✓	✓	✓		✓	✓	✓	✓		None
Chien Cheng Development Co., Ltd.; Representative: Tien-Ching Yang			✓	✓	✓	✓	✓		✓	✓	✓	✓		None
Jui-Tung Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ming-Chieh Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Jui-Ping Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: the field is adjustable to the required space.

Note 2: If any of the following is applicable to the Directors and Supervisors in the period of 2 years prior to the election to office and within the term of office, put a “✓” in the appropriate box below.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director, Supervisor (except as an Independent Director of the Company or its parent company, subsidiaries which seat was established in accordance of local law or the law of the host country) of the affiliates of the Company.
- (3) The person, spouse, dependents or a third party who is a natural person shareholder holding more than 1% of the outstanding shares of the Company or among the top 10 shareholders of the Company.
- (4) Not the spouse, kindred within the 2nd tier under the Civil Code or within the 5th tier of the consanguinity of the persons specified from (1)to (3).
- (5) Not a Director, Supervisor, or employee of an institutional shareholder in direct holding of more than 5% of the outstanding shares of the Company, or a Director, Supervisor, or employee among the top 5 institutional shareholders of the Company.
- (6) Not a Director, Supervisor, manager or shareholders holding more than 5% of the shares of particular company or institution with financial or business transactions with the Company.
- (7) Not a proprietor, partner, director, supervisor, manager and the spouse to the aforementioned persons of a professional firm, sole proprietorship, partnership, company or institution providing business, legal, financial, and accounting service or consultation services to the Company or affiliates. Members of the remuneration committee performing their duties pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are excluded.
- (8) Not a spouse to other Directors or kindred within the 2nd tier under the Civil Code.
- (9) None of the particulars inscribed in Article 30 of the Company Act is applicable.
- (10) No government, institution or their representatives under Article 27 of the Company Act was elected.

(II) Profiles of the President, Senior Vice Presidents, Vice Presidents, heads of the departments and branches.

April 30, 2018

Occupational Title (Note 1)	Nationality	Name	Sex	Date of (elected to) office	Quantity of shareholding		Shareholding by spouse and dependents		Shareholding in the name of a third party		Major work experience (education) (Note 2)	Holding positions in other companies at present	A spouse or kindred within the 2nd tier under the Civil Code to a manager		
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Occupational title	Name	Relation
President	Republic of China	Jack Chen	Male	January 01, 2018	55,161	0.02%	2,343	0%	0	0%	Dept. of Business Administration, Soochow University	None	None	None	None
Chief Internal Auditor	Republic of China	Ching Chang Chen	Male	September 01, 2009	37,761	0.01%	0	0%	0	0%	Dept. of Business Administration, Feng Chia University	None	None	None	None
Chief Compliance Office at corporate HQ	Republic of China	Jen-Huai Liu	Male	January 01, 2017	488	0.00%	0	0%	0	0%	Dept. of Law, Fu Jen Catholic University	None	None	None	None
Executive Vice President	Republic of China	C. S. Lin	Male	April 27, 2006	34,854	0.01%	61,008	0.02%	0	0%	EMBA, Aletheia University	Director: Lee Chien Cheng Memorial Education Foundation	None	None	None
Executive Vice President	Republic of China	Y. L. Chou	Male	September 05, 2014	359,970	0.12%	0	0%	0	0%	Dept. of Accounting, National Cheng Chi University	None	None	None	None
Executive Vice President	Republic of China	Stephen S.C. Shen	Male	February 01, 2015	0	0%	0	0%	0	0%	Master of Risk Management and Insurance, National Cheng Chi University	Director: The Insurance Operations Society of the Republic of China; Supervisor: Chinese Insurance Service Association.	None	None	None
Executive Vice President	Republic of China	Tom C. T. Chen	Male	September 05, 2014	168,888	0.06%	0	0%	0	0%	Dept. of Foreign Languages, National Taiwan University	None	None	None	None
Asst VP Accident Insurance Department	Republic of China	Emerson Chien	Male	September 05, 2014	0	0%	0	0%	0	0%	EMBA, National Cheng Chi University	None	None	None	None
Asst VP, Risk Control Department	Republic of China	Chu-Minn Leu	Female	September 05, 2014	57,250	0.02%	0	0%	0	0%	Master of Applied Mathematics, National Tsing Hua University	None	None	None	None
Manager, Actuarial Dept.	Republic of China	Chen-Hsiung Lin	Male	December 01, 2011	0	0%	0	0%	0	0%	Dept. of Applied Mathematics, National Chiao Tung University	None	None	None	None
Vice President, Marine Insurance Dept.	Republic of China	Jack Chu	Male	January 01, 2017	80,000	0.03%	3,000	0%	0	0%	Dept. of Banking and Insurance, Feng Chia University	None	None	None	None

Manager, Accounting Dept.	Republic of China	Fei-Fen Hsiao	Female	March 01, 2018	0	0.00%	0	0%	0	0%	Dept. of Banking and Insurance, Hsiung Wu University	None	None	None	None
Vice President, Administration Dept.	Republic of China	Edward Y. C. Lee	Male	January 01, 2017	2,807,896	0.93%	0	0%	0	0%	Master of Chemical Materials, Michigan State University	Director: Yi Chih Co., Ltd.; Representative of Institutional Director: Chien Cheng Development Co., Ltd., Tsai Cheng Enterprise Co., Ltd.	None	None	None
Manager, Information Dept.	Republic of China	Beiru Lee	Female	April 01, 2017	67,138	0.02%	5,000	0%	0	0%	Dept. of Applied Mathematics, National Cheng Kung University	None	None	None	None
Manager, Planning Dept.	Republic of China	Yeong-Rong Hsiao	Male	September 05, 2014	0	0%	0	0%	0	0%	Dept. of Insurance, Tamkang University	None	None	None	None
Manager, Accident and Health Insurance Dept.	Republic of China	Ping-Chang Chou	Male	April 01, 2018	23,023	0.01%	18,127	0.01%	0	0%	Dept. of Horticulture, National Pingtung University of Science and Technology	None	None	None	None
Manager, Motor Insurance Dept.	Republic of China	Chang-Hong Chen	Male	April 01, 2018	31,352	0.01%	19,684	0.01%	0	0%	Dept. of Banking and Insurance, Feng Chia University	None	None	None	None
Manager, Customer Service Dept.	Republic of China	Chien-Wen Chen	Male	April 01, 2018	0	0%	0	0%	0	0%	News Editing and Coverage, Shih Hsin University	None	None	None	None
Manager, Taipei Region	Republic of China	Te-Chun Chiang	Male	April 01, 2018	280	0%	0	0%	0	0%	Dept. of Business Administration, Shih Chien University	None	None	None	None
Taipei Branch Office	Republic of China	S. Q. Chen	Male	September 05, 2014	41,963	0.01%	0	0%	0	0%	Dept. of Chinese Literature, National Taiwan University	None	None	None	None
Taochu Branch Office	Republic of China	Tony J. Y. Wang	Male	February 19, 2017	207,831	0.07%	0	0%	0	0%	Dept. of Accounting and Statistics, Chihlee University of Technology	None	None	None	None
Taichung Branch Office	Republic of China	Hsu-Wei Chen	Male	January 01, 2014	28,261	0.01%	5,545	0%	0	0%	Asia University Dept. of International Business Administration	None	None	None	None
Tainan Branch Office	Republic of China	Wen-Tung Yen	Male	May 30, 2008	35,608	0.01%	0	0%	0	0%	Dept. of Land Administration and Development, Chang Jung Christian University	None	None	None	None
Kaohsiung Branch Office	Republic of China	H. C. Huang	Male	June 16, 2006	138,646	0.05%	0	0%	0	0%	MBA, National Chiayi University	None	None	None	None

Note 1: Profiles of the President, Executive Vice Presidents, Vice Presidents, heads of the departments and branches shall be included. In addition, personnel at the ranks relevant to the Presidents, Executive Vice Presidents, Vice Presidents, shall also be included regardless of the occupational title.

Note 2: Work experience relevant with the current position, such as the experience in a CPA firm or its affiliate within the aforementioned period of time, and specify the occupational title and the professed duties.

(III) Remunerations to the Directors (including Independent Directors), Supervisors, President, and Executive Vice Presidents in the most recent year:

If any of the following is applicable, disclose the names and remunerations to the Directors or Supervisors individually. The others could be disclosed in aggregate along the scale of payment, or the names and remunerations individually (for individual disclosure, specify the occupational title, name, and amount, and skip the bracket along the payment scale):

1. If there was a loss after taxation as presented in the financial statements covering the last 2 years, disclose the name and remuneration to individual “Directors and Supervisors”. If there is earnings after taxation as stated in the financial statements of the most recent year sufficient to cover the loss carried forward, this requirement could be waived. If IFRSs were adopted in the presentation of financial information, and there was a loss after taxation as presented in the separate financial statements, disclose the name and remuneration to individual “Directors and Supervisors”. If there is earnings after taxation as stated in the separate financial statements of the most recent year sufficient to cover the loss carried forward, this requirement could be waived. (Note 1)
2. If the shareholding of particular Director fell below the minimum requirements for more than 3 consecutive months in the most recent year, disclose the remuneration to such Director. If the shareholding of particular Supervisor fell below the minimum requirements for more than 3 consecutive months in the most recent year, disclose the remuneration to such Supervisor.
3. If particular Director or Supervisor pledged more than 50% of the shares in their holding in average under lien in any period of 3 months in the most recent year, disclose the remunerations to such Director or Supervisor in respective months in which the pledge of shares under lien exceeded 50% of their holding. (Note 3).
4. If all the Directors and Supervisors received more than 2% of the earnings after taxation of all companies included in the financial statements, and the remuneration to individual Directors or Supervisors is more than NT\$15 million, disclose the remunerations to individual Directors or Supervisors.

(Note 1) For example: The General Meeting of Shareholders in 2015 compiled the annual report of 2014. If there was a loss after taxation as presented in the separate financial statements of 2013, or, there was a loss after taxation as presented in the separate financial statements of 2014, disclosure shall be made separately. Although there was a loss after taxation as presented in the separate financial statements of 2013, the earnings after taxation as presented in the separate financial statements is sufficient to cover the loss carried forward, separate disclosure is not necessary.

(Note 2) For example: The General Meeting of Shareholders in 2010 compiled the annual report of 2009, and the shareholding of particular Director or Supervisor fell below the minimum requirement for more than 3 consecutive months in the period of January 1 to December 31 of 2009, disclosure shall be made individually. If shareholding of particular Director or Supervisor fell below the minimum requirement for more than 3 consecutive months in the period of January of 2009 (which was, November and December of 2008 and January of 2009), disclosure shall also be made individually.

(Note 3) For example: The General Meeting of Shareholders in 2010 compiled the annual report of 2009, and assuming all the Directors pledged their shares in holding under lien exceeding 50% in average in any 3 months of February, May and August of 2009, remunerations to the Directors whose pledge of shares under lien exceeding 50% of their holding in the respective months of February, May, and August shall be disclosed separately. If the Supervisors pledged their shares in holding under lien exceeding 50% in average in any 3 months, remunerations to the Supervisors whose pledge of shares under lien exceeding 50% of their holding in the respective months shall be disclosed separately.

- ☐ Pledge of shares under lien in monthly average by all Directors: Quantity of shares pledged by all Directors/quantity of shareholding by all Directors (including the quantity of shares under trust retained for balloting). Pledge of shares under lien in monthly average by all Supervisors: Quantity of shares pledged by all Supervisors/quantity of shareholding by all Supervisors (including the quantity of shares under trust retained for balloting).

1. Remunerations to Directors (including Independent Directors) (disclosure of names in aggregate in different brackets along the payment scale)

(in NT\$ 1,000)

Occupational title	Name	Remuneration to Director								The sum of A, B, C, and D in proportion to net income (Note 10).		Remuneration for performance of works as employees.								The sum of A, B, C, D, E, F, and G in proportion to net income (Note 10)		Any remuneration from investees other than the subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Severance payment and pension (B)		Remuneration to Directors (C) (Note 3)		Fees for performance of work (D) (Note 4)				Salaries, bonus, and special subsidy (E) (Note 5)		Severance payment and pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	Companies included in the financial statements (Note 7)	The Company	Companies included in the financial statements (Note 7)	The Company	Companies included in the financial statements (Note 7)	The Company	Companies included in the financial statements (Note 7)	The Company	Companies included in the financial statements (Note 7)	The Company	Companies included in the financial statements (Note 7)	The Company		Companies included in the financial statements (Note 7)		The Company	Companies included in the financial statements (Note 7)			
														Amount in cash	Amount in stock	Amount in cash	Amount in stock					
Chairman	Yi Chih Co., Ltd. Representative: Cheng-Han Lee	8,260	-	-	-	3,121	-	-	-	2.47%	3,499	9,113	29					5.22%		No.		
Director	Chien Yi Industrial Co., Ltd. Representative: Cheng-Tsung Lee																					
Director	Cheng-Tu Lee																					
Director	Y.L. Lai																					
Director	Shao-Ying Lee																					
Director	Chimax Development Co., Ltd. Representative: Chi-Chen Tu																					
Director	David Huang																					
Director	Cheng-Tsung Lee																					
Director	Chien Cheng Development Co., Ltd. Representative: Tien-Ching Yang																					
Director	Da Feng Construction Engineering Co., Ltd. Representative: Chien-Yi Hsu																					
Independent Director	Jui-Tung Lu																					
Independent Director	Ming-Chieh Chen																					
Independent Director	Jui-Ping Lee																					

* Remuneration to Directors for rendering services (such as consultants) in favor of the companies included in the financial statements in the most recent year other than the disclosures in the above table: NT\$360,000

* Remuneration to Directors for rendering services (such as consultants) in favor of the companies included in the financial statements in the most recent year other than the disclosures in the above table: NT\$360,000

Remuneration scale

Payment scale of remuneration to the Directors of the Company	Name of Director			
	The sum total of A + B + C + D		The sum total of A + B + C + D + E + F + G	
	The Company (Note 8)	Companies included in the financial statements (Note 9) H	The Company (Note 8)	Companies included in the financial statements (Note 9) I
Less than NT\$2,000,000	Yi-Lung Lai, Ching-Chuan Huang, Ming-Chieh Chen; Chimax Development Co., Ltd, Representatives: Chi-Chen Tu, Cheng-Tu Lee, Jui-Ping Lee, Shao-Ying Lee, Cheng-Chin Lee; Chien Yi Industrial Co., Ltd. Representatives: Cheng-Tsung Lee; Da Feng Construction Co., Ltd. Representative: Chien-Yi Hsu; Chien Cheng Development Co., Ltd. Representative: Tien-Ching Yang, Jui-Tung Lu.	-	Yi-Lung Lai, Ming-Chieh Chen; Primax Development Co., Ltd. Representatives: Chi-Chen Tu, Cheng-Tu Lee, Jui-Ping Lee, Shao-Ying Lee, Cheng-Chin Lee; Chien Yi Industrial Co., Ltd. Representative: Cheng-Tsung Lee; Da Feng Construction Engineering Co., Ltd. Representative: Chien-Yi Hsu; Chien Cheng Co., Ltd. Representatives: Tien-Ching Yang, Jui-Tung Lu.	-
NT\$2,000,000 (inclusive) ~NT\$5,000,000(exclusive)	Yi Chih Co., Ltd.; Representative: Cheng-Han Lee	-	Yi Chih Co., Ltd.; Representative: Cheng-Han Lee	-
NT\$5,000,000 (inclusive) ~NT\$10,000,000(exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) ~NT\$15,000,000(exclusive)	-	-	David Huang	-
NT\$15,000,000 (inclusive)~NT\$30,000,000(exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000(exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000(exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	13	-	13	-

- Note 1: Directors shall be identified by name for presentation (both the name of shareholder and name of representative shall be presented separately for institutional shareholders) and the amount of payment shall be itemized in aggregate for disclosure. If particular Director also assumes the position as President or Vice President, fill in this table and the table below (3-1) or (3-2)
- Note 2: The remuneration to Directors in the most recent year (including the Director salaries, job subsidy, severance payment, the bonuses and rewards).
- Note 3: The amount of remuneration to Directors in the most recent year as passed by the Board.
- Note 4: The fees for the performance of works by Directors in the most recent year (including traveling subsidy, special subsidy, various forms of subsidies, housing, company cars and other supplies in kind). If housing, company car and other means of transportation were provided or the spending is exclusive to particular person, disclosure the nature of the assets provided and the cost thereof, rent actually disbursed or at fair market value, fuel allowance and other subsidies. If a driver was assigned, specify the remuneration to such driver but not include as a part of the remuneration.
- Note 5: Payment to Directors for performing works as employees in the most recent year (including the position as the President, Executive Vice Presidents, Managers, and staff), including salaries, job subsidy, severance payment, the bonuses and rewards, traveling subsidy, special subsidy, various forms of subsidies, housing, company cars and other supplies in kind. If housing, company car and other means of transportation were provided or the spending is exclusive to particular person, disclosure the nature of the assets provided and the cost thereof, rent actually disbursed or at fair market value, fuel allowance and other subsidies. If a driver was assigned, specify the remuneration to such driver but not include as a part of the remuneration. According to IFRS 2, “Share-Based Payments”, salary expenses for recognition shall include ESO, restricted ESO, and subscription of new shares for raising capital, which shall be included in remuneration.
- Note 6: Payment (including cash and stocks) to Directors for performing works as employees in the most recent year (including the position as the President, Vice Presidents, Managers, and staff), which amount for distribution as passed by the Board in the most recent year shall be disclosed. If estimation is not possible, calculate the amount planned to pay out in current period on the basis of the actual payment in the previous year, and fill in Table 1-3.
- Note 7: Disclose the total amount of remunerations from all companies (including the Company) included in the consolidated financial statements paid to the Directors of the Company.
- Note 8: The names of the Directors shall be disclosed in relevant brackets of the total amount of itemized payment to the Directors of the Company.
- Note 9: The total amount of itemized payment from all companies (including the Company) included in the consolidated financial

statements to each Director of the Company with the name disclosed in relevant brackets along the payment scale.

Note 10: Net income or earnings after taxation refers to that of current period. If IFRSs has been adopted, net income will be the earnings after taxation as stated in the separate financial statements of the most recent year.

Note 11: a. State the exact amount of remuneration from investees other than the subsidiaries to the Directors.

b. Directors who have received remunerations from investees other than the subsidiaries shall include such amount in relevant bracket of the payment scale in field I, and change the field name as “all investees”.

c. Remunerations referred to Directors of the Company who also received remunerations and salaries (including salaries for employees, Directors and Supervisors) from investees other than the subsidiaries in the capacity of Directors, Supervisors, or managers, and the payments for performing works.

* The content of remuneration for disclosure in this table is different from the concept of the Income Tax Act. This table is for disclosure purpose only and not for taxation purpose.

2. Remunerations to Supervisors (disclosure of the names in relevant brackets along the payment scale)

(in NT\$ 1,000)

Occupational title	Name	Remuneration to Supervisor						The sum of A, B, and C in proportion to net income. (Note 8)		Any remuneration from investees other than the subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Salaries (B) (Note 3)		Fees for performance of works (C) (Note 4)				
		The Company	Companies included in the financial statements (Note 5)	The Company	Companies included in the financial statements (Note 5)	The Company	Companies included in the financial statements (Note 5)	The Company	Companies included in the financial statements (Note 5)	
-	-	-	-	-	-	-	-	-	-	-

Payment Scale

Remuneration to Supervisors in relevant brackets along the payment scale	Name of Supervisor	
	The sum of A + B + C	
	The Company (Note 6)	Companies included in the financial statements (Note 7) D
Less than NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) ~ NT\$5,000,000(exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000(exclusive)	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000(exclusive)	-	-
NT\$15,000,000 (inclusive)~ NT\$30,000,000(exclusive)	-	-
NT\$30,000,000 (inclusive)~ NT\$50,000,000(exclusive)	-	-
NT\$50,000,000 (inclusive)~ NT\$100,000,000(exclusive)	-	-
More than NT\$100,000,000	-	-
Total	-	-

- Note 1: Supervisors shall be identified by name for presentation (both the name of shareholder and name of representative shall be presented separately for institutional shareholders) and the amount of payment shall be itemized in aggregate in disclosure.
- Note 2: The remuneration to Supervisors in the most recent year (including the Supervisor salaries, job subsidy, severance payment, the bonuses and rewards).
- Note 3: The amount passed by the Board as remunerations to the Supervisors prior to the session of the General Meeting of Shareholders for discussion on the proposal of the distribution of earnings in the most recent year.
- Note 4: The fees for the performance of works by Supervisors in the most recent year (including traveling subsidy, special subsidy, and various forms of subsidies, housing, company cars and other supplies in kind). If housing, company car and other means of transportation were provided or the spending is exclusive to particular person, disclosure the nature of the assets provided and the cost thereof, rent actually disbursed or at fair market value, fuel allowance and other subsidies. If a driver was assigned, specify the remuneration to such driver but not include as a part of the remuneration.
- Note 5: Disclose the total amount of remunerations from all companies (including the Company) included in the consolidated financial statements paid to the Supervisors of the Company.
- Note 6: The names of the Supervisors shall be disclosed at relevant brackets of the total amount of itemized payment to the Supervisors of the Company.
- Note 7: The total amount of itemized payment from all companies (including the Company) included in the consolidated financial statements to each Supervisor of the Company with the name disclosed in relevant brackets along the payment scale.
- Note 8: Net income or earnings after taxation refers to that of current period. If IFRSs has been adopted, net income will be the earnings after taxation as stated in the separate financial statements of the most recent year.
- Note 9: a. Supervisors shall state the exact amount of remuneration from investees other than the subsidiaries.
b. Supervisors who have received remunerations from investees other than the subsidiaries shall include such amount in relevant bracket of the payment scale in field D, and change the field name as “all investees”.
c. Remunerations referred to Supervisors of the Company who also received remunerations and salaries (including salaries for employees, Directors and Supervisors) from investees other than the subsidiaries in the capacity of Directors, Supervisors, or managers, and the payments for performing works.
- * The Company phased out the positions of Supervisors in the election of 2016 and beyond.

3. Remunerations to the President and Executive Vice Presidents (disclosure of names in aggregate in different brackets along the payment scale).

(in NT\$ 1,000)

Occupational title	Name	Salaries (A) (Note 2)		Severance payment and pension (B)		Bonus and special subsidy (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C, and D in proportion to net income (%) (Note 8).		Any remuneration from investees other than the subsidiaries (Note 9)
		The Company	Companies included in the financial statements (Note 5)	The Company	Companies included in the financial statements (Note 5)	The Company	Companies included in the financial statements (Note 5)	The Company		Companies included in the financial statements (Note 5)		The Company	Companies included in the financial statements (Note 5)	
								Cash amount	stock amount	Cash amount	stock amount			
President	David Huang	16,205	-	9,113	-	-	-	138	-	-	-	5.53%	-	None
Executive Vice President	C. S. Lin													
Executive Vice President	Tony T. Y. Wei													
Executive Vice President	Y. L. Chou													
Executive Vice President	Jack Chen													
Executive Vice President	Stephen S.C. Shen													

* Disclosure is required regardless of the occupational title. Positions relevant with the President, Executive Vice Presidents (such as: President, CEO, Director and so forth).

Payment scale

Brackets along the scale for payments to the Presidents and individual Executive Vice Presidents.	Names of the President and Executive Vice Presidents	
	The Company (Note 6)	Companies included in the financial statements (Note 7)
Less than NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) ~NT\$5,000,000(exclusive)	Tony T. Y. Wei, C. S. Lin, Y. L Chou, Jack Chen, and Stephen S.C. Shen	-
NT\$5,000,000 (inclusive) ~NT\$10,000,000(exclusive)	-	-
NT\$10,000,000 (inclusive) ~NT\$15,000,000(exclusive)	David Huang	-
NT\$15,000,000 (inclusive)~NT\$30,000,000(exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000(exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000(exclusive)	-	-
More than NT\$100,000,000	-	-
Total	6	-

- Note 1: The President and Executive Vice Presidents shall be identified by name for presentation and the amount of payment shall be itemized in aggregate for disclosure. If a particular Director also assumes the position as President or Vice President, fill in this table and the above table (1-1) or (1-2)
- Note 2: The remuneration to the President and Executive Vice Presidents in the most recent year including the salaries, job subsidy, and severance payment.
- Note 3: The rewards, traveling subsidy, special subsidy, various forms of subsidies, housing, company cars and other supplies in kind and other forms of remunerations to the President and Executive Vice Presidents in the most recent year. If housing, company car and other means of transportation were provided or the spending is exclusive to particular person, disclosure the nature of the assets provided and the cost thereof, rent actually disbursed or at fair market value, fuel allowance and other subsidies. If a driver was assigned, specify the remuneration to such driver but not include as a part of the remuneration. According to IFRS 2, “Share-Based Payments”, salary expenses for recognition shall include ESO, restricted ESO, and subscription of new shares for raising capital, which shall be included in remuneration.
- Note 4: Payment (including cash and stocks) to Directors for performing works as employees in the most recent year (including the position as the President, Vice Presidents, managers, and staff), which amount for distribution as passed by the Board in the most recent year shall be disclosed. If estimation is not possible,

calculate the amount planned to pay out in current period on the basis of the actual payment in the previous year, and fill in Table 1-3. Net income or earnings after taxation refer to that of current period. If IFRSs has been adopted, net income will be the earnings after taxation as stated in the separate financial statements of the most recent year.

- Note 5: Disclose the total amount of remunerations from all companies (including the Company) included in the consolidated financial statements paid to the President and Executive Vice Presidents of the Company by item.
- Note 6: The names of the President and each Executive Vice Presidents shall be disclosed at relevant brackets of the total amount of itemized payment to the President and each Executive Vice Presidents of the Company.
- Note 7: The total amount of itemized payment from all companies (including the Company) included in the consolidated financial statements to the President and each Executive Vice President of the Company with the name disclosed in relevant brackets along the payment scale.
- Note 8: Net income or earnings after taxation refers to that of current period. If IFRSs has been adopted, net income will be the earnings after taxation as stated in the separate financial statements of the most recent year.
- Note 9:
- a. State the exact amount of remuneration from investees other than the subsidiaries to the President and the Executive Vice Presidents.
 - b. The President and the Executive Vice Presidents who have received remunerations from investees other than the subsidiaries shall include such amount in relevant bracket of the payment scale in field E, and change the field name as “all investees”.
 - c. Remunerations referred to President and the Executive Vice Presidents of the Company who also received remunerations and salaries (including salaries for employees, Directors and Supervisors) from investees other than the subsidiaries in the capacity of Directors, Supervisors, or managers, and the payments for performing works.

* The content of remuneration for disclosure in this table is different from the concept of the Income Tax Act. This table is for disclosure purpose only and not for taxation purpose.

4. Names of the managers receiving remuneration to employees and the status of payment-
December 31, 2017 (in NT\$ 1,000)

	Occupational title (Note 1)	Name (Note 1)	Amount in stock	Amount in cash	Total	The total amount in proportion to net income (%)
Managers	President	Ching-Chuan Huang (Note 6)	—	401	401	0.09%
	Senior Executive Vice President	C. S. Lin				
	Executive Vice President	Y. L. Chou				
	Executive Vice President	Jack Chen (Note 6)				
	Executive Vice President	Stephen S.C. Shen				
	Executive Vice President	Tony T. Y. Wei (Note 7)				
	Senior Vice President	H. C. Huang				
	Vice President	Edward Y. C. Lee				
	Vice President	Chu-Minn Leu				
	Vice President	Tom C. T. Chen				
	Vice President	Emerson Chien				
	Vice President	S. Q. Chen				
	Vice President	Jack Chu				
	Manager	Chen-Hsiung Lin				
	Manager	Hsu-Wei Chen				
	Manager	Wen-Tung Yen				
	Manager	Yeong-Rong Hsiao				
	Manager	Robert Wu (Note 8)				
	Manager	Tony J.Y. Wang				
	Manager	Beiru Lee				
	Vice President, Administration Dept.	Jen-Huai Liu				
	Manager, Accounting Dept.	Ching-Chang Chen (Note 9)				

Note 1: Names and occupational titles shall be disclosed individually. However, payment could be disclosed in aggregate.

Note 2: Fill in the amount of remuneration to employees paid to the managers in the most recent year under the resolution of the Board (including stock and cash). If estimate is not possible, calculate the amount of payment planned to pay in current period in proportion to the actual payment of the previous year. Net income or earnings after taxation refer to that of current period. If IFRSs has been adopted, net income will be the earnings after taxation as stated in the separate financial statements of the most recent year.

Note 3: The scope of managers shall be defined under Letter Tai-Cai-Zheng- (III)-Zi No. 0920001301 dated March 27, 2003, which is specified below:

- (1) President and equivalent rank.
- (2) Executive Vice President and equivalent rank.
- (3) Vice President and equivalent rank.
- (4) Head of financial segment.
- (5) Head of accounting segment.
- (6) Personnel who perform management duties and are authorized to affix signature on behalf of the Company.

Note 4: If the Directors, President, and Executive Vice Presidents received remuneration to employees (including stock and cash), fill in Table 1-2 and also this table.

Note 5: The information was obtained on December 31, 2017

Note 6: Relieved from office on January 01, 2018. Mr. Jack Chen assumed office as the President since January 01, 2018

Note 7: Relieved from office on January 25, 2018

Note 8: Relieved from office on March 01, 2018

Note 9: Fei-Fen Hsiao assumed office as the manager of the Accounting Department since March 01, 2018

5. Analysis of the remunerations to the Directors, Supervisors, President and Executive Vice Presidents in proportion to the net income over the last 2 years, and explain the policy, standard, components and the procedure of decision-making of remunerations and the association with operation performance:

- (1) The remunerations to the Directors, Supervisors, President and Executive Vice Presidents

and in proportion to net income in 2017 were NT\$11,381 thousand (2.47 %) and NT\$ 25,456 thousand (5.53 %), which indicated an increase in the proportion to net income from the same period of 2016 at NT\$ 10,584 (2.21 %), NT\$270 thousand (0.06 %), and NT\$ 15,285 thousand 3.19 %) where the net income in 2017 amounted to NT\$460,310 thousand with a decrease of NT\$19, 455 thousand from NT\$479,755 thousand in the same period of 2016.

- (2) The principles of remunerations to the Directors, Supervisors, President and Executive Vice Presidents are shown in “IV. Fund Raising : (VI). Dividend Policy and implementation, and (VIII). Percentage and scope of employee bonus and remuneration to Directors and Supervisors”. The salaries for the President and Executive Vice Presidents were determined with reference to industry standard. Bonus will be paid in commensuration with the profit status and operation performance of the Company.

III. The pursuit of corporate governance

(I) The Information on the function of the Board

The Board convened in 7 sessions (A) in 2017. The attendance of the Directors is shown below:

Occupational Title	Name (Note 1)	Attendance (or as observer) in person (B)	Attendance by proxy	Attendance (or as observer) rate(%) [B/A] (Note 2)	Remark
Chairman	Yi Chih Co., Ltd. Representative: Cheng-Han Lee	7	0	100%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Chien Yi Industrial Co., Ltd. Representative: Cheng-Tsung Lee	6	1	86%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Cheng-Tu Lee	7	0	100%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Yi-Lung Lai	7	0	100%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Shao-Ying Lee	7	0	100%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Primax Development Co., Ltd. Representative: Chi-Chen Tu	7	0	86%	succession for a new term of office; June 24, 2016, election of a new Board
Director	David Huang	7	0	100%	newly elected to office; June 24, 2016, election of a new Board
Director	Cheng-Chin Lee	7	0	100%	succession for a new term of office; June 24, 2016, election of a new Board
Director	Da Feng Construction Engineering Co., Ltd. Representative: Chien-Yi Hsu	7	0	100%	newly elected to office; election of a new Board on June 24, 2016

Director	Chien Cheng Development Co., Ltd. Representative: Tien-Ching Yang	6	1	86%	newly elected to office; election of a new Board on June 24, 2016
Independent Director	Jui-Tung Lu	7	0	100%	newly elected to office; election of a new Board on June 24, 2016
Independent Director	Ming-Chieh Chen	7	0	100%	succession for a new term of office; election of a new Board on June 24, 2016
Independent Director	Jui-Ping Lee	6	1	86%	succession for a new term of office; election of a new Board on June 24, 2016

Attendance of Independent Directors to the sessions of the Board in 2017◎ : in person; ☆: by proxy; * : Absent;

2017	February 24, 2017	March 27, 2017	April 27, 2017	July 10, 2017	August 28, 2017	November 09, 2017	December 28, 2017
Jui-Tung Lu	◎	◎	◎	◎	◎	◎	◎
Ming-Chieh Chen	◎	◎	◎	◎	◎	◎	◎
Jui-Ping Lee	◎	◎	☆	◎	◎	◎	◎

Supplementary information:

- I. If any of the following is applicable to the operation of the Board, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:
- (I) Particulars inscribed in Article 14-3 of the Securities and Exchange Act.
- (II) Further to the aforementioned particulars, the adverse opinions or qualified opinions of the Independent Directors on the resolutions of the Board on record or in written declaration.

Board	Content of the motions and subsequent actions taken	Particulars inscribed in Article 14-3 of the Securities and Exchange Act	Adverse opinions or qualified opinions of the Independent Directors
The 9th session of the 19th Board August 28, 2017	1. Financial Statements of the Company covering the first half of 2017.	Yes	No
	2. Amendment to the internal control system and internal audit system of the Company.	Yes	No
	Opinions of Independent Directors: no.		
	The response of the Company to the opinions of the Independent Directors: no.		
	Resolution: the Board acted in favor of the motion as stated in common consent.		

The 11th session of the 19th Board December 28, 2017	1. The appointment of the new Chief Internal Auditor	Yes	No
	2. Amendment to the internal control and internal audit system of the Company.	Yes	No
	Opinions of the Independent Directors: The new Chief Internal Auditor is advised to 1. Improve the professional knowledge pertinent to the operation for proper auditing; 2. Improve the professional knowledge in accounting and intensify the audit on working capital; 3. Strengthen the audit on general operation to reduce the possibility of government penalty.		
	The response of the Company to the opinions of the Independent Directors: positively respond to the opinions of the Independent Directors thereby the new Chief Internal Auditor shall more actively participate in the training of different fields of specialization as mentioned.		
	Resolution: the Board acted in favor of the motion as stated in common consent.		
The 12th session of the 19th Board February 27, 2018	1. The rotation of duties and appointment of managers of the Company (including the appointment of the heads of the Administration Dept., Accounting Dept.)	Yes	No
	Opinions of Independent Directors: no.		
	The response of the Company to the opinions of the Independent Directors: no.		
	Resolution: the Board acted in favor of the motion as stated in common consent.		
The 13th session of the 19th Board March 28, 2018	1. The financial statements of the Company in 2017.	Yes	No
	2. The audit fee for Deloitte Taiwan in 2018	Yes	No
	3. Amendment to the internal control and internal audit system of the Company.	Yes	No
	Opinions of Independent Directors: no.		
	The response of the Company to the opinions of the Independent Directors: no.		
	Resolution: the Board acted in favor of the motion as stated in common consent.		

II. The recusal of the Directors from motions that involved a conflict of interest. Specify the names of the Directors, the content of the motions, and reason for recusal, and the participation in voting:

1. Director C.H. Lee and Director Cheng-Tsung Lee are Resident Directors that the motion of the change in the performance bonus is pertinent to their own personal interests. They recused from the discussion and decision of the motion. Independent Director Ming-Chieh Chen requested for the opinions of other Directors in session. The motion was passed as stated in common consent of all the other Directors in session.

2. Director Ching-Chuan Huang recused from the motion of the appointment of Ching-Chuan Huang as Director and Advisor to the Company, as this motion is

pertinent to his personal interest. The Chairman requested the opinions of other Directors in Session. The motion was passed as stated in common consent of all the other Directors in session.

3. Director Ching-Chuan Huang recused from the motion of the change in the year-end bonus for managers of the Company, as this motion is pertinent to his personal interest. The Chairman requested the opinions of other Directors in Session. The motion was passed as stated in common consent of all the other Directors in session.

III. The assessment of the objectives for the fortifying of the function of the Board (such as the establishment of the Audit Committee, and enhance the transparency of information) and the attainment: The Company has instituted the parliamentary procedure of the Board. The Directors duly follow the procedure in the sessions. The General Meeting of the Shareholders elected a new Board of Directors in 2016 with the establishment of 3 seats of Directors, and has established the Audit Committee as required by law.

The Company provided information on a better understanding of the performance of the Board to the competent authority annually, and conducted the assessment in accordance with Article 40-1 of the “Corporate Governance Best Practice Principles for the Insurance Industry” specified as follows:

- (I) Self- assessment (Only the Directors assumed office for more than 6 months in 2017 and were continued in office are entitled to conduct the assessment)

Actual number of Director (1)	In office for more than 6 months and still assumed office (2).	Number of Directors participating in the assessment (3)	Ratio of the Directors participating in the assessment (3) / (2)	Total average scoring in the assessment (The summation of all the points scored by each Director conducting the assessment, and divided by the number of Directors under assessment).
13	13	13	100%	96.85

Notes to the effect of the assessment (to be filled in by the companies participating in the assessment): Directors understand the rights and obligations through the items of self-assessment for the establishment of a viable system of corporate governance.

- (II) Assessment by peers (overall assessment) (Only the Directors that assumed office for more than 6 months in 2017 and were continued in office are entitled to conduct the assessment)

Actual number of Director (1)	In office for more than 6 months and still in office (2).	Number of Directors participating in the assessment (3)	Ratio of the Directors participating in the assessment (3) / (2)	Total average scoring in the assessment (the summation of all the points scored by each Director conducting the assessment, and divided by the number of Directors under assessment).
13	13	13	100%	96.47

Notes to the effect of the assessment (to be filled in by the companies participating in the assessment): Directors shall base on the items of assessment by peers (overall assessment) to assess the interaction with other Directors, and the expectation of the other Directors in the understanding of the functions and role of the Board.

Note 1: If the Directors or Supervisors are institutions, disclose the names of the institutions and the names of the representatives.

Note 2:

- (1) If particular Director resigned from office prior to the end of the fiscal year, specify the date of resignation

in the field provided. The attendance (or attend as observer) rate to Board session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.

- (2) If there was an election of new Directors or Supervisors before the end of the fiscal year, fill in the information on the former and the new Directors and Supervisors, and specify if the Directors or Supervisors are newly elected to office or reelected for a second term of office, and the date of the election. The attendance (or attend as observer) rate to Board session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.

(II) The operation of the Audit Committee or the participation of the Supervisors in the operation of the Board

1. Information on the operation of the Audit Committee:

The Audit Committee convened 9 times (A) in the most recent year. The attendance of the Independent Directors is specified as follows:

Occupational Title	Name	Actual attendance (B)	Attended by proxy	Attendance rate (%) (B/A) (Note)	Remark
Independent Director	Jui-Tung Lu	9	0	100%	Newly elected to office July 07, 2016
Independent Director	Ming-Chieh Chen	9	0	100%	Newly elected to office July 07, 2016
Independent Director	Jui-Ping Lee	9	0	100%	Newly elected to office July 07, 2016

Supplementary information:

- I. If any of the following is applicable to the operation of the Audit Committee, specify the date, the series of the session, the content of the motions, the resolutions of the Audit Committee and the response of the Company to the opinions of the Audit Committee.
- (I) Particulars inscribed in Article 14-5 of the Securities and Exchange Act.
- (II) Further to the aforementioned particulars, other motions not passed by the Audit Committee but at the consent of more than 2/3 of the Directors.

Board	Content of the motions and subsequent actions taken	Particulars inscribed in Article 14-5 of the Securities and Exchange Act	Motions not passed by the Audit Committee but at the consent of more than 2/3 of the Directors.
The 9th session of the 19th Board August 28, 2017	1. Financial Statements of the Company covering the first half of 2017.	Yes	No
	2. Amendment to the internal control and internal audit system of the Company.	Yes	No
	Resolution of the Audit Committee (August 14, 2017): All members of the Audit Committee acted in favor of the motion.		
	Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		

	The 11th session of the 19th Board December 28, 2017	1. The appointment of the new Chief Internal Auditor	Yes	No
		1. Amendment to the internal control and internal audit system of the Company.	Yes	No
		Resolution of the Audit Committee (December 19, 2017): All members of the Audit Committee acted in favor of the motion.		
		Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		
	The 12th session of the 19th Board February 27, 2018	1. The rotation of duties and appointment of managers of the Company (including the appointment of the heads of the Administration Dept., Accounting Dept.)	Yes	No
		Resolution of the Audit Committee (February 09, 2018): All members of the Audit Committee acted in favor of the motion.		
		Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		
	The 13th session of the 19th Board March 28, 2018	1. The financial statements of the Company in 2017.	Yes	No
		2. The audit fee for Deloitte Taiwan in 2018	Yes	No
		3. The Statement of Declaration of Internal Control of the Company in 2017	Yes	No
		4. The Statement of Declaration of Internal Control in AML/CFT of the Company in 2017	Yes	No
		5. Amendment to the internal control and internal audit system of the Company.	Yes	No
		Resolution of the Audit Committee (March 19, 2018): All members of the Audit Committee acted in favor of the motion.		
		Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		

II. The recusal of the Directors from motions that involved a conflict of interest. Specify the names of the Directors, the content of the motions, and reason for recusal, and the participation in voting: no.

III. Communications among the Independent Directors, Chief Internal Auditor, and the CPAs (in the aspects of corporate finance, business condition, and key matters for communications, the means of communications and the results).

(I) Policy of the Communications among the Independent Directors, Chief Internal Auditor, and the CPAs.

1. The Independent Directors of the Company and the CPAs were engaged in at least 1 routine meeting since 2016. The CPAs disclosed the audit procedure report on "key audit matters" pursuant to the Statement of Auditing Standard No. 57 - Forming an Opinion and Reporting on Financial Statements. Special meeting will be called in case of significant abnormal events.
2. The Audit Committee has appointed professional CPAs to audit the financial statements of the Company with the issuance of Auditor's Report as reference for

the reference of the Audit Committee.

3. The Chief Internal Auditor reports to the Independent Directors from time to time on the pursuit of internal audit and internal control of the Company.

(II) Disclosures and result:

Summary of the communications between the Independent Directors and the CPAs:

Date:	Gravity of Communication
August 14, 2017	1. The CPAs disclosed the audit procedure report on “key audit matters” pursuant to the Statement of Auditing Standard No. 57 - “Forming an Opinion and Reporting on Financial Statements”, and Statement of Auditing Standard No. 62 - “Communication with Those Charged with Governance”. 2. In supporting the requirements of the competent authority on ethical corporate management and the proper pursuit of internal control, the CPAs emphasized on the necessity of the creation of an internal control environment and the rotation system.

The Independent Directors accepted the opinions of the CPAs thereby requested the Audit Department to properly conduct the audits and any amendments to the regulations of the Company. The Compliance Department shall pronounce the systems while the Planning Department shall design the rotation system.

The action taken by the Company:

The Compliance Department has notified the compliance officers of all functional departments on matters related to compliance with applicable laws for opinions and properly pronounced any amendment to the internal control system of the Company. The Company also kicked off the design of the rotation system and the training program suggested by the Independent Directors to prevent corruption and proper pursuit of human resources development.

Date	Gravity of communication
March 19, 2018	1. The CPAs disclosed the audit procedure report on “key audit matters atters” pursuant to the Statement of Auditing Standard No. 57 - “Forming an Opinion and Reporting on Financial Statements”, and Statement of Auditing Standard No. 62 - “Communication with Those Charged with Governance”.

Note:

- * If a particular Independent Director resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The attendance (or attend as observer) rate to Board session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.
 - * If there was an election of new Independent Directors before the end of the fiscal year, fill in the information on the former and the new Directors and Supervisors, and specify if the Independent Directors are newly elected to office or reelected for a second term of office, and the date of the election. The attendance as observers to Board session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.
2. The participation of Supervisors in the operation of the Board: Not applicable. The Company adopted the Audit Committee to substitute the function of the Supervisors.

(III) The performance of corporate governance and the variation with the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons for the variation:

Items for assessment	The operation (Note 1)			variation with the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company instituted and disclosed the corporate governance best practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies”?		No	The Company has established its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for the Insurance Industry, and has reviewed clause “corresponding” to the principle in February and August every year.	No variation found. Complying with the corporate governance best practice principles.
II. Equity structure and shareholders’ equity of the Company				
(I) Has the Company established relevant standard operation procedures for handling suggestions, queries, disputes, and legal proceedings from the shareholders, and follow the procedures in action?	Yes	No	(I) The Company has established the Planning Department, and this department will respond to the suggestions, queries, disputes, and legal proceedings from the shareholders at once to the satisfaction of the shareholders.	(I) Complying with the corporate governance best practice principles
(II) Has the Company keep the dominant shareholders exercising de facto control over the Company in control and the list of ultimate parties in control of these dominant shareholders?			(II) The Company has kept the dominant shareholders exercising de facto control over the Company in control and the list of ultimate parties in control of these dominant shareholders.	(II) Complying with the corporate governance best practice principles
(III) Has the Company installed and executed risk control mechanisms and firewall for the control of risks between its affiliates?	Yes	No	(III) The Company does not have any affiliates, and did not install any risk control mechanism and firewall for such purpose.	(III) The Company does not have affiliates.
(IV) Has the Company instituted internal code for the prohibition of using undisclosed information by insiders in the trading of securities?			(IV) The Company has established the operation procedure for handling essential information as an integral part of its internal control system. It is explicitly stated in the procedure that	(IV) Complying with the corporate governance best practice principles

			Directors, managers, and employees who access to material information of the Company due to their positions, duties or functions performed or control shall duly observe this procedure.	
III. The composition and function of the Board				
(I) Has the Board mapped out a policy of diversity due to the composition of its members with proper pursuit of the policy?	Yes		(I) The Company has designed the job functions for the Directors on the basis of their respective professional knowledge and skills and implemented accordingly.	(I) Complying with the corporate governance best practice principles
(II) Further to the establishment of the Remuneration Committee and Audit Committee as required by law, has the Company voluntarily established other functional committees?	Yes		(II) The Company has already established the Risk Management Committee within its organizational structure.	(II) Complying with the corporate governance best practice principles
(III) Has the Company established regulations governing the evaluation of the performance of the Board and other means for such purpose, and has conducted routine performance evaluation annually?	Yes		(III) The Company has not yet established the regulations governing the performance of the Board. However, the Company has requested the Directors to conduct self-assessment and assessment by peers of their performance by the end of March of each year.	(III) Complying with the corporate governance best practice principles
(IV) Has the Company assessed the independence of the CPAs retained as external auditors at regular intervals?	Yes		(IV) The Company assesses the independence of the CPAs every year and the assessment report has been passed by the Board after discussion on March 28, 2018. The standard of assessment is specified below (Note 2)	(IV) Complying with the corporate governance best practice principles
IV. Have the companies listed in TWSE or TPEX appointed designated full-time (part-time) body or personnel to handle matters of corporate governance (including but not limiting to supplying Directors and Supervisors the information they need in	Yes		The Company has established the Corporate Governance Center on March 28, 2016, which will be responsible for matters of corporate governance. In addition, the Company has also appointed designated personnel to the center for the pursuit of corporate governance.	Complying with the corporate governance best practice principles.

performing their duties, administrative matters of the Board and the General Meeting of Shareholders as required by law, company registration and registration for changes, and keeping the minutes of meetings of the Board and the General Meeting of Shareholders)?			The function of the Corporate Governance Center is shown below (Note 3): (I) The operation and assignments of the committees of the Company. (II) Handling matters of corporate governance. (III) Study, Improvement, and recommendation of the legal rules on corporate governance. (IV) Report to the Board annually on the result of corporate governance.	
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	Yes		The Company has established channels for communication with the stakeholders, and has set up a stakeholder section at its official website for proper response to the concerns of the stakeholders on issues related to corporate social responsibility.	Complying with the corporate governance best practice principles.
VI. Has the Company commissioned a professional share registration and investor service institution for providing services to shareholders?	Yes		The Company has commissioned the Share Registrar Service of Hua Nan Securities to handle share registration and transaction services.	Complying with the corporate governance best practice principles
VII. Disclosure of information (I) Has the Company established its official website for disclosure of information on financial performance and corporate governance?	Yes		(I) The Company has established its official website for disclosure of information on financial performance and corporate governance.	(I) Complying with the corporate governance best practice principles
(II) Is there any other means for disclosures (like the installation of an English website, appointment of designated personnel to collect and disclose related information on	Yes		(II) The Company has installed an English website, appointed Planning Department to collect and disclose related information on the Company, proper performed the spokesperson system, and	(II) Complying with the corporate governance best practice principles

the Company, proper performance of the spokesman system, and upload the procedure of investors conference to the website)?			uploaded the procedure of investors conference to the website as required by law on December 07, 2017.	
VIII. Is there any further information that may help to understand the status of corporate governance of the Company better (including but not limiting to employee right, employee care, investor relation, supplier relation, stakeholder right, the continuing education of the Directors and Supervisors, risk management policy and risk assessment in action, the pursuit of customer policy, and the protection of the Directors and Supervisors with professional liability insurance)?	Yes		Essential information of the Company on corporate governance in action: (I) Employee right, employee care: in addition to the protection with the labor insurance and national health insurance, all employees are further protected by a group insurance policy in their daily lives. The Company has also established the “Employee Welfare Committee” for administering subsidies for the employees in matrimony, bereavement, celebration and other events, emergency relief aid and tourist travelling and group activities.	(I) Conforming to the Corporate Governance Best Practice Principles.
	Yes		(II) Investor relation and stakeholder rights: The Company expects to pursue stable investment policy for the proper allocation of assets for better return, and maintain profit at designated level.	(II) Conforming to the Corporate Governance Best Practice Principles.
	Yes		(III) Supplier relation: the Company is a property insurance firm and is engaged in the sale of various forms of insurances and related business. The only relation with suppliers is just the printing of blank forms.	(III) Conforming to the Corporate Governance Best Practice Principles.
	Yes		(IV) Continuing education of the Directors and Supervisors: The Chairman, some of the Directors and Independent Directors of the Company have pursued continuing education every year as required.	(IV) Conforming to the Corporate Governance Best Practice Principles.

	Yes		(V) Risk management policy and the implementation of the risk assessment standard: The Company has made its risk management policy as an integral part of its internal control and internal audit system. Respective departments have conducted quarterly review and assessment.	(V) Conforming to the Corporate Governance Best Practice Principles.
	Yes		(VI) The pursuit of customer policy: The Company is conceived with the notion of service in treating its customers, and has maintained positive interactions with the customers and makes the rights of the customers the top priority of concern.	(VI) Conforming to the Corporate Governance Best Practice Principles.
	Yes		(VII) The professional liability insurance for the protection of the Directors and Supervisors of the Company: The Company has not yet taken professional liability insurance for the protection of the Directors and Supervisors, and is in the process of evaluation.	(VII) Conforming to the Corporate Governance Best Practice Principles.
IX. Response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and further effort shall be made on matters for improvement but still unaccomplished. The responses of the Company to the improvement suggested in the corporate governance evaluation: The nomination system and electronic voting system were adopted in the election of Directors. The Audit Committee was also established, corporate social responsibility was defined and the establishment of a designated body for performing corporate social responsibility. Items required further effort: continuing education of all Directors, the installation of an English website.				

Note 1: Elaborate the status of operation in relevant fields whether a “Yes” or “No” was selected.

Note 2: Standard for the assessment of the independence of CPAs

Items for assessment	Assessment result	Meeting the standard of independence or not
1. Are the CPAs and the Company in direct or indirect relation in financial interest?	No	Yes
2. Are the CPAs Directors of the Company or in position that have significant influence on the audit work at present or in the last 2 years?	No	Yes
3. Have the CPAs tolerated or felt the intimidation from the Company?	No	Yes
4. Have the CPAs provided non-auditing service to the Company that may affect the status of impartiality?	No	Yes
5. Any other violation of the Statement of Auditing Standard that may affect the status of impartiality?	No	Yes

Note 3: The structure of the Corporate Governance Center:

The Company has established the Corporate Governance Center directly under the Board. This Center shall administer the following:

- I. Corporate Social Responsibility Committee
- II. Outsourcing Committee
- III. Equal Treatment to Customers Committee
- IV. Ethical Corporate Management Committee

(I) Members:

1 Director-General, 1 Deputy Director-General, 1 Chief Secretary and several committee members.

(II) Authority:

- 1. Proposition of the mission or vision of corporate social responsibility, making of corporate social responsibility policy or related management policies.
- 2. Compilation, edition and circulation of the Corporate Social Responsibility Report of the Company.
- 3. Proper implementation of the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies” and related rules and regulations.

(III) Empowerment:

The Board agrees to fully empower the committee to handle everything pertinent to corporate social responsibility unless otherwise specified by law that particular issues of corporate social responsibility shall be subject to the resolution of the Board.

(IV) If there is a Remuneration Committee in place, disclose its composition, duties, and state of operation:

1. Profiles of the members of the Remuneration Committee

Identity (Note 1)	Condition Name	5 years of experience or more and the following professional qualification			Meeting the standard of independence (Note 2)								Number of other companies where the member is also a member of their remuneration committees	Remark
		As a lecturer or higher position at a public or private school of higher education in commerce, law, finance and banking, accounting, or the disciplines and subject required for company operation.	Professional or expert through national examinations with issuance of certificates such as court judge, public prosecutor, lawyer, accountants or other specialization required for company operation.	Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	1	2	3	4	5	6	7	8		
Independent Director	Ming-Chieh Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	No	
Independent Director	Jui-Ping Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	No	
Others	Chung-Mei Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	No	

Note 1: Fill in Director, Independent Director, or others for identity.

Note 2: If any of the following is applicable to the Directors and Supervisors in the period of 2 years prior to the election to office and within the term of office, put a “✓” in the appropriate box below.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director, Supervisor of the affiliates of the Company, except as an Independent Director of the Company or its parent company, subsidiaries which seat was established in accordance of local law or the law of the host country.
- (3) The person, spouse, dependents or a third party who is a natural person shareholder holding more than 1% of the outstanding shares of the Company or among the top 10 shareholders of the Company.
- (4) Not the spouse, kindred within the 2nd tier under the Civil Code or within the 5th tier of the consanguinity of the persons specified from (1) to (3).
- (5) Not a Director, Supervisor, or employee of an institutional shareholder in direct holding of more than 5% of the outstanding shares of the Company, or a Director, Supervisor, or employee among the top 5 institutional shareholders of the Company.

- (6) Not a Director, Supervisor, manager or shareholders holding more than 5% of the shares of particular company or institution with financial or business transactions with the Company.
- (7) Not a proprietor, partner, director, supervisor, manager and the spouse to the aforementioned persons of a professional firm, sole proprietorship, partnership, company or institution providing business, legal, financial, and accounting service or consultation services to the Company or affiliates.
- (8) None of the particulars inscribed in Article 30 of the Company Act is applicable.

2. Information on the operation of the Remuneration Committee

(1) The Remuneration Committee of the Company is consisted of 3 members.

(2) July 07, 2016 to June 23, 2019. The committee convened 6 times (A) in the most recent year. The qualification of the members and attendance is shown below:

Occupational title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Remark
Convener	Ming-Chieh Chen	6	0	100%	Reelected as member on July 07, 2016
Member	Jui-Ping Lee	6	0	100%	Reelected as member on July 07, 2016
Member	Chung-Mei Chen	6	0	100%	Reelected as member on July 07, 2016

Supplementary information:

- I. If the Board rejected or revised the recommendation presented by the Remuneration Committee, specify the date, the series of the session, the content of the motions, the resolutions of the Board and the response of the Company to the opinions of the Remuneration Committee (like the remuneration package passed by the Board is at a higher level than the recommendation presented by the Remuneration Committee, specify the difference and the reason).
No rejection or revision of the recommendation presented by the Remuneration Committee by the Board has ever occurred.
- II. If particular member holds adverse opinion or qualified opinion on the resolution of the Remuneration Committee on record or in written declaration, specify the date, the series of the session, the content of the motion, the opinions of all members and the responses to the opinions of the members.
No adverse opinion or qualified opinion from the members of the Remuneration Committee has ever occurred against the resolutions of the Remuneration Committee.

Note:

- (1) If particular member of the Remuneration Committee resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The attendance (or attend as observer) rate to the session of the committee (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.
- (2) If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. The attendance rate to committee session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.

(V) Performance of corporate social responsibility:

The performance of corporate social responsibility

Items for assessment	State of operation (Note 1)			Variation with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons.
	Yes	No	Summary (Note 2)	
I. Proper pursuit of corporate governance				
(I) Has the Company established the policy or system for corporate social responsibility and has reviewed the result of implementation?	Yes		(I) The Company has established a Corporate Social Responsibility Committee consisting of 5 functional groups addressing to the issues of concern of the stakeholders, and keeps track on the implementation of the issues and the quality of operation (refer to p.10~13 of the CSR Report of the Company).	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(II) Has the Company organized training on corporate social responsibility at regular intervals?	Yes		(II) The Company has provided training for the heads of the functional departments on corporate social responsibility (refer to p.46 of the CSR Report of the Company).	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(III) Has the Company established a designated full-time (part-time) body or position for the advocacy of corporate social responsibility administered by a senior office at the authorization of the Board, and report to the Board on the operation?	Yes		(III) The Company has established a designated body for the advocacy of corporate social responsibility administered by a senior office at the authorization of the Board. This body report to the Board at regular intervals of the performance of corporate social responsibility (refer to p.10~13 of the CSR Report of the Company) (Note 3).	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(IV) Has the Company established justifiable remuneration policy and linked the performance evaluation system of the employees with the policy of corporate social responsibility, and has instituted a well-defined system for reward and punishment?	Yes		(IV) The Company has established a justifiable remuneration policy (employees and managers) with the institution of a well-defined system for reward and punishment (refer to p.53 of the CSR Report of the Company).	(IV) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.

Items for assessment	State of operation (Note 1)			Variation with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons.
	Yes	No	Summary (Note 2)	
II. Environment for sustainable development				
(I) Has the Company committed its effort to upgrade the efficient use of resources and use recycled materials causing less burden to the environment?	Yes		(I) The Company has educated its employees to classify dumps and recycling of materials, and has enhanced the efficient use of resources (refer to p.55 of the CSR Report of the Company).	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(II) Has the Company instituted an environmental management system relevant with the nature of the industry?	Yes		(II) The general affairs staff of the corporate HQ has requested other employees to classify resources by nature of the functional departments. The Company is not a manufacturer thereby ISO 14001 is not appropriate.	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(III) Has the Company paid attention to the influence of climate change on its operation, and conducted inspection on greenhouse gases, mapped out the strategy for energy saving and carbon reduction, and reduction of the emission of greenhouse gases?	Yes		(III) The Company has notified all that male employees are not required to wear suits and tie for work, and adjusted the temperature of the air-conditioning upward to reduce the emission of greenhouse gas.	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.

Items for assessment	State of operation (Note 1)			Variation with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons.
	Yes	No	Summary (Note 2)	
III. Social charity				
(I) Has the Company established relevant policies and procedures in management in accordance with applicable legal rules and the International Convention of Human Rights?	Yes		(I) The Company has established relevant policies and procedures in management in accordance with applicable legal rules and the International Convention of Human Right (refer to p.44 of the CSR Report of the Company).	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(II) Has the Company established the mechanisms and channels for employee complaint and properly responded to the complaints?	Yes		(II) The Company has established the mechanisms and channels for employee complaint and properly responded to the complaints (refer to p.50 of the CSR Report of the Company).	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(III) Has the Company provided a safe and healthy work environment for the employees and has provided education on health and safety at regular intervals?	Yes		(III) The Company provided a safe and healthy work environment for the employees and has provided education on health and safety at regular intervals thereby fire safety exercise drill was held once semi-annually at the corporate HQ. In addition, the office of the corporate HQ, the branches and the Yang Ping South Road location have been equipped with the AED for first-aid (refer to p.49 of the CSR Report of the Company).	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(IV) Has the Company established the mechanisms for routine communication with the employees, and notified the employees any change in the operation that will cause significant impact to employees through reasonable means?	Yes		(IV) The Company has established the mechanisms for routine communication with the employees, and notified the employees any change in the operation that will cause significant impact to employees through reasonable means (refer to p.45 of the CSR Report of the Company).	(IV) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.

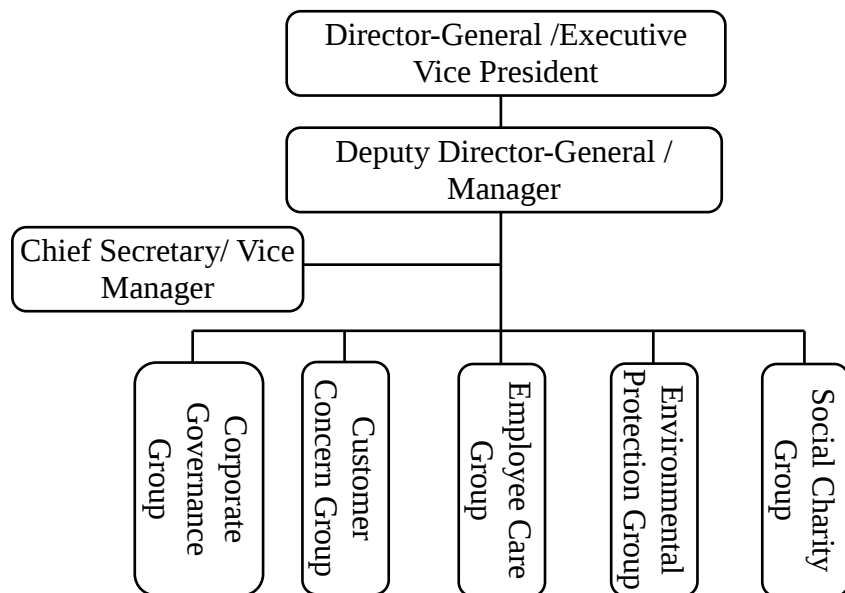
Items for assessment	State of operation (Note 1)			Variation with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons.
	Yes	No	Summary (Note 2)	
(V) Has the Company established the training program for helping employees in effective career planning?	Yes		(V) The Company has established the personal performance and job description sheets for reviewing the career planning of each employee (refer to p.46 of the CSR Report of the Company).	(V) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(VI) Has the Company established the policies for the protection of consumer right in the aspects of research and development, purchase, production, operation, and service, and the procedures for customer complaints?	Yes		(VI) The insurance products sold by the Company were approved by the competent authority. There is a special hotline for consumer complaint as stated in the insurance policy and company website (refer to p.37 of the CSR Report of the Company).	(VI) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(VII) Has the Company observed applicable legal rules and international standard in the marketing and labeling of products and services?	Yes		(VII) The insurance products sold by the company are in conformity to the requirements of the competent authority (refer to p.33 of the CSR Report of the Company).	(VII) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(VIII) Before the engagement in business transactions with the suppliers, has the Company evaluated if the suppliers have a record on impact on the environment and the society in the past?	Yes		(VIII) Before the engagement in business transactions with the suppliers, the Company has evaluated if the suppliers have a record on impact on the environment and the society in the past.	(VIII) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.
(IX) If the contracts binding the Company and key suppliers are in defiance of the policy of corporate social responsibility of the Company and has significant impact on the environment and the society, could the Company terminate or rescind the clause of these contacts at any	Yes		(IX) The contracts binding the Company and key suppliers are not in defiance of the policy of corporate social responsibility of the Company and if there is any significant impact on the environment and the society, the Company could terminate or rescind the	(IX) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX.

Items for assessment	State of operation (Note 1)			Variation with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, and the reasons.
	Yes	No	Summary (Note 2)	
time?			clause of these contacts at any time.	
IV. Reinforcement of information disclosure (I) Has the Company disclosed any relevant and reliable information on corporate social responsibility at its official website and MOPS?	Yes		The Company disclosed any relevant and reliable information on corporate social responsibility at its official website and MOPS.	Conforming to the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies.
V. If the Company has established its own corporate social responsibility best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”, elaborate the state of implementation and any variation thereof: The Company has compiled the CSR Report in conformity to the requirements of the competent authority and announced publicly as required by law. They are congruent with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies.				
VI. Any other essential information that may help to understand the performance of corporate social responsibility better: (The Company has disclosed any relevant and reliable information on corporate social responsibility at its official website and MOPS). First, the Company is established with the idea of “take from society and give back to society”. For long time, the Company never hesitated to participate in social charity and the primary engagement at present is donation. Donation has been made in kind and cash. The summary of the social charity is specified below: (I) For the effective use of Company resources, the Information Department repaired and recovered the malfunctioned computers from all departments and donated the recovered computers to AGAPE HOUSE for the drug addicts in rehabilitation to learn a skill so that they could be better prepared to go back to the workplace in the society. (II) For the expression of social concern under corporate social responsibility, the Company decided to donate AED to charity organizations since 2016. The recipients in 2016 were schools in Taipei City (Xi Yuan Primary School, Nan Men Primary School, Ching Hsing Primary School, Da An Senior High School of Industry, and Yung Chun Senior High School). From 2017 onward, the recipients of donations shall be governed by the regulations of the Company with adjustment of the quantity of the items for donation as needed.				
VII. If the CSR Report of the Company was accredited by an external accreditation institution, specify the detail: The Company has commissioned the AFNOR Group Asia to accredit the CRS Report of 2017 in accordance with the AA1000 AS (2008) standard, Category 1, and also the core items of GRI G4.				

Note 1: Specify in relevant fields whether a “YES” or “NO” was chosen for the answer to the state of operation or not.

Note 2: If the Company has compiled the CSR Report, specify the means for viewing and the index in lieu of the summary.

Note 3: The organizational chart of the Corporate Social Responsibility Committee and the groups



The members and function of the committee:

Committee	functional groups	Members	Primary function	Operation in 2017
Corporate Social Responsibility Committee	Corporate Governance Group, Customer Concern Group, Employee Care Group, Environmental Protection Group, and Social Charity Group.	Director-General: Head of the Resource Management Group Deputy Director-General: Head of the Administration Dept. Chief Secretary: Chief of Secretariat Section Members: members of the business production departments	Responsible for the design and execution of the plans for corporate social responsibility policy or related action plans, and report to the Board annually.	Convened 4 times on 20170215, 20170620, 20170925, and 20171226.

(VI) The practice of ethical corporate management and the policies pursued:

Proper practice of ethical corporate management

Items for assessment	State of operation (Note 1)			Variation with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company and the reasons.
	Yes	No	Summary	
I. Establishment of the policies and action plans on business ethics				
(I) Has the Company highlighted the policies and practices of ethical corporate management in its internal code and external documents, and the commitment of the Board and the management in the realization of ethical corporate management?	Yes		(I) The Company has made its ethical corporate management policy in March 2016, and has pronounced the policies and action plans in ethical corporate management. The management reports to the Board on the implementation of the policy annually.	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(II) Has the Company established action plans for the prevention of unethical practices and explicitly stated the operation procedure, ethic code of conduct, penalty on violation and complaint system in all the plans with proper implementation?	Yes		(II) The Company has established measures for the prevention of unethical practices in March 2016 with proper operation procedures, ethic code of conduct, penalty on violation and the system for filing complaints for subsequent actions.	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(III) Has the Company established measures for the prevention of unethical practices within the scope of operation that entail higher risks of unethical business practices pursuant to Paragraph 2, Article 7 of the “Ethical Corporate Governance Best Practice Principles for Companies listed on TWSE/TPEX?”	Yes		(III) The Company has established measures for the prevention of unethical practices in March 2016 including the prevention of accepting and offering bribes, the offering of illegal political donations within the scope of operation that entails higher risk for unethical business practice.	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed in TWSE /TPEX and actions for the prevention of accepting and offering bribes, the offering of illegal political donations within the scope of

Items for assessment	State of operation (Note 1)			Variation with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company and the reasons.
	Yes	No	Summary	
				operation that entails higher risk for unethical business practice have also been taken.
II. Proper ethical corporate management				
(I) Has the Company assessed the business partners on the record of business integrity, and stated the clause of ethical corporate management in the contracts with the business partners?	Yes		(I) The Company has avoided the engagement in business transactions with those who have a record of unethical business practices but has not yet specified the clause of business integrity in relevant business contracts.	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(II) Has the Company established a designated full-time (part-time) body directly under the Board for the advocacy of ethical corporate management, and report to the Board on the state of operation at regular intervals?	Yes		(II) The Company has established a designated body for the advocacy of ethical corporate management in 2016. This body reports to the Board on the state of operation to the Board annually.	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(III) Has the Company made the policies for the prevention of the conflict of interest and provided appropriate channels for the proper pursuit of the avoidance of the conflict of interest?	Yes		(III) The Company has made the policy of ethical corporate management in March 2016 covering the prevention of the conflict of interest and the availability of appropriate channels for reporting for the proper avoidance of the conflict of interest.	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(IV) Has the Company established viable accounting system, internal control system with the audit conducted by internal auditors for the proper pursuit of ethical corporate management, or has commissioned CPAs for the audit?	Yes		(IV) The Company has established viable accounting system, internal control system and the audit conducted by internal auditors for the proper pursuit of ethical corporate management.	(IV) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.

Items for assessment	State of operation (Note 1)			Variation with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company and the reasons.
	Yes	No	Summary	
(V) Has the Company organized internal and external training on ethical corporate management at regular intervals?	Yes		(V) The Company continued to provide internal and external training on ethical corporate management for the employees.	(V) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
III. The functioning of the informant system				
(I) Has the Company established the system for reporting of unethical practices with actin plan and reward to the informants, and relevant channels for reporting, and also the appointment of designated personnel for handling the report and the person being reported?	Yes		(I) The Company has established channels for complaints and has appointed designated personnel appropriate for responding to the persons being reported.	(I) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(II) Has the Company established standard operation procedure for the investigation on unethical practices being reported with proper measures for confidentiality?	Yes		(II) The Company has established standard operation procedure for the investigation on unethical practices being reported with proper measures for confidentiality.	(II) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
(III) Has the Company taken appropriate measures for the protection of the informants from undue treatment after reporting?	Yes		(III) The Company has taken appropriate measures for the protection of the informants from undue treatment after reporting.	(III) Conforming to Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.
IV. Intensification of disclosure				
(I) Has the Company disclosed the content of its ethical corporate management best practice principles and	Yes		The Company has established the ethical corporate management best practice principles in 2016, and has disclosed the content at its official website and	Conforming to Corporate Social Responsibility Best Practice Principles for

Items for assessment	State of operation (Note 1)			Variation with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company and the reasons.
	Yes	No	Summary	
the result of implementation at its official website and MOPS?			MOPS with routine disclosure of the content and the result of implementation.	Companies Listed on TWSE /TPEX.
V. If the Company has established its ethical corporate management best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX”. The Company has established the ethical corporate management best practice principles in 2016 and has disclosed the content at its official website and MOPS. These principles are congruent with the Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEX.				
VI. Any other essential information that may help to under the ethical corporate management of the Company better: (such as the review and revision of the ethical corporate management best practice principles). The Company has established the ethical corporate management best practice principles in 2016 with routine disclosure of the content and the result of implementation.				

Note 1: Specify in relevant fields whether a “YES” or “NO” was chosen for the answer to the state of operation or not.

- (VII) If the Company has established the ethical corporate management best practice principles and related regulations, disclose the means for inquiry: The Company has disclosed the content of the ethical corporate management best practice principles and the parliamentary procedure of the Board at its official website in the section of information on corporate governance for the inquiry of the shareholders.
- (VIII) Essential information that helps to under the ethical corporate government of the Company better shall also be disclosed:
1. The policy for the disclosure of the diversity of the members of the Board is in place:
According to Article 21 of the Ethical Corporate Management Best Practice Principles of the Company, the members of the Boards shall be qualified with the required knowledge, skills and education for the performance of their professed duties. The Board shall be capable of the following for achieving the goal of corporate governance:
 - I. Ability in judgment of operation.
 - II. Ability in accounting and financial analysis.
 - III. Ability in corporate management.
 - IV. Ability in risk management and knowledge.

- V. Ability in risk management.
- VI. Ability in finance and insurance.
- VII. International view of market.
- VIII. Leadership capacity.
- IX. Decision-making capacity.

2. The pursuit of the policy of diversity:

Core items under diversity Name of Director	Sex	Corporate management	Leadership and decision-making	industry knowledge	finance and accounting
Cheng-Han Lee	Male	V	V	V	V
Cheng-Tsung Lee	Male	V	V	V	
Cheng-Tu Lee	Male	V	V	V	
Yi-Lung Lai	Male	V	V	V	
Shao-Ying Lee	Male	V	V	V	
Chi-Chen Tu	Male	V	V	V	
David Huang	Male	V	V	V	V
Cheng-Chin Lee	Male	V	V	V	
Chien-Yi Hsu	Male	V	V	V	V
Tien-Ching Yang	Male	V	V	V	V
Jui-Tung Lu	Male	V	V	V	V
Ming-Chieh Chen	Male	V	V	V	
Jui-Ping Lee	Male	V	V	V	

(IX) The following shall be disclosed in the implementation of internal control system:

1. the Statement of Declaration of Internal Control (refer to p. 65).
2. Disclose the Auditors' Report if CPAs were commissioned for the audit of the internal control system (refer to p. 67).

The First Insurance Co., Ltd.

Statement of Declaration of Internal Control

We have conducted internal audit in accordance with its Internal Control Regulation covering the period from January 1 to December 31 2017, and hereby declares as follows:

- I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers, and that the company has already established such system. The purpose it to reasonably ensure the effect and efficiency of operation, the reliability of financial reporting and the compliance with relevant legal rules. Operation efficiency and effective is the ultimate goal of operation, including profitability, performance and security of assets. Reliability is the objective of financial reporting while compliance will be the objective of law abiding. The compliance system constituted an integral part of the internal control system. The financial records and statements were compiled in accordance with Insurance Act and applicable rules and regulations and the basis of compilation remained congruent and exemplified the result of internal control system in financial reporting.
- II. There is limitation inherent to internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Regulations Governing the Implementation of Internal Control and Internal Audit Systems of Insurance Enterprises” and the “Criteria for the Establishment of Internal Control System of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1. Control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and

compliance with relevant legal rules, and that the design and enforcement of internal control are effective.

- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act or the Insurance Act.
- VII. This statement of declaration has been approved by the Board on March 28 2018.

To

Financial Supervisory Commission

Declared By: The First Insurance Co., Ltd.

Chairman: Cheng-Han Lee

(authorized signature)

President: Jen-Chieh Chen

(authorized signature)

Chief Internal Auditor: Ching-Chang Chen

(authorized signature)

Corporate HQ Chief Compliance Officer: Jen-Huai Liu

(authorized signature)

March 28, 2018

Auditor's Report on Internal Control System

To: The Board of The First Insurance Co., Ltd.

The following is the declaration of internal control system (including the declaration with the competent authority on internal control system contained in financial reporting) and compliance system (in accordance with the content of Ministry of Finance Letter Tai-Cai-Bao-Zi No. 0930014734) prepared by The First Insurance Co., Ltd. on March 28, 2018. We have audited the declarations, which was effective in design and enforcement as of December 31, 2017. The establishment and preservation of appropriate internal control system is the responsibility of the management. Our responsibility is to express an opinion on the basis of our audit findings from the aforementioned statement of declaration of internal control made by the insurance company.

We conducted our audits in accordance with Ministry of Finance Letter Tai-Cai-Bao-Zi No. 0930014734 dated March 30, 2004, Financial Supervisory Commission Letter Jin-Guan-Bao-Cai-Zi No. 10602506430 dated January 15, 2018, Letter Jin-Guan-Bao-Cai-Zi No. 10402085521 dated August 14, 2015, which require an understanding of the internal control system of the Company, an evaluation of the process of the effective enforcement of the overall internal control system by the management, examination and evaluate the effectiveness of the design and enforcement of the internal control system, and other audit procedures where we deemed necessary. We believed that our audits could serve a reasonable basis to support our opinions.

There is limitation inherent to internal control system, no matter how perfect the design. The First Insurance Co., Ltd. may not be able to prevent or detect mistakes or wrongdoings already happened with the aforementioned internal control system. Any change in the environment of the future may downgrade the level of compliance of the internal system. The effectiveness of the internal control system in current period cannot be guaranteed in the future.

In our opinions, the design and enforcement of the internal control system of The First Insurance Co., Ltd., in all material aspects, in external financial reporting (including the accuracy of the financial information declared with the competent authority under the internal control system for financial reporting) and asset security (safe from unauthorized acquisition, use, and disposition) was effective as of December 31, 2017, in conformity to the “Regulations Governing the Implementation of the Internal Control System and Internal Audit System of Insurance Industry”, and the “Criteria for the Establishment of Internal Control System by Public Companies” released by the Financial Supervisory Commission for the judgment of the effectiveness of internal control system. The design and enforcement of the internal control system (including the declaration of internal control system of financial reporting with the competent authority), and compliance system (as stated in Ministry of Finance Letter Tai-Cai-Bao-Zi No. 0930014734) as declared by The First Insurance Co., Ltd. in its statement of declaration of internal control dated March 28, 2017, in all material aspects, in external financial reporting (including the accuracy of the financial information declared with the competent authority under the internal control system for financial reporting) and asset security (safe from unauthorized acquisition, use, and disposition), was fairly presented.

Deloitte Taiwan

Yung-Fu Liu, CPA

Wan-Yee Liao, CPA

March 29, 2018

(X) Penalty of the Company and insiders by law in the most recent year to the day this report was printed, the disciplinary action taken by the Company on insiders who violated the internal control system, major defect and responses to the defects: None.

(XI) Major resolutions of the General Meeting of Shareholders and the Board in the most recent year to the day this report was printed.

Date of session	Major resolutions of the General Meeting of Shareholders and the Board	State of execution
June 28, 2017	General Meeting of Shareholders- Financial Statements of the Company in 2016	The motion is passed as stated. Declaration will be made with the attachment of related information with the Insurance Bureau of Financial Supervisory Commission and Taiwan Stock Exchange Corporation after presenting to the General Meeting of Shareholders.
June 28, 2017	General Meeting of Shareholders- The proposal of the distribution of earnings of the Company in 2016.	The motion is passed as stated.
June 28, 2017	General Meeting of Shareholders- the proposal of the distribution of dividends of the Company in 2016.	The motion is passed as stated. Cash dividend at NT\$0.65/share was paid on August 18, 2017
June 28, 2017	General Meeting of Shareholders-Amendment to the “Procedure for the Acquisition or Disposition of Assets”.	The motion is passed as stated. The new rules will be disclosed at the official website of the Company.
July 10, 2017	The Board - regarding the Examination Bureau 106F106 Report: matters for improvement.	The motion is passed as stated.
July 10, 2017	The Board - regarding the Examination Bureau 106F106 Report: matters for improvement (Table B).	The motion is passed as stated.
July 10, 2017	The Board - The cash dividend day of the Company in 2016 with ex-dividend day, base day and dividend payment day set.	The motion is passed as stated.
August 28, 2017	The Board - Financial Statements covering the first half of 2017.	The motion is passed as stated with declaration with and disclosure at MOPS of Taiwan Stock Exchange Corporation.
August 28, 2017	The Board - in the matter of outsourcing for actuarial review services.	The motion is passed as stated with reporting to the competent authority - the Insurance Bureau of Financial Supervisory Commission and approved for reference filing.
August 28, 2017	The Board - Amendment to the corporate governance best practice principles of the	The motion is passed as stated.

	Company.	
August 28, 2017	The Board - Amendment to the parliamentary procedure of the Company.	The motion is passed as stated and reported to the regular session of the General Meeting of Shareholders in 2018.
August 28, 2017	The Board - Amendment to the regulations of the Company governing transactions with stakeholder beyond financing.	The motion is passed as stated.
August 28, 2017	The Board - Amendment to the procedure of the Company regulating transactions with stakeholder beyond financing.	The motion is passed as stated.
August 28, 2017	The Board - amendment to the organization code of the Audit Committee of the Company.	The motion is passed as stated.
August 28, 2017	The Board - Amendment to the internal control system and internal audit system of the Company.	The motion is passed as stated.
November 09, 2017	The Board - The dismissal and appointment of the managers of the Company.	The motion is passed as stated.
December 28, 2017	The Board - The 2nd report on risk management in 2017.	The motion is ratified as stated.
December 28, 2017	The Board - the business plan of the Company in 2018.	The motion is passed as stated.
December 28, 2017	The Board - The Compliance Plan of the Company in 2018.	The motion is passed as stated.
December 28, 2017	The Board - The audit plan of the Company in 2018.	The motion is passed as stated.
December 28, 2017	The Board - the investment policy of the Company in 2018.	The motion is passed as stated.
December 28, 2017	The Board - Procedure for converting investment property of the Company to business use.	The motion is passed as stated.
December 28, 2017	The Board - amendment to the organization code of the Audit Committee of the Company.	The motion is passed as stated.
December 28, 2017	The Board - amendment to the accounting system of the Company.	The motion is passed as stated.
December 28, 2017	The Board - amendment to the internal control system and internal audit system of the Company.	The motion is passed as stated.
December 28, 2017	The Board - appointment of Mr. Ching-Chuang Huang as a Director and Advisor of the Company.	The motion is passed as stated.
December 28,	The Board - appointment of the Chief	The motion is passed as stated.

2017	Compliance Officer of the Corporate HQ as the person charged with AML/CFT.	
December 28, 2017	The Board - the appointment of the new Chief Internal Auditor of the Company.	The motion is passed as stated and reported to the competent authority - declaration with the Financial Supervisory Commission.
December 28, 2017	The Board - approval of the changes in the performance bonus of the Chairman and the Resident Directors.	The motion is passed as stated and payment effected in January 2018.
December 28, 2017	The Board - Approval of the changes in year-end bonus for the managers of the Company.	The motion is passed as stated and payment effected in January 2018.
December 28, 2017	The Board - approval of the pension for the managers of the Company.	The motion is passed as stated.
December 28, 2017	The Board - The salaries for the newly appointed President of the Company.	The motion is passed as stated.
December 28, 2017	The Board - The appointment and salaries of the managers of the Company.	The motion is passed as stated.
December 28, 2017	The Board - the adjustment of duties assigned to the managers of the Company.	The motion is passed as stated.
February 27, 2018	The Board - approval of the remuneration to the Directors and employees (including the managers) of the Company in 2017.	The motion is passed as stated and presented to the regular session of the General Meeting of Shareholders in 2018.
February 27, 2018	The Board - Approval of the pension for the managers of the Company.	The motion is passed as stated.
February 27, 2018	The Board -The rotation of duties and appointment of the managers of the Company.	The motion is passed as stated. The newly appointed Chief Compliance Officer/Person in charge of AML/CFT has been reported to the competent authority - Financial Supervisory Commission as required. The appointment of Fei-Fen Hsiao , Manager of the Accounting Department, has been declared with the Taiwan Stock Exchange Corporation as required.
February 27, 2018	The Board - the salaries to the managers of the Company.	The motion is passed as stated.
February 27, 2018	The Board - amendment to the Articles of Incorporation of the Company.	The motion is passed as stated.
March 28, 2018	The Board - The Business Report of the Company in 2017.	The motion is passed as stated and presented to the regular session of the General Meeting of Shareholders in

		2018.
March 28, 2018	The Board - Financial Report in 2017	The motion is passed as stated and presented to the regular session of the General Meeting of Shareholders in 2018 for ratification.
March 28, 2018	The Board - the proposal for the distribution of earnings in 2017.	The motion is passed as stated and presented to the regular session of the General Meeting of Shareholders in 2018 for discussion.
March 28, 2018	The Board - the proposal for distribution of earnings in 2017.	The motion is passed as stated and presented to the regular session of the General Meeting of Shareholders in 2018 for discussion.
March 28, 2018	The Board - The assessment report on the independence of the CPAs from Deloitte Taiwan, the external auditor firm commissioned by the Company in 2017.	The motion is passed as stated.
March 28, 2018	The Board - the auditing fee charged by Deloitte Taiwan in 2018 for auditing service.	The motion is passed as stated.
March 28, 2018	The Board - The Statement of Declaration of Internal Control in 2017	The motion is passed as stated.
March 28, 2018	The Board - The Statement of Declaration of Internal Control in AML/CFT in 2017.	The motion is passed as stated.
March 28, 2018	The Board - The execution of the 2017 audit plan.	The motion is passed as stated.
March 28, 2018	The Board - announcement of the regular session of the General Meeting of Shareholders in 2018.	The motion is passed as stated.
March 28, 2018	The Board - The appointment and salaries of the managers of the Company.	The motion is passed as stated.
March 28, 2018	The Board - amendment to the organization code of the Corporate Governance Center in part.	The motion is passed as stated.
March 28, 2018	The Board - amendment to the parliamentary procedure of the Board in part.	The motion is passed as stated.
March 28, 2018	The Board - amendment to the regulations governing donations of the Company in part.	The motion is passed as stated.
March 28, 2018	The Board - amendment to the internal control system and internal audit system of the Company.	The motion is passed as stated.

(XII) Adverse opinions from the Directors or Supervisors on the resolution of the Board on record or in written declaration in the most recent year to the day this report was printed, and the summary: None.

(XIII) Resignation or dismissal of the Chairman, President, Chief Accounting Officer, Chief

Financial Officer, Chief Internal Auditor, and Chief of R&D in the most recent year to the day this report was printed in detail: None.

Note: Relevant parties shall refer to Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, and Chief of R&D.

IV. Information on auditing fees

- (I) The payment for non-auditing service to the CPA for certification service, the CPA firm and its affiliates accounted for more than 1/4 of the auditing fee: None.

(in NT\$ 1,000)

Name of CPA firm	Name of CPA	Auditing fee	Non-auditing fee					Examination period	Remark
			System design	Business registration	Human Resources	Others	Subtotal	Examination period	
Deloitte Taiwan	Yung-Fu Liu Wan-Yee Liao	3,000	-	-	-	-	-	2017	-

- (II) Replacement of the CPA firm and the auditing fee in the year of replacement was less than the auditing fee before the year of replacement: None.

- (III) The auditing fee reduced by more than 15% than the previous year: None.

(IV) Report on Independence of Certified Public Accountants

Assessment Report on Independence of CPA in 2017

The Company appointed Yung-Fu Liu, CPA, and Wan-Yee Liao, CPA, of Deloitte Taiwan for the audit and certification of the financial statements covering relevant period. [UH1] As dictated by internal control, the assessment of the independence of CPA is necessary. The assessment is shown below:

- I. The Company does not have direct or indirect financial interest with Yung-Fu Liu and Wan-Yee Liao, CPAs of Deloitte Taiwan that affected their independence.
- II. Yung-Fu Liu and Wan-Yee Liao, CPAs of Deloitte Taiwan have never been a Director, Independent Directors, or any other position of the Company at present or in the last 2 years that may directly and significantly affect the audit.
- III. The Company did not defend against the stance and opinions of Yung-Fu Liu and Wan-Yee Liao, CPAs of Deloitte Taiwan that may affect their independence.
- IV. Yung-Fu Liu and Wan-Yee Liao, CPAs of Deloitte Taiwan, and their audit team has not tolerated or felt any intimidation from the Company that may cause their objectivity and professional standing in the audit.
- V. Yung-Fu Liu and Wan-Yee Liao, CPAs of Deloitte Taiwan, and their audit team did not provide any other forms of non-auditing service for the Company that may affect their impartiality.
- VI. No violation of any requirement of the SAS that may affect the impartiality of the CPAs.
- VII. The aforementioned assessment was made in accordance with the Republic of China Professional Code of Conduct of Certified Public Accountants No. 10, "Integrity, Fair, Objective, and Independence".

Assessor: Fei-Fen Hsiao

Person in charge: Y. L. Chou

- V. Information on replacement of CPA: None.
- VI. If the Chairman, President, manager in charge of finance or accounting who has been employed by the CPA firm commissioned by the Company for the audit or its affiliates, disclose the names, occupational titles, and the duration of employment with the CPA firm or its affiliates: None.
- VII. Changes in shareholding by Directors, Managers and dominant shareholders in the most recent year to the day this report was printed.

Occupational Title (Note 1)	Name	2017		2018 to April 30	
		Change in quantity of shareholding	Change in quantity of shares under pledge	Change in quantity of shareholding	Change in quantity of shares under pledge
Chairman	Yi Chih Co., Ltd. Representative: Cheng-Han Lee	-	-	-	-
Director	Chien Yi Industrial Co., Ltd. Representative: Cheng-Tsung Lee	-	-	-	-
Director	Cheng-Tu Lee	-	-	-	-
Director	Yi-Lung Lai	-	-	-	-
Director	Shao-Ying Lee	-	-	-	-
Director	Primax Development Co., Ltd. Representative: Chi-Chen Tu	-	-	-	-
Director	Cheng-Chin Lee	-	-	-	-
Independent Director	Ming-Chieh Chen	-	-	-	-
Independent Director	Jui-Ping Lee	-	-	-	-
Independent Director	Jui-Tung Lu	-	-	-	-
Director	David Huang	-	-	-	-
Director	Chien Cheng Development Co., Ltd. Representative: Tien-Ching Yang	-	-	-	-
Director	Da Feng Construction Engineering Co., Ltd. Representative: Chien-Yi Hsu	-	-	-	-
Manager	Jack Chen	-	-	-	-
Manager	Ching Chang Chen	-	-	-	-
Manager	Jen-Huai Liu				
Manager	C. S. Lin	-	-	-	-
Manager	Y. L. Chou	-	-	-	-
Manager	Tom C. T. Chen				

Manager	Tony T. Y. Wei (relieved from office on January 25, 2018)	(10,000)	-	-	-
Manager	Stephen S.C. Shen	-	-	-	-
Manager	Chu-Minn Leu	-	-	-	-
Manager	Emerson Chien	-	-	-	-
Manager	Jack Chu	-	-	-	-
Manager	Edward Y. C. Lee	-	-	-	-
Manager	Yeong-Rong Hsiao	-	-	-	-
Manager	Chen-Hsiung Lin	-	-	-	-
Manager	Beiru Lee	-	-	-	-
Manager	Fei-Fen Hsiao	-	-	-	-
Manager	Te-Chun Chiang	-	-	-	-
Manager	Ping-Change Chou	-	-	-	-
Manager	Chang-Hong Chen	-	-	-	-
Manager	Chien-Wen Chen	-	-	-	-
Manager	Robert Wu (relieved from office on March 01, 2018)	-	-	-	-
Manager	S. Q. Chen	-	-	-	-
Manager	Tony J.Y. Wang	-	-	-	-
Manager	Hsu-Wei Chen Manager,	-	-	-	-
Manager	Wen-Tung Yen	-	-	-	-
Manager	H. C. Huang	-	-	-	-

Note 1: Shareholders holding more than 10% of the outstanding shares issued by the Company shall be singled out as dominant shareholders.

Note 2: If the counterparty of the transfer or pledge of shares is a related party, fill in the table below.

Information of transfer of shares

Name (Note 1)	Reasons for transfer of shares (Note 2)	Date of transaction	Counterparty of transaction	Relation of the counterparties with the Company, Directors, Supervisors and shareholders holding more than 10% of the outstanding shares issued by the Company.	Quantity of shares	transacti on price
—	—	—	—	—	—	—

Note 1: Fill in the names of the Directors, Supervisors, managers and shareholders holding more than 10% of the outstanding shares issued by the Company.

Note 2: Fill in whether is it an acquisition or disposition.

Information on pledge of shares

Name (Note 1)	Reason for the pledge (Note 2)	Date of change	Counterparties	Relation of the counterparties with the Company, Directors, Supervisors and shareholders holding more than 10% of the outstanding shares issued by the Company.	Quantity of shares	Proportion of shareholding	Shares under pledge in proportion to shareholding.	Under lien (Redemp tion) amount:
—	—	—	—	—	—	—	—	—

Note 1: Fill in the names of the Directors, Supervisors, managers and shareholders holding more than 10% of the outstanding shares issued by the Company.

Note 2: Fill in whether it is a pledge or redemption.

VIII. Information on the relations among the top 10 shareholders of the Company by quantity of shareholding.

Name (Note 1)	The person Shareholding		Shareholding by spouse or dependents		Shareholding under the title of a third party		If the top 10 shareholders are related parties, or spouses, kindred within the 2nd tier under the Civil Code, the titles or names and relations. (Note 3)		Remark
	Quantity of shareholding	Proportion of shareholding	Quantity of shareholding	Proportion of shareholding	Quantity of shareholding	Proportion of shareholding	Title (or name)	Relation	
Chien Cheng Development Co., Ltd.	18,806,192	6.24%	-	-	-	-	Chien Yi Industrial Co., Ltd.	With the same Chairman	
Deputy Agent: Cheng-Tsung Lee	1,329,102	0.44%	183,647	0.06%	-	-	Cheng-Tu Lee Pei-Chuen Lee	Brothers Elder brother and younger sister	
Da Feng Construction Engineering Co., Ltd.	15,823,085	5.25%	-	-	-	-	Tsai Cheng Enterprise Co., Ltd.	With the same Chairman	
Deputy Agent: Cheng-Tu Lee	3,296,991	1.09%	606,203	0.20%	-	-	Cheng-Tsung Lee Pei-Chuen Lee	Brothers Elder sister and younger brother	
Sheng Ching Investment Co., Ltd.	13,829,289	4.59%	-	-	-	-	-	-	
Deputy Agent: Shu-Huei	-	-	-	-	-	-	-	-	

Huang									
Tsai Cheng Enterprise Co., Ltd.	11,137,501	3.70%	-	-	-	-	Da Feng Construction Engineering Co., Ltd.	With the same Chairman	
Deputy Agent: Cheng-Tu Lee	3,296,991	1.09%	606,203	0.20%	-	-	Cheng-Tsung Lee Pei-Chuen Lee	Brothers Elder sister and younger brother	
Bao Shan Construction Co., Ltd.	9,969,950	3.31%	-	-	-	-	-	-	
Deputy Agent: Cheng-Chin Lee	347,000	0.12%	190,000	0.06%	-	-	-	-	
Chien Yi Industrial Co., Ltd.	7,335,189	2.44%	-	-	-	-	Chien Cheng Development Co., Ltd.	With the same Chairman	
Deputy Agent: Cheng-Tsung Lee	1,329,102	0.44%	183,647	0.06%	-	-	Cheng-Tu Lee Pei-Chuen Lee	Brothers Elder brother and younger sister	
Yi Chih Co., Ltd.	4,928,750	1.64%	-	-	-	-	-	-	
Deputy Agent: Hsiu-Chuen Lee-Yang	3,719,751	1.24%	1,699,367	0.56%	-	-	Hsiu-Chuen Lee-Yang	The same person	
Tsai Rai Enterprise Co., Ltd.	4,498,464	1.49%	-	-	-	-	-	-	
Deputy Agent: Pei-Chuen Lee	1,139,000	0.38%	-	-	-	-	Cheng-Tsung Lee Cheng-Tu Lee	Elder brother and younger sister Elder sister and younger brother	
Tai An Insurance Co., Ltd.	3,930,000	1.30%	-	-	-	-	-	-	
Deputy Agent: Sung-Chih Lee	-	-	-	-	-	-	-	-	
Hsiu-Chuen Lee-Yang	3,719,751	1.24%	-	-	-	-	Yi Chih Co., Ltd.	With the same chairman	

Note 1: List out the top 10 shareholders. List both the titles of the shareholders and the names of the representatives

for institutional shareholders.

Note 2: The calculation of proportion of shareholding shall be the holding by the person, spouse, and dependents or in the name of a third party separately.

Note 3: The aforementioned shareholders for disclosure shall include institutional shareholders and natural persons, with the relations between the shareholders as required by the Criteria for the Compilation of Financial Statements by Securities Issuers.

IX. The quantity of shares of the same investee held by the business under direct or indirect control of the Company, the Directors, Supervisors, managers of the Company, and shall be included in the overall proportion in shareholding.

Unit: Share; %

Direct investment (Note)	Investment of the Company		Investment of the Directors, Supervisors, managers and business under direct or indirect control.		Comprehensive investment	
	Quantity of shareholding	Proportion of shareholding	Quantity of shareholding	Proportion of shareholding	Quantity of shareholding	Proportion of shareholding
—	—	—	—	—	—	—

Note: Long-term investment of the Company accounted for under the equity method.

Four. Funding Status

I. Source of capital

Year / month	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousands)	Number of shares (thousand shares)	Amount (NTD thousands)	Source of capital (NTD thousands)	Paid in properties other than cash	Others
1993.10	10	40,500	405,000	40,500	405,000	Capitalization of retained earnings 27,720 Cash issue 69,280	None	Approved under Letter No. (82)-Tai-Cai-Zheng-(1)-30551 dated October 02, 1993
1994.07	10	49,005	490,050	49,005	490,050	Capitalization of retained earnings 76,950 Capitalization of special reserves 8,100	None	Approved under Letter No. (83)-Tai-Cai-Zheng-(1)-32388 dated July 22, 1994
1995.07	10	61,000	610,000	61,000	610,000	Cash issue 119,950	None	Approved under Letter No. (84)-Tai-Cai-Zheng-(1)-38516 dated July 05, 1995
1996.07	10	76,000	760,000	76,000	760,000	Cash issue 137,800 Capitalization of capital reserves 6,100 Capitalization of special reserves 6,100	None	Approved under Letter No. (85)-Tai-Cai-Zheng-(1)-41412 dated July 09, 1996
1997.07	10	94,000	940,000	94,000	940,000	Cash issue 96,400 Capitalization of retained earnings 76,000 Capitalization of special reserves 7,600	None	Approved under Letter No. (86)-Tai-Cai-Zheng-(1)-52271 dated July 07, 1997
1998.07	10	115,000	1,150,000	115,000	1,150,000	Cash issue 97,200 Capitalization of retained earnings 103,400 Capitalization of special reserves 4,700 Capitalization of capital reserves 4,700	None	Approved under Letter No. (87)-Tai-Cai-Zheng-(1)-59513 dated July 14, 1998
1999.07	10	140,000	1,400,000	140,000	1,400,000	Cash issue 169,500 Capitalization of retained earnings 69,000 Capitalization of special reserves 5,750	None	Approved under Letter No. (88)-Tai-Cai-Zheng-(1)-62487 dated July 07, 1999

						Capitalization of capital reserves 5,750		
2000.8	10	170,000	1,700,000	170,000	1,700,000	Cash issue 206,200 Capitalization of earnings 93,800	None	Approved under Letter No. (89)-Tai-Cai-Zheng-(1)-56269 dated June 29, 2000
2001.07	10	200,000	2,000,000	200,000	2,000,000	Cash issue 204,000 Capitalization of earnings 96,000	None	Approved under Letter No. (90)-Tai-Cai-Zheng-(1)-141707 dated July 06, 2001
2003.06	10	210,230	2,102,300	210,230	2,102,300	Capitalization of retained earnings 102,300	None	Approved under Letter No. (92)-Tai-Cai-Zheng-(1)-0920128642 dated June 30, 2003
2004.07	10	234,977	2,349,776	234,977	2,349,776	Capitalization of retained earnings 247,476	None	Approved under Letter No. (93)-Zheng-Qi-(1)-0930129931 dated July 07, 2004
2005.07	10	258,075	2,580,753	258,075	2,580,753	Capitalization of earnings 230,977	None	Letter No. Jin-Guan-Zheng-1-0940124581 dated June 27, 2005
2007.07	10	282,782	2,827,828	282,782	2,827,828	Capitalization of earnings 257,075	None	Letter No. Jin-Guan-Zheng-1-0960034642 dated July 13, 2007
2008.07	10	301,163	3,011,637	301,163	3,011,637	Capitalization of earnings 183,808	None	Letter No. Jin-Guan-Zheng-1-0970032127 dated 07.04, 2008

Note 1: Information is presented up till the publication date of this annual report.

Note 2: Date and document reference of effected (approved) incremental capital have been presented.

Note 3: Shares issued at prices lower than face value have been labeled in a visible manner.

Note 4: In-kind capital payments such as monetary debt and technology are described separately with details on the types and amounts of contribution provided.

Note 5: Private placements have been highlighted in a visible manner.

April 30, 2018

Share category	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	301,163,784 shares	0	301,163,784 shares	TWSE-listed

Note: The place of listing (i.e. TWSE or TPEX) along with any listing restrictions have been specified.

Information relevant to the aggregate reporting policy

Type of securities	Planned amount of issuance	Issued quantity	Purpose and expected	Unissued portion	Remarks
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	Total shares	Amount approved	Number of shares	Price	benefits of issued securities	Scheduled date of issuance	
—	—	—	—	—	—	—	—

II. Shareholder structure

April 30, 2018

Shareholder structure Count	Government agencies	Financial institutions	Others Corporate entities	Natural persons	Foreign institutions and foreigners	Total
Count	1	2	76	20,817	63	20,959
Shares held (shares)	292,000	3,981,000	113,315,068	169,606,739	13,968,977	301,163,784
Shareholding percentage (%)	0.10%	1.32%	37.63%	56.32%	4.63%	100%

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

III. Diversity of ownership

April 30, 2018

Shareholding range	Number of shareholders	Shares held	Shareholding percentage
1 to 999	13,792	601,474	0.20%
1,000 to 5,000	4,156	9,634,216	3.20%
5,001 to 10,000	1,123	9,131,670	3.03%
10,001 to 15,000	443	5,664,307	1.88%
15,001 to 20,000	311	5,752,953	1.91%
20,001 to 30,000	269	6,843,764	2.27%
30,001 to 40,000	167	5,956,022	1.98%
40,001 to 50,000	119	5,556,931	1.85%
50,001 to 100,000	239	16,939,265	5.62%
100,001 to 200,000	164	23,478,582	7.80%
200,001 to 400,000	83	23,475,526	7.79%
400,001 to 600,000	23	11,460,360	3.81%
600,001 to 800,000	20	13,419,996	4.46%
800,001 to 1,000,000	6	5,243,378	1.74%
1,000,001 and above - Range to be determined as deemed appropriate	44	158,005,340	52.46%
Total		301,163,784	100.00%

Preferred shares

April 30, 2018

Shareholding range	Number of shareholders	Shares held	Shareholding percentage
Range to be determined as deemed appropriate	—	—	—
Total	—	—	—

IV. List of major shareholders:

April 30, 2018

Shareholding List of major shareholders	Shares held	Shareholding percentage %
Chien Cheng Development Co., Ltd.	18,806,192	6.24%
Sheng Ching Investment Co., Ltd.	17,158,289	5.70%
OSTA Trading Co., Ltd.	15,823,085	5.25%
Tsai Cheng Enterprise Co., Ltd.	11,137,501	3.70%
Pao Shan Construction Co., Ltd.	9,969,950	3.31%
Chien Yi Industrial Co., Ltd.	7,335,189	2.44%
Yi Chih Co., Ltd.	4,928,750	1.64%
Tsai Rui Enterprise Co., Ltd.	4,498,464	1.49%
Taian Insurance Co. Ltd.	3,980,000	1.32%
Hsiu-Chuan Li Yang	3,719,751	1.24%

V. Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Item \ Year			2016	2017	Year-to-date March 31, 2018
Market price per share (Note 1)	High		14.95	15.10	14.70
	Low		9.99	12.80	13.45
	Average		11.68	13.72	14.20
Net worth per share (Note 2)	Before dividend		17.84	18.92	19.24
	After dividend		17.19	Note 8	-
Earnings per share	Weighted average outstanding shares		301,164	301,164	301,164
	EPS (Note 3)		1.59	1.53	0.47
Dividends per share	Cash dividends		0.65	Note 8	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Analysis of investment returns	P/E ratio (Note 5)		7.35	8.97	-
	Price to dividends ratio (Note 6)		17.97	Note 8	-
	Cash dividend yield (Note 7)		5.57	Note 8	-

* Where stock dividends were paid from earnings or capital reserves, market price and cash dividends per share are adjusted retrospectively for the number of new shares issued.

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's

shareholders meeting is presented in the table.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

Note 6: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

Note 8: Dividends per share are specified in the amounts resolved during next year's shareholder meeting ; the 2017 amounts are yet to be resolved during a shareholder meeting.

VI. Dividend policy and execution:

- (I) The Company's dividend decisions involve several factors including the current business environment and growth stage, its future capital requirements and long-term financial plan, and shareholders' needs for cash flow. At least 30% of distributable earnings shall be distributed as dividends, with cash dividends amounting to no lesser than 10% of total dividends.
- (II) Dividend distribution proposed for the next shareholder meeting:
During the board of directors meeting dated March 28, 2018, the board resolved to pay out NT\$180,698,270 from cumulative undistributed earnings as cash dividends. Based on the 301,163,784 shares outstanding, the payout is equivalent to NT\$0.60 per share. The board of directors shall be authorized to determine details relating to the dividend, including the baseline date, once the proposal has been resolved in the annual general meeting.

VII. Impacts of proposed stock dividends on the Company's business performance and earnings per share: None

VIII. Percentage and scope of employee/director/supervisor remuneration:

- (I) Pursuant to Article 31 of the Articles of Incorporation:
Annual profits concluded by the Company are subject to employee remuneration of at least 1%, which the board of directors may decide to distribute in cash or in shares. Employees who meet certain criteria are entitled to receive remuneration. Up to 0.6% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.
Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.
- (II) Allocation of employee and director remuneration from previous year's earnings:
Employee remuneration: NT\$5,202,000 and director remuneration: NT\$3,121,000.

IX. Shares repurchased by the company:

Up till April 30, 2018

Buyback attempt (Note)	First (attempt)	Second (attempt)	Third (attempt)	Fourth (attempt)	Fifth (attempt)	Six (attempt)
Purpose of buyback	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees
Buyback period	January 29, 2001~ March 28, 2001	April 02, 2001~ June 01, 2001	June 11, 2001~ August 10, 2001	August 07, 2001~ October 06, 2001	August 28, 2003~ October 27, 2003	February 18, 2004~ April 17, 2004
Buyback price range	8~12	10~12	9~12	8.5~10.5	8~12	17~23
Types and number of	Common shares 6,000,000	Common shares 2,000,000	Common shares 2,000,000	Common shares 4,000,000	Common shares 3,000,000	Common shares 1,000,000

shares bought back						
Value of shares bought back	64,619,006	19,310,673	20,533,572	38,038,310	30,769,227	22,221,815
Number of shares retired and transferred	6,000,000	2,000,000	2,000,000	4,000,000	3,000,000	1,000,000
Cumulative holding of own shares	0	0	0	0	0	0
Cumulative holding of own shares as a percentage to total outstanding shares (%)	0%	0%	0%	0%	0%	0%

Note: Adjust the number of columns as needed.

X. Corporate bonds (including convertible bonds, exchangeable bonds, bonds issued under shelf registration, and corporate bonds with embedded options): None.

XI. Preferred shares (including preferred shares with embedded options): None.

XII. Global depository receipts: None.

XIII.

(I) Employee warrants (including the names of managers receiving employee warrant, names of employees ranking top ten in terms of exercisable shares, amount acquired and amount exercised): None.

(II) Employee restricted shares (including the names of managers receiving employee restricted shares, names of employees ranking top ten in restricted shares acquired, and total amount acquired): None.

XIV. New shares issued for merger or acquisition: None.

XV. Progress on planned use of capital:

(I) Projects: For any issuance or private placement of securities that were not completed or issuance/private placements that were completed but have yet to achieve the intended benefits by the quarter before the publication date of annual report, disclose details of the securities offerings or private placements including plan changes, source and use of capital, reasons for change, benefits of change, the dates the proposals were presented during shareholder meeting, and the dates information was uploaded onto the reporting website designated by the Commission: None.

(II) Execution: Analyze each of the above projects up till the quarter before the publication date of annual report, and compare execution with expected benefits. For any project that does not meet the targeted progress or benefit, state the underlying reasons, how it affects shareholder equity, and improvement plans. Projects that involve any of the following must also disclose the details below:

1. Where capital is intended to acquire another company, expand or construct new property, plant or equipment, compare and explain the underlying effects in terms of fixed asset balance, operating revenues, operating costs, operating profits etc: Not applicable.

2. Where capital is intended to invest into another company, explain impacts to the operations of the invested business and to the company's investment gains: Not applicable.
3. Where capital is intended to provide working capital or repay debts, compare and explain any increase/decrease in current assets, current liabilities, total liabilities, interest expense, operating revenues and earnings per share, and analyze the financial structure:

In 2007, the Company capitalized NT\$183,808,000 of earnings and increased the size of share capital to allow greater room for treasury transactions, which will prove beneficial to earnings results in subsequent years.

Five. Operational Overview

I. Business activities

(I) Scope of business:

1. Main business activities:

The Company is a non-life insurance business that specializes in the offering of insurance products and related services. Below is a list of the Company's current main products and services:

- (1) Fire: A. Fire insurance, B. Fire & Allied Perils Insurance, C. Residential Fire and Earthquake Insurance
- (2) Marine: A. Marine Cargo Insurance, B. Marine Hull Insurance, C. Fishing Vessel Insurance, D. Carrier's Liability Insurance
- (3) Motor: A. Automobile Hull Insurance, B. Automobile Theft Insurance, C. Automobile Third Party Insurance, D. Automobile Insurance Rider, E. Compulsory Automobile Liability Insurance, F. Compulsory Motorcycle Liability Insurance, G. Compulsory Automobile/Motorcycle Liability Insurance Driver's Injury Rider
- (4) Machinery and Engineering: A. Erection All Risks Insurance, B. Installation All Risks Insurance, C. Electronic Equipment Insurance, D. Contractors' Plant & Machinery Insurance, E. Boiler & Pressure Vessel Insurance, F. Machinery Breakdown Insurance, G. Construction Bond Insurance, H. Civil Engineering Completed Risks Insurance
- (5) Liability: A. Public Liability Insurance, B. Elevator Liability Insurance, C. Contractors' Liability Insurance, D. Employers' Liability Insurance, E. Product Liability Insurance, F. Golfers' Liability Insurance, G. Security Liability Insurance, H. Public Transportation Liability Insurance, I. Professional Indemnity for Architects & Engineers, J. Professional Indemnity for Accountants, K. Professional Indemnity for Lawyers, L. Financial Industry Safety Deposit Box Liability Insurance, M. Medical Malpractice Insurance, N. Hospital Comprehensive Liability Insurance, O. Professional Indemnity for Insurance Agents/Brokers, P. Professional Indemnity for Travel Agencies, Q. Human Clinical Trial Insurance, R. Golfers All Risk Insurance, S. Directors & Officers Liability Insurance
- (6) Performance Bond Insurance: A. Blanket Fidelity Bond Insurance, B. Insurance Brokers' Blanket Bond Insurance
- (7) Credit: A. Small Loan Credit Insurance
- (8) Aviation Insurance
- (9) Others: A. Money Insurance, B. Burglary & Theft Insurance, C. Bankers' All Risk Insurance, D. Commercial Property Floater Insurance, E. Artwork Comprehensive Insurance, F. Shop Insurance
- (10) Personal Accident: A. Personal Accident Insurance, B. Group Accident Insurance, C. Comprehensive Personal Travel Insurance, D. Women's Comprehensive Insurance, E. Credit Card Comprehensive Insurance
- (11) Health Insurance: A. Daily Hospitalization Insurance, B. Hospitalization Rider, C. Critical Illness Insurance, D. Daily Hospitalization Rider, E. Travel

Insurance Overseas Illness Benefit Rider, F. Daily Hospitalization Rider [Type A], G. First-time Cancer Diagnosis Rider, H. First-time Cancer Insurance

(12) Reinsurance: Reinsurance of various non-life risks

(13) Damage Prevention Services: A. Infrared Thermal Imaging, B. Ultraviolet (UV) Imaging, C. Fire Safety Seminar and Certification, D. Fire Safety Design and Advice for New Buildings/Plants, E. Quantitative Fire Risk Assessment and Improvement Advice

2. Revenue weight of main products:

2017 Premiums Revenues by Insurance Category (in NT\$ 1,000)

Insurance category	Fire	Marine	Automobile	Others	Total
Premium revenues	887,156	379,369	4,317,972	1,415,288	6,999,785
Reinsurance Premium	41,795	25,563	241,597	71,471	380,426
Total	928,951	404,932	4,559,569	1,486,759	7,380,211

(II) Industry overview:

1. Euler Hermes SA (Belgium) established its Taiwan Branch, making it the first foreign insurance institution to create a branch in Taiwan in recent years.
2. The Financial Supervisory Commission plans to revise its “Compulsory Automobile Liability Insurance Premium Increment Standards for Drinking and Driving” to increase the amount of premiums for drink-and-drive offenders, so that the cost of claims against compulsory automobile liability insurance in the event of drink-and-drive can be more reasonably reflected.
3. The government and the general public have become increasingly aware of issues concerning personal data protection and information security, particularly after recent hacker and ransomware attacks on banking systems. Protection against information security risks has emerged as the latest insurance trend.
4. The Financial Supervisory Commission continues to encourage innovation from the insurance industry and motivate industry participants in making more efficient use of capital and exploring new business opportunities. Meanwhile, additional supervisory efforts are being undertaken to enhance compliance with anti-money laundering laws and internal control for the sound development of the insurance industry.
5. On June 1, 2017, Taiwan Insurance Institute published its reference premium rates for large-sum insurance, which prevents large-sum fire insurance coverage from being charged at unreasonable levels, and is expected to put an end to the intensive price competition that has existed for many years.
6. Abnormal climates in recent years have increased the frequency and extent of agricultural losses. To protect farmers, the Financial Supervisory Commission has been assisting the Council of Agriculture, Executive Yuan, in organizing trial launch of natural disaster insurance coverage for agricultural products. Currently, agricultural insurance covers several categories including pear, mango, rice and aquaculture.

7. Premiums from online insurance still account for a low percentage of overall insurance revenue. Automobile insurance, motorcycle insurance and travel insurance are the largest sources of online premium revenue, and still present abundant room for growth as compared to physical channels. Financial Supervisory Commission continues to encourage the insurance industry in making products available online by: introducing the use of negative checklist, permitting new insurance categories for online sale, increasing the maximum sum assured for travel insurance, allowing parents to purchase travel insurance for children below 7 years of age, and simplifying the automobile/motorcycle accident reporting procedures.

(III) Technological research and development:

The Company allocates budget to train professional talents and develop new products on a yearly basis.

(IV) Long and short-term business plans:

1. Short-term plan:
 - (1) Optimize asset allocation for improved capital efficiency.
 - (2) Offer talent transformation training programs to accommodate changes in the financial market.
 - (3) Adjust premium rates and underwriting strategies based on the loss rate.
 - (4) Develop/package suitable products and value-adding solutions for increased revenue.
 - (5) Reduce operating costs using automated file conversion processes and B2B platforms.
 - (6) Secure and maintain existing businesses; increase the percentage of new businesses and expand scale of operation.
 - (7) Expand bancassurance, insurance broker/agency and direct sales channels for higher market share.
 - (8) Enforce sound KYC (Know Your Customer), compliance and anti-money laundering practices to prevent financial and reputation loss.
2. Long-term plan:
 - (1) Enhance human resource training as a means to secure competitiveness for future growth.
 - (2) Create a technology-powered platform that replaces manual works with automated file conversion processes.
 - (3) Introduce innovative marketing channels, products and risk management tools that reduce loss rate.
 - (4) Utilize bank channels and form strategic alliances with participants from different industries for business expansion and broader customer reach.
 - (5) Enhance and enforce enterprise risk management (ERM); apply stringent risk control that contributes toward corporate sustainability.

II. Market and sales overview

(I) Market analysis:

1. Sale of main products and market share (in NT\$ 1,000)

Insurance category	Company - 2017 direct written premium	Domestic non-life insurance market - 2017 written premium	Market share
Fire Insurance	887,156	20,677,632	4.29%
Marine Insurance	379,369	6,794,938	5.58%
Automobile Insurance	4,317,972	85,245,837	5.07%
Others	1,415,288	43,250,994	3.27%
Total	6,999,785	155,969,401	4.49%

2. Product locations: (in NT\$ 1,000)

Location	Amount	%
Head Office	2,462,530	35.18%
Taipei Branch Office	909,552	12.99%
Taochu Branch Office	897,368	12.82%
Taichung Branch Office	825,109	11.79%
Tainan Branch Office	881,410	12.59%
Kaohsiung Branch Office	1,023,816	14.79%
Total	6,999,785	100.00%

3. Future market supply and demand:

(1) Supply

- A. Develop new and differentiated products that satisfy customers' needs.
- B. Provide insurance planning and damage prevention advices to customers.
- C. Develop and market suitable products according to laws and market demands.
- D. Refine product marketing and service procedures in ways that satisfy customers' needs.
- E. Utilize cloud platforms for online sale and service for customers' convenience.
- F. Given the high concentration of large-sum insurance policies, the Company shall tighten financial assessment and exercise greater caution for customers that exhibit poor management and financial performance.

(2) Demand

- A. The arrival of smart vehicles gives rise to demands for automobile hull and theft insurance, and increased premiums.
- B. Demands for certain insurance coverage have increased due to risk management, regulatory or contractual requirements.
- C. Purchase of fire insurance riders used to be low, but has shown progressive increase in recent years.
- D. Rising awareness on the protection of personal interest has increased demand for new services and products.

- E. A rising number of companies are starting to acquire group insurance coverage for their employees, which may stimulate growth of certain insurance categories.
 - F. Recent hacker and ransomware attacks on banking systems have given rise to demands for information security insurance.
4. Opportunities and threats:
- (1) Opportunities:
- A. Launch of packaged and customized products may address the market's different needs.
 - B. The Company has the flexibility to adjust its strategies and business activities in line with market competition.
 - C. Tightened supervision from the authority helps restore order in the market and favors business expansion.
 - D. The public is increasingly aware of corporate governance and directors'/supervisors' responsibility, which gives rise to demands for directors'/supervisors' liability insurance.
 - E. Rapid advancement of electronics and technology have enabled the Company to reduce operating costs via the use of e-commerce and high-tech platforms.
 - F. Customers' rising risk awareness and availability of damage prevention measures help control the severity and frequency of accidents.
 - G. Rising awareness towards corporate social responsibilities has brought the public's attention to pollution insurance, civil engineering insurance, and information security liability insurance.
 - H. Frequent public accidents combined with increasing claims from consumers present additional business risks to most companies. Both developments are favorable to the sale of liability insurance coverage.
- (2) Threats:
- A. Some industry participants have resorted to malicious competition as a means to expand market share, which poses additional operating costs for the Company.
 - B. Some high-tech industries, such as solar power and optoelectronics, are operating under increasing risks.
 - C. Uprise of Internet banking and mobile APP has caused a reduction in the number of financial branches, and narrowed the channels through which the Company can market its products.
 - D. Slow economic growth has deterred private investment and consumption activities, which is unfavorable for business growth.
 - E. Competitors that operate under a financial group have access to more abundant resources, incur lower fixed costs, and have larger customer leads at their disposal.
 - F. Due to abnormal climates around the world, the insurance industry has experienced increase in both the frequency and extent of damage caused by natural disasters, which adversely affect business performance.

- G. As a result of government policy, the real estate market has seen fewer development projects year after year, causing a slowdown in terms of demand for engineering insurance.

(3) Responses:

- A. Create profits by exploring direct service to small and medium-sized businesses and individuals.
- B. Provide consumers with more convenient ways of purchasing insurance products and expand marketing channels.
- C. Utilize existing channels and promote residential all-risk products of higher premiums that meet consumers' requirements.
- D. Engage banks and insurance brokers/agencies in joint marketing, coordinated service and partnered business arrangements for mutual benefit.
- E. Exercise caution when underwriting coverage for high-risk business activities and locations. Control risks of retained insurance coverage on natural disaster by developing risk management system and reinsurance channels
- F. Develop consumer-oriented new products and packages in line with economic developments and social demands. Avoid malicious competition by adopting product differentiation.
- G. Upgrade the official portal and introduce SEO for better user experience and higher exposure, which favors development of online businesses in the future.
- H. Utilize new financial technologies such as big data to provide more integrated and better customized services in response to market changes and the needs of new industries.

(II) Main product applications and production processes

1. Main applications

Non-life insurance is about providing businesses, families and individuals with protection against property, liability, accident, and health-related risks. The industry not only contributes to the stability of the society and prosperity of the economy, but also provides the country with the capital needed to proceed with constructions. For the above reasons, growth of the insurance industry has become a key measurement for a country's economic development and social welfare in recent years.

2. Production process

All government policy-based insurance products designed and underwritten by non-life insurance companies must have premium rates approved by the competent authority based on a number of factors including loss rate and expense ratio, whereas other insurance products also require the approval or acknowledgment of the competent authority before underwriting.

(III) Supply of key raw materials: Not applicable as the Company is not a manufacturer.

(IV) List of main suppliers/buyers:

Name of trade partner representing more than 10% of total purchases (sales) in any of

the previous two years, and the amount and percentage of purchase (sale). Describe the cause of any variation. Code names can be used instead if contract prohibits the company from disclosing customers' names, or if the counterparty is a non-related party: Not applicable.

(V) Production volume and value in the last two years: Not applicable.

(VI) Insurance underwritten (direct written premiums) in the last two years:

Unit: policies, NTD thousands

Item Year	Fire Insurance		Marine Insurance		Automobile Insurance		Others		Total (Note)	
	No. of cases	Premium	No. of cases	Premium	No. of cases	Premium	No. of cases	Premium	No. of cases	Premium
2016	217,988	856,294	97,252	380,523	1,210,444	4,043,563	642,120	1,356,346	2,167,804	6,636,726
2017	221,923	887,156	93,897	379,369	1,284,394	4,317,972	618,015	1,415,288	2,218,229	6,999,785

Note: Premium revenue does not include reinsurance.

III. Employee information in the last 2 years up till the publication date of this annual report

Year		2016	2017	Year-to-date April 30, 2018
Employee count	Head Office	319	336	330
	Branches	501	507	506
	Total	820	843	836
Average age		43.4	43.4	43.5
Average years of service		14.9 years	14.8 years	14.9 years
Academic background	Doctoral Degree	0	0	0
	Masters Degree	39	47	48
	Bachelor Degree	644	663	658
Percentage	Senior high school	133	130	127
	Below senior high school	4	3	3

IV. Contribution to environmental protection: None.

V. Labor-management agreement:

(I) Current major labor-management agreements and execution

1. Employee welfare measures:

Apart from mandatory Labor Insurance and National Health Insurance, the Company has also purchased group accident insurance, life insurance and cancer insurance coverage for employees, and assembled an “Employee Welfare Committee” to organize welfare activities. The committee organizes regular incentive trips, distributes concessions and cash on occasions such as Dragon Boat Festival and Mid-Autumn Festival, subsidizes employees for wedding and hospitalization, and pays compassionate money for death of relative. Both the employer and employees are engaged in active communication. Through teamwork and coordination, they work towards achieving mutual benefit and ensuring the Company's prosperous future.

2. Training:

The Company's training programs have been designed according to operating strategies and human resource plans. The Company has internal and external training courses available to help all employees gain professional knowledge, improve work efficiency/quality and develop the professional character needed to compete in the market. The Company also encourages employees to acquire insurance-related certificates, and offers incentives to train professional insurance talents.

The Company completed 1,308 internal and external training sessions in 2017 for a total of 4,223.5 hours. Enrollment count totaled 14,451, and NT\$1,142,000 in training expenses were incurred.

3. Pension system:

The Company has retirement and pension policies in place that apply to all full-time employees. According to the above policies, employees' pension benefits and severance pay are calculated based on their years of service and 6-month average salary leading up to their retirement. Since July 1, 2005, the Company has been making monthly contributions totaling 6% of monthly for all employees who have adopted the new pension system introduced under the Labor Pension Act. These contributions are deposited into employees' individual pension accounts held under the Bureau of Labor Insurance.

4. Other material agreements: None.

(II) Losses suffered in the last 3 years as a result of employment dispute:

During the labor inspection conducted by Kaohsiung City Labor Affairs Bureau in 2016, the company was found to have violated Article 24 of the Labor Standards Act, for which it was fined NT\$20,000 according to Subparagraph 1, Paragraph 1, Article 79 and Article 80-1 of the Labor Standards Act. The Company has made immediate improvements and compensated employees for overtime hours according to Article 24 of the Labor Standards Act since the penalty.

VI. Major contracts

Contract nature	Principals	Contract start/end date	Main contents	Restrictive clauses
General agency agreement	A group of 90 including Kai Hsing Insurance Agency Co., Ltd.	January 01, 2017 to December 31, 2017	Agency of non-life insurance service	None
Reinsurance contract	All reinsurance participants; the lead reinsurers were CRC and Toa Re	January 01, 2017 to December 31, 2017	Reinsurance of the Company's direct underwritten coverage	None, except for exclusions stated in the contract

Six. Financial Summary

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet

(in NT\$ 1,000)

Year Item		Financial information for the last 5 years					Year-to-date
		2017	2016	2015	2014	2013	March 31, 2018
Cash and cash equivalents		1,157,174	1,231,822	946,805	1,086,854	1,097,755	1,739,164
Receivables		593,893	584,878	694,540	999,526	1,025,909	466,174
Financial assets and loans		8,568,649	8,208,131	7,873,043	7,322,076	7,242,823	8,444,973
Reinsurance Contracts Assets		2,473,583	2,758,745	2,352,616	1,970,320	2,083,860	2,520,640
Property, Plant and Equipment		626,390	622,106	631,433	616,693	619,541	624,784
Intangible Assets		12,611	15,747	4,870	3,909	3,163	10,710
Other assets		1,557,269	1,555,229	1,565,022	1,571,008	1,581,095	1,555,431
Total assets		14,989,569	14,976,658	14,068,329	13,570,386	13,654,146	15,361,876
Payables		764,602	682,912	721,202	764,263	737,521	745,754
Liability reserves		8,317,402	8,711,701	8,313,180	7,742,118	7,806,052	8,610,758
Other liabilities		209,087	208,183	128,436	158,571	205,336	210,755
Total liabilities	Before dividend	9,291,091	9,602,796	9,162,818	8,664,953	8,748,909	9,567,267
	After dividend	Note 2	9,798,552	9,162,818	8,779,395	9,080,189	-
Share capital		3,011,638	3,011,638	3,011,638	3,011,638	3,011,638	3,011,638
Retained Earnings	Before dividend	2,660,677	2,402,882	1,940,381	1,887,834	1,807,942	2,755,845
	After dividend	Note 2	2,207,126	1,940,381	1,773,392	1,476,662	-
Other equity items		26,163	(40,658)	(46,508)	5,961	85,657	27,126
Total equity	Before dividend	5,698,478	5,373,862	4,905,511	4,905,433	4,905,237	5,794,609
	After dividend	Note 2	5,178,106	4,905,511	4,790,991	4,573,957	-

Note 1: Financial information for the last 5 years, as presented above, has been prepared according to IFRSs and audited by CPA.

Note 2: Distribution of 2017 earnings had yet to be resolved in a shareholder meeting.

(II) Summary statement of comprehensive income

(in NT\$ 1,000, except for earnings per share, which is in NTD)

Item \ Year	Financial information for the last 5 years					Year-to-date March 31, 2018
	2017	2016	2015	2014	2013	
Revenue	5,881,343	5,613,575	5,070,354	4,919,907	4,954,511	1,595,662
Operating Cost	4,122,629	3,844,794	3,688,766	3,348,210	3,099,939	1,128,537
Operating Expense	1,242,794	1,203,086	1,127,829	1,063,649	1,060,186	323,469
Non-operating income and expenses	(386)	(1,440)	219	(102)	(901)	-
OPERATING INCOME BEFORE TAX	515,534	564,255	253,978	507,946	793,485	143,656
Net Income After Tax	460,310	479,755	195,022	416,101	706,002	141,929
Other Comprehensive Income	60,062	(11,404)	(80,502)	(84,625)	(2,267)	(39,255)
Earnings per share	1.53	1.59	0.65	1.38	2.34	0.47

Note 1: Financial information for the last 5 years, as presented above, has been prepared according to IFRSs and audited by CPA.

(III) Names of financial statement auditors in the last 5 years and audit opinions

Year of audit	CPA	Audit opinion
2013	Alice Huang, Yung-Fu Liu	Unqualified opinion
2014	Alice Huang, Yung-Fu Liu	Unqualified opinion
2015	Yung-Fu Liu, Wan-Yi Liao	Unqualified opinion
2016	Yung-Fu Liu, Wan-Yi Liao	Unqualified opinion
2017	Yung-Fu Liu, Wan-Yi Liao	Unqualified opinion

II. Financial analysis for the last 5 years

Analysis		Year	Financial and operational indicators in the last 5 years					Year-to-date March 31, 2018
			2017	2016	2015	2014	2013	
Business performance indicators	Variation of written premiums revenue		5.47	6.80	5.11	1.41	6.04	10.83
	Variation of losses paid		13.76	13.03	2.19	(0.23)	3.99	(17.76)
	Variation of retained premium		6.14	5.86	3.68	5.66	4.15	9.91
Profit indicators	Return on Asset		3.07	3.30	1.41	3.06	5.23	3.74
	Return on Equity		8.31	9.33	3.98	8.48	14.77	9.88
	Net Investment Income Ratio		2.37	2.20	0.62	1.34	3.69	4.06
	Return on Investment		2.18	2.04	0.57	1.23	3.40	3.74
	Combined Ratio		96.23	100.06	96.70	97.77	94.59	99.76
	Retained Expense Ratio		37.23	38.42	38.52	38.59	38.40	36.44
	Retained Earned Loss Ratio		59.00	61.64	58.18	59.18	56.19	63.32
Operational indicators	Retained premium to equity ratio		94.25	94.17	97.44	93.99	88.95	101.87
	Gross premium to equity ratio		129.51	130.31	133.69	125.74	123.62	140.33
	Net reinsurance commission to equity ratio		3.70	4.02	4.04	3.25	3.71	3.96
	Insurance liabilities to equity ratio		142.34	158.11	165.31	153.97	155.05	145.23
	Percentage of equity variation		6.04	9.55	-	-	5.42	1.69
	Expense ratio		31.01	31.84	31.90	32.09	31.25	30.52
Explanation to significance changes of 20% or higher in the last two years:								
1. Decrease in equity growth: Mainly due to changes in current net income and cash dividends.								

Note 1: **Financial statements for the last 5 years, as presented above, have been prepared according to IFRSs and audited by CPA.**

Note 2: Formulas for calculation of various analyses:

1. Business performance indicators

- (1) Variation of written premiums revenue = (cumulative written premiums revenue in the current period - cumulative written premiums revenue for the corresponding period of the previous year) / cumulative written premiums revenue for the corresponding period of the previous year

["Written premiums revenue" refers to insurance premium revenues that an insurance company receives for underwriting insurance policy directly to the insured party.]

- (2) Variation of losses paid = (cumulative direct losses paid in the current period - cumulative direct losses paid in the corresponding period of the previous year) / cumulative direct losses paid in the corresponding period of the previous year

["Direct losses paid" refers to claims that an insurance company pays to insured parties of direct written policies for suffering an insured accident.]

- (3) Variation of retained premium = (cumulative retained premium in the current period - cumulative retained premium in the corresponding period of the previous year) / cumulative retained premium in the corresponding period of the previous year

[Retained premium = written premiums revenue + reinsurance premiums revenue - reinsurance premiums expense]

2. Profit indicators

- (1) Return on assets = [net income after tax + interest expenses × (1 - tax rate)] / average total assets.

[Average total assets = (opening assets + closing assets) / 2]

- (2) Return on equity = profit before or after tax / average equity

[Average equity = (current year's equity + previous year's equity) / 2]

- (3) Net yield on capital = net investment gains in the current period /

[(opening available capital + closing available capital - net investment gains in the current period) / 2]

- (4) Return on investment = net investment gains in the current period /

[opening assets + closing assets - net investment gains in the current period) / 2]

- (5) Combined ratio = retained expense ratio + retained earned loss ratio

- (6) Retained expense ratio = retained expenses / retained premium

[Retained premium = written premiums revenue + reinsurance premiums revenue - reinsurance premiums expense]

[Retained expenses = commission and premium expenses + reinsurance commission expenses - reinsurance commission revenues + selling expenses + administrative expenses + depreciation and amortization of self-occupied real estate properties]

- (7) Retained earned loss ratio = retained claims / retained earned premiums

[Retained claims = insurance claims paid - claims recovered from reinsurers + net change in claim reserves]

[Retained earned premiums = written premiums revenue + reinsurance premiums revenue - reinsurance premiums expense - net change in unearned premium reserve]

3. Operational indicators

- (1) Retained premium to equity ratio = retained premium / equity
- (2) Gross premium to equity ratio = (written premiums revenue + reinsurance premiums revenue) / equity
- (3) Net reinsurance commission to equity ratio = (unearned premium reserve / retained premium) × reinsurance commission revenues / equity
- (4) Insurance liabilities to equity ratio = Liabilities of various insurance category / equity
[Insurance liabilities = special claim reserves + claim reserves + unearned premium reserves + other reserves]
- (5) Variation of equity = (current year's equity - previous year's equity) / absolute value of previous year's equity
- (6) Expense ratio = expenses / (written premiums revenue + reinsurance premiums revenue)
[Expenses = commission and premium expenses + operating expenses + administrative expenses + depreciation and amortization of self-occupied real estate properties + reinsurance commission expenses]

III. Other information material to understanding the company's financial position, financial performance, cash flow and changes: None.

IV. Audit Committee's report on the review of the latest financial report:

The First Insurance Co., Ltd.
Audit Committee Report

We have reviewed the Company's 2017 financial statements, business report and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by Deloitte Taiwan, to which the firm issued an independent auditor's report with unqualified opinion.

The Audit Committee has reviewed the abovementioned reports prepared by the board of directors and found them to be in compliance with regulatory requirements. We hereby issue this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

For

2018 Annual General Meeting of The First Insurance Co., Ltd.

Audit Committee convener:

Jui-Tung Lu

March 28, 2018

Independent Auditor's Report

To stakeholders of The First Insurance Co., Ltd.:

Audit opinion

We have audited the balance sheet of The First Insurance Co., Ltd. as at December 31, 2017 and 2016, the comprehensive income statement, statement of changes in equity, and cash flow statement for the periods January 1 to December 31, 2017 and 2016, and the accompanying footnotes (including summary of major accounting policies).

In our opinion, all material disclosures of the financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, international financial reporting standards approved and published by the Financial Supervisory Commission, the International Accounting Standards and interpretations thereof, and presented a fair view of the financial position of The First Insurance Co., Ltd. as at December 31, 2017 and 2016, and business performance and cash flow for periods January 1 to December 31, 2017 and 2016.

Basis of audit opinion

We have conducted our audits in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards. Our responsibilities as an auditor under the abovementioned standards will be explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from The First Insurance Co., Ltd. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2017 financial statements of The First Insurance Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2017 financial statements of The First Insurance Co., Ltd. are as follows:

Estimation of not reported (NR) and not settled (NS) reserves

The First Insurance Co., Ltd. has an actuarial team that estimates NR/NS reserves based on previous claims and expenses incurred by the various types of insurance, using methods that conform with actuarial principles. The book value of claim reserves as at December 31, 2017 amounted to NT\$2,423,547,000, of which NT\$874,181,000 were NR/NS reserves. Because the amount was presented based on actuarial estimate, any change of assumption or any misjudgment may cause significant changes to profit and loss, and therefore has been listed as a key audit issue.

For more details on the accounting policy and methodology adopted for claim reserve provisioning, please refer to Note 4(12) and Note 5 of the financial statements. For details on amounts and changes, please refer to Note 36(3) of the financial statements.

We have performed tests to gain insight about the design and execution of various procedures and controls the Company had adopted to estimate claim reserves. In addition, we

obtained data on direct claims paid by The First Insurance Co., Ltd. for various insurance categories to verify the integrity of data used in the actuarial estimate. We also engaged external actuarial experts to help us evaluate whether the methodologies and assumptions undertaken to provide for reserves were compliant with laws, and to create proprietary models for validating the rationality of NR/NS reserves provided by the Company.

Responsibilities of the management and governing body to the financial statements

Responsibilities of the management were to prepare and ensure fair presentation of financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, international financial reporting standards approved and published by the Financial Supervisory Commission, the International Accounting Standards and interpretations thereof, and exercise proper internal control practices that are relevant to the preparation of financial statements so that the financial statements are free of material misstatements caused by fraud or error.

The management's responsibilities when preparing financial statements also involved: assessing the ability of The First Insurance Co., Ltd. to operate, disclose information and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governing body of The First Insurance Co., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing financial statements

The purposes of our audit were to obtain reasonable assurance of whether the financial statements were prone to material misstatements caused by fraud or error, and issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the financial statements. Misstatements can be attributed to fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with generally accepted audit principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate responsive measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of The First Insurance Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of The First Insurance Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are bound to remind financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based upon audit evidence obtained as of the audit report date. However, occurrences of future events or circumstances may still render The First Insurance Co., Ltd. no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure and contents of the financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the financial statements.

We have communicated with the governance body about the scope, timing and significant findings (including significant defects identified in the internal control) of our audits.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2017 financial statements of The First Insurance Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan
CPA Yung-Fu Liu

CPA Wan-Yi Liao

Approval reference of the Securities and
Futures Bureau
Tai-Tsai-Zheng (VI) No. 0920123784

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen No. 1000028123

March 28, 2018

The First Insurance Co., Ltd.
BALANCE SHEET
As at December 31, 2017 and 2016

(in NT\$ 1,000)

Code	ASSETS	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
11000	Cash and cash equivalents (Notes 6)	\$ 1,157,174	8	\$ 1,231,822	8
12100	Notes receivable (Notes 4, 5, and 12)	218,944	2	199,471	1
12200	Premiums receivable (Notes 4, 5, and 12)	325,767	2	329,323	2
12500	Other receivables (Notes 4 and 12)	49,182	-	56,084	-
14110	Financial assets at fair value through profit and loss (Notes 4 and 7)	2,721,422	18	1,930,331	13
14120	Available-for-sale financial assets (Notes 4 and 8)	2,375,431	16	2,767,013	19
14140	Financial assets at cost (Notes 4 and 9)	657,412	4	637,895	4
14160	Investment in bonds without active market (Notes 4 and 10)	80,000	1	80,000	1
14180	Other financial assets (Notes 4, 6 and 11)	2,734,384	18	2,792,892	19
14200	Investment properties (Notes 4 and 13)	957,124	6	973,612	7
15000	Reinsurance contract assets (Notes 4, 12, 14 and 36)	2,473,583	17	2,758,745	18
16000	Property, plant, and equipment (Notes 4 and 15)	626,390	4	622,106	4
17300	Intangible assets (Notes 4 and 16)	12,611	-	15,747	-
17800	Deferred income tax assets (Notes 4, 5 and 25)	57,683	-	50,389	-
18300	Guarantee deposits paid (Notes 8, 17 and 27)	527,271	4	518,747	4
18700	Other assets - Others (Note 18)	<u>15,191</u>	<u>-</u>	<u>12,481</u>	<u>-</u>
1XXXX	Total assets	<u>\$ 14,989,569</u>	<u>100</u>	<u>\$ 14,976,658</u>	<u>100</u>
Code	LIABILITIES & STOCKHOLDERS' EQUITY				
21200	Insurance claims and benefit payable (Notes 4 and 36)	\$ 19,626	-	\$ 3,443	-
21400	Commission payable (Note 4)	116,265	1	117,188	1
21500	Reinsurance accounts payable (Note 4)	466,623	3	397,447	3
21600	Other payables (Note 19)	162,088	1	164,834	1
21700	Current income tax liabilities (Note 4)	17,114	-	47,745	-
24000	Insurance liabilities (Notes 20 and 36)	8,111,392	54	8,496,674	57
27100	Provision for employee benefits (Notes 4, 5 and 21)	206,010	1	215,027	1
28000	Deferred income tax liabilities (Notes 4 and 25)	92,934	1	92,934	1
25300	Guarantee deposit reserve (Note 27)	15,114	-	15,165	-
25900	Other liabilities - Others (Note 22)	<u>83,925</u>	<u>1</u>	<u>52,339</u>	<u>-</u>
2XXXX	Total liabilities	<u>9,291,091</u>	<u>62</u>	<u>9,602,796</u>	<u>64</u>
31000	Share capital (Note 23)	<u>3,011,638</u>	<u>20</u>	<u>3,011,638</u>	<u>20</u>
	Retained earnings (Notes 23 and 25)				
33100	Legal reserve	1,065,068	7	978,866	6
33200	Special reserve	1,319,782	9	1,136,594	8
33300	Undistributed earnings	<u>275,827</u>	<u>2</u>	<u>287,422</u>	<u>2</u>
33000	Total retained earnings	<u>2,660,677</u>	<u>18</u>	<u>2,402,882</u>	<u>16</u>
34000	Other equity (Note 23)	<u>26,163</u>	<u>-</u>	<u>(40,658)</u>	<u>-</u>
3XXXX	Total equity	<u>5,698,478</u>	<u>38</u>	<u>5,373,862</u>	<u>36</u>
	TOTAL LIABILITIES & EQUITY	<u>\$ 14,989,569</u>	<u>100</u>	<u>\$ 14,976,658</u>	<u>100</u>

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

Chairman: Cheng-Han Lee

President: Jack Chen

Head of accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Comprehensive Income Statement
For periods from January 1 to December 31, 2017 and 2016
(in NT\$ 1,000, except for earnings per share, which is in NTD)

Code		2017		2016		Variation Percentage (%)
		Amount	%	Amount	%	
	Operating revenues (Note 4)					
41110	Written premiums (Notes 30 and 36)	\$ 6,999,785	119	\$ 6,636,726	118	5
41120	Reinsurance premiums (Note 36)	<u>380,426</u>	<u>6</u>	<u>365,788</u>	<u>7</u>	4
41100	Premium revenues	7,380,211	125	7,002,514	125	5
51100	Less: Reinsurance expenses (Note 36)	(2,009,154)	(34)	(1,942,189)	(35)	3
51310	Less: Net change in unearned premium reserve	(<u>127,479</u>)	(<u>2</u>)	(<u>51,369</u>)	(<u>1</u>)	148
41130	Retained earned premiums (Note 36)	<u>5,243,578</u>	<u>89</u>	<u>5,008,956</u>	<u>89</u>	5
41300	Reinsurance commissions received (Note 36)	<u>288,958</u>	<u>5</u>	<u>285,320</u>	<u>5</u>	1
41400	Service Fee	<u>24,478</u>	<u>-</u>	<u>23,797</u>	<u>1</u>	3
	Net investment gains					
41510	Interest Income	108,470	2	105,377	2	3
41521	Gains on Financial Assets or Liabilities at Fair Value through Profit or Loss	186,270	3	128,705	2	45
41522	Realized Gains on Available-for-Sale Financial Assets	(11,241)	-	3,016	-	(473)
41523	Realized Gains on Financial Assets or Liabilities at Cost	15,329	-	13,499	-	14
41524	Realized Gains on Bond Investments Without Active Market	4,745	-	-	-	-
41550	Foreign exchange gains (losses) (Note 24)	(34,410)	-	(10,919)	-	215
41570	Gains (losses) on investment property (Notes 24 and 27)	<u>54,619</u>	<u>1</u>	<u>53,411</u>	<u>1</u>	2
41500	Total net investment gains	<u>323,782</u>	<u>6</u>	<u>293,089</u>	<u>5</u>	10
	Other operating revenues					
41890	Other operating revenues - Others	<u>547</u>	<u>-</u>	<u>2,413</u>	<u>-</u>	(77)
41000	TOTAL OPERATING REVENUE	<u>5,881,343</u>	<u>100</u>	<u>5,613,575</u>	<u>100</u>	5

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Code		2017		2016		Variation Percentage (%)
		Amount	%	Amount	%	
	Operating Cost					
	Retained claims and benefits paid (Notes 30 and 36)					
51200	Insurance claim and benefit payments	\$ 4,556,084	78	\$ 4,005,275	71	14
41200	Less: Claims recovered from reinsurers	(1,390,627)	(24)	(1,142,718)	(20)	22
51260	Total retained claims and benefits paid	<u>3,165,457</u>	<u>54</u>	<u>2,862,557</u>	<u>51</u>	11
	Net change in other liabilities (Note 36)					
51320	Net Change in Reserve for Claim	(72,004)	(1)	224,970	4	(132)
51340	Net Change in Reserve for Special Claim	(28,562)	(1)	(280,224)	(5)	(90)
51350	Net Change in Premium Deficiency Reserves	(316)	-	5,312	-	(106)
51300	Total net change in other liabilities	(100,882)	(2)	(49,942)	(1)	102
51510	Commission expenses (Note 36)	<u>898,514</u>	<u>15</u>	<u>881,480</u>	<u>16</u>	2
51600	Service charges (Note 36)	<u>134,199</u>	<u>2</u>	<u>132,072</u>	<u>3</u>	2
	Other Operating Costs					
51810	Contribution to insurance stabilization fund (Note 36)	13,353	1	12,719	-	5
51850	Loss on exchange - non-investment (Note 24)	7,437	-	5,884	-	26
51890	Other operating costs - Others	<u>4,551</u>	<u>-</u>	<u>24</u>	<u>-</u>	18,863
51800	Total other operating costs	<u>25,341</u>	<u>1</u>	<u>18,627</u>	<u>-</u>	36
51000	TOTAL OPERATING COSTS	<u>4,122,629</u>	<u>70</u>	<u>3,844,794</u>	<u>69</u>	7
60000	GROSS OPERATING INCOME	<u>1,758,714</u>	<u>30</u>	<u>1,768,781</u>	<u>31</u>	(1)
	Operating expenses (Notes 24 and 30)					
58100	General Expenses	1,138,920	19	1,111,860	20	2
58200	Administrative Expenses	101,256	2	89,881	1	13
58300	Staff Training Expenses	<u>2,618</u>	<u>-</u>	<u>1,345</u>	<u>-</u>	95
58000	Total operating expenses	<u>1,242,794</u>	<u>21</u>	<u>1,203,086</u>	<u>21</u>	3
61000	TOTAL OPERATING INCOME	<u>515,920</u>	<u>9</u>	<u>565,695</u>	<u>10</u>	(9)

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Code		2017		2016		Variation Percentage (%)
		Amount	%	Amount	%	
	Non-operating income and expenses					
59100	Gain on disposal of property, plant and equipment	(\$ 437)	-	(\$ 1,420)	-	(69)
59920	Sundry income	75	-	29	-	159
59990	Sundry expenses	(24)	-	(49)	-	(51)
59000	Total non-operating income and expenses	(386)	-	(1,440)	-	(73)
62000	Pre-tax profit from continuing operations	515,534	9	564,255	10	(9)
63000	Income tax expense (Notes 4 and 25)	55,224	1	84,500	2	(35)
66000	Current net income	460,310	8	479,755	8	(4)
	Other Comprehensive Income					
83100	Items not reclassified into profit and loss					
83110	Revaluation of defined benefit plan (Notes 4 and 21)	(6,759)	-	(17,254)	-	(61)
83200	Items likely to be reclassified into profit and loss					
83220	Unrealized valuation gain on available-for-sale financial assets (Note 23)	66,821	1	5,850	-	1,042
83000	Other comprehensive income for the current period (net, after-tax)	60,062	1	(11,404)	-	627
85000	Total comprehensive income - current	\$ 520,372	9	\$ 468,351	8	11
	Earnings per share (Note 26)					
97500	Basic	\$ 1.53		\$ 1.59		
98500	Diluted	\$ 1.53		\$ 1.59		

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

Chairman: Cheng-Han Lee

President: Jack Chen

Head of accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Statement of Changes in Equity
For periods from January 1 to December 31, 2017 and 2016

(in NT\$ 1,000)

Code		Share capital (Note 23)	Retained earnings (Notes 23 and 25)			Available-for-Sale Financial Assets Unrealized gains (Note 23)	Total equity
			Legal reserve	Special reserve	Undistributed earnings		
A1	Balance as at January 01, 2016	\$ 3,011,638	\$ 945,135	\$ 993,009	\$ 2,237	(\$ 46,508)	\$ 4,905,511
	Appropriation and distribution of earnings:						
B1	Legal reserve	-	33,731	-	(33,731)	-	-
B3	Special reserve	-	-	143,585	(143,585)	-	-
D1	2016 net income	-	-	-	479,755	-	479,755
D3	2016 other comprehensive income	=	=	=	(17,254)	5,850	(11,404)
D5	2016 total comprehensive income	=	=	=	462,501	5,850	468,351
Z1	Balance as at December 31, 2016	3,011,638	978,866	1,136,594	287,422	(40,658)	5,373,862
	Appropriation and distribution of earnings:						
B1	Legal reserve	-	86,202	-	(86,202)	-	-
B3	Special reserve	-	-	183,188	(183,188)	-	-
B5	Cash dividend	-	-	-	(195,756)	-	(195,756)
D1	2017 net income	-	-	-	460,310	-	460,310
D3	2017 other comprehensive income	=	=	=	(6,759)	66,821	60,062
D5	2017 total comprehensive income	=	=	=	453,551	66,821	520,372
Z1	Balance as at December 31, 2017	<u>\$ 3,011,638</u>	<u>\$ 1,065,068</u>	<u>\$ 1,319,782</u>	<u>\$ 275,827</u>	<u>\$ 26,163</u>	<u>\$ 5,698,478</u>

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

Chairman: Cheng-Han Lee

President: Jack Chen

Head of accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Cash Flow Statement
For periods from January 1 to December 31, 2017 and 2016

		(in NT\$ 1,000)	
Code		2017	2016
	Cash flow from operating activities		
A10000	Pre-tax profit for the current period	\$ 515,534	\$ 564,255
	Adjustments:		
	Income, expenses and losses		
A20100	Depreciation	17,110	17,598
A20200	Amortization	7,440	4,038
A21200	Interest Income	(108,470)	(105,377)
A21300	Dividend income	(102,092)	(49,170)
A21400	Net change of various reserves - current	(385,282)	387,135
A22500	Loss on asset disposal	437	1,420
	Change in assets/liabilities related to operating activities		
A51110	Notes receivable	(19,473)	(4,009)
A51120	Premiums receivable	3,556	131,976
A51130	Other Receivable	(1,289)	(2,176)
A51140	Gains on financial assets or liabilities at fair value through profit and loss	(791,091)	557,942
A51160	Other Financial Assets	58,508	(117,648)
A51170	Reinsurance Contracts Assets	285,162	(406,129)
A51190	Guarantee Deposits Paid	754	(5,387)
A51220	Available-for-Sale Financial Assets	441,941	(744,372)
A51230	Financial Assets at Cost	(19,517)	(51,013)
A51240	Bond investment without active market	-	42,000
A51990	Other assets	(2,710)	1,503
A52120	Claims Payable	16,183	(21,049)
A52140	Commission Payable	(923)	(520)
A52150	Reinsurance Accounts Payable	69,176	(36,610)
A52160	Other Payable	(2,746)	19,889
A52200	Provisions for Employee Benefits	(17,161)	(9,402)
A52240	Guarantee Deposit Reserve	(51)	261
A52990	Other liabilities	<u>31,586</u>	<u>34,788</u>
A33000	Cash inflow (outflow) from operating activities	(3,418)	209,943
A33100	Interests received	123,845	80,601

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Code		2017	2016
A33200	Dividends received	\$ 102,092	\$ 49,170
A33500	Income tax paid	(91,764)	(37,397)
AAAA	Net cash inflow from operating activities	<u>130,755</u>	<u>302,317</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(5,343)	(2,385)
B04500	Acquisition of intangible assets	(4,304)	(14,915)
BBBB	Net cash outflow from investing activities	(9,647)	(17,300)
	Cash outflow from financing activities		
C04500	Cash dividends paid	(195,756)	-
EEEE	Increase (decrease) in cash and cash equivalent in current period	(74,648)	285,017
E00100	Opening cash and cash equivalents	<u>1,231,822</u>	<u>946,805</u>
E00200	Closing cash and cash equivalents	<u>\$ 1,157,174</u>	<u>\$ 1,231,822</u>

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

Chairman: Cheng-Han Lee

President: Jack Chen

Head of accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Notes to financial statements
For periods from January 1 to December 31, 2017 and 2016
(Unless otherwise specified, all amounts are presented in NTD thousands)

I. Corporate history

The First Insurance Co., Ltd. (the Company) was founded in September 1962. It is primarily involved in the offering of non-life insurance products, particularly fire insurance, cargo insurance and automobile insurance. The Company has branches established in Taichung, Kaohsiung, Tainan, Taoyuan and New Taipei city.

On November 28, 2000, the Company received approval from Securities and Futures Commission, Ministry of Finance, to list for trading on Taiwan Stock Exchange Corporation.

This financial report is presented using the Company's functional currency (NTD).

II. Financial statement approval date and procedures

This financial report was passed during the board of directors meeting dated March 28, 2018.

III. Adoption of new and amended standards and interpretations

- (I) First-time adoption of amended Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission ("FSC"), International Accounting Standards (IAS), and interpretations (IFRIC) and announcements (SIC) thereof (collectively referred to as "IFRSs" below)

Adoption of amended Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and FSC-approved IFRSs did not result in any material change to the Company's accounting policies.

- (II) Adoption of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and FSC-approved IFRSs in 2018

<u>New/Amended/Modified Standards and Interpretations</u>	<u>Effective date of IASB announcement (Note 1)</u>
"Improvements for years 2014-2016"	Note 2
Amendment to IFRS 2 - "Classification and Measurement of Share-based Payment"	January 1, 2018
Amendment to IFRS 4 - "Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts"	January 1, 2018
IFRS 9 - "Financial instruments"	January 1, 2018
Amendment to IFRS 9 and IFRS 7 - "Mandatory effective date and transition disclosures"	January 1, 2018

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<u>New/Amended/Modified Standards and Interpretations</u>	<u>Effective date of IASB announcement (Note 1)</u>
IFRS 15 - "Revenue from contracts with customers"	January 1, 2018
Amendment to IFRS 15 - "Interpretation of IFRS 15"	January 1, 2018
Amendment to IAS 7 - "Disclosure initiative"	January 1, 2017
Amendment to IAS12 - "Recognition of deferred tax assets for unrealized losses"	January 1, 2017
Amendment to IAS 40 - "Transfers of investment property"	January 1, 2018
IFRIC 22 - "Foreign currency transactions and advance consideration"	January 1, 2018

Note 1: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

Note 2: With the exception of IFRS 12, which applies retrospectively to financial years after January 1, 2017, all other amendments are applied retrospectively to financial years after January 1, 2018.

- Adoption of amendments to IFRS 9 - "Financial instruments" and IFRS 4 - "Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts" Reclassification, measurement and impairment of financial assets

All financial assets previously recognized in accordance with IAS 39 - "Financial Instruments: Recognition and Measurement" will be measured either at cost after amortization or at the fair value. IFRS 9 has introduced the following rules with regards to the classification of financial assets.

Investment in debt instruments shall be classified and measured as follows if contractual cash flow consists entirely of principal repayment and payment of interest on outstanding principal:

- (1) Financial assets that are held for the purpose of collecting contractual cash flow are measured at cost after amortization. These financial assets will have interest revenues recognized in profit and loss at the effective interest rate, and impairments assessed on an ongoing basis. Impairments are also recognized in profit and loss.
- (2) Financial assets that are held for the purpose of collecting contractual cash flow and resale shall be measured at fair value through other comprehensive income. These financial assets will have interest revenues recognized in profit and loss at the effective interest rate, and impairments assessed on an ongoing basis. Impairments and exchange gains/losses are also recognized in profit and loss, whereas all other fair value changes are recognized as other comprehensive income. When such financial assets are decommissioned or reclassified, any fair value

changes previously accumulated under other comprehensive income shall be reclassified into profit and loss.

Investment of financial assets that do not meet the above criteria are measured at fair value with fair value changes recognized in profit and loss. However, the Company may choose, at initiation, to account for equity investments that are not held for trading in fair value and recognize fair value changes through other comprehensive income. For these financial assets, only dividend income is recognized in profit and loss, while other gains and losses are recognized as other comprehensive income. No subsequent assessment of impairment is required, and fair value changes accumulated under other comprehensive income are not reclassified into profit and loss on a later date.

Furthermore, amendment of IFRS 4 allows all corporate entities having adopted IFRS 9 to use the overlay approach for insurance contracts issued within the scope of IFRS 4. Financial assets eligible for the overlay approach are limited only to those measured at fair value through profit and loss under IFRS 9, which are subject to different method of measurement from IAS 39, and are not held for activities unrelated to IFRS 4 - Insurance Contracts. Corporate entities that opt for the overlay approach must specify the scope of eligible financial assets to apply the overlay approach when adopting IFRS 9 for the first time. All new assets acquired in subsequent periods need to be specified for the overlay approach at initiation. Changes in the fair value of eligible financial assets shall be divided into two portions. Amount that is subject to IAS 39 shall be presented in profit and loss, whereas the difference between IFRS 9 and IAS 39 treatments shall be presented in other comprehensive income. Amounts reclassified from profit and loss to other comprehensive income must be presented separately in the comprehensive income statement, with relevant information disclosed in the footnotes.

Based on the financial assets held and the prevailing circumstances as at December 31, 2017, the Company has identified changes in the classification and measurement of the following financial assets due to adoption of IFRS 9:

- (1) Investments in TWSE/TPEX-listed and unlisted shares classified as available-for-sale financial assets will be measured at fair value through other comprehensive income according to IFRS 9. Under this classification, any fair value changes accumulated under other equity items are no longer reclassified into profit and loss when the investment is disposed, but will instead be transferred directly into retained earnings. In addition, unlisted share investments carried at cost will be measured at fair value instead, pursuant to IFRS 9.
- (2) Fund beneficiary certificates classified as available-for-sale financial assets will be measured at fair value through profit and loss according to IFRS 9, as they do not carry the characteristics of equity instrument and the cash flows generated are not entirely intended to repay outstanding principals and interests accruing on the principals.

- (3) Bond investments without active market that are currently carried at cost after amortization will be measured at fair value through profit and loss instead, according to IFRS 9, as the contractual cash flows at initial recognition are not entirely intended to repay outstanding principals and interests accruing on the principals.

IFRS 9 introduced the “Expected Credit Loss” approach for recognizing impairment on financial assets. Allowance for impairment losses must be recognized for financial assets carried at cost after amortization and bond investments measured at fair value through other comprehensive income. If there is no significant increase in the credit risk of financial assets after initial recognition, credit loss allowance shall be made based on expected credit losses over the next 12 months. However, should the above financial assets encounter any significant increase in credit risk since initial recognition, the credit loss allowance shall be made based on expected credit losses over the remaining duration of the financial assets. For accounts receivable that constitute a material financial component, credit loss allowances need to be made based on expected losses over the duration of receivables.

For financial assets that exhibit credit impairment since initial recognition, the Company calculates credit-adjusted effective interest rate based on expected credit loss estimated at initial recognition, and makes subsequent credit loss allowances based on cumulative changes in expected credit loss.

For accounts receivable, the Company will be making loss allowances based on expected credit losses. Investments in debt instruments will be assessed in subsequent periods for significant increase of credit risk after initiation, in order to determine whether loss allowances should be measured based on expected credit losses over a 12-month period or over the duration of debt instrument. Adopting the expected credit loss model specified in IFRS 9 will cause the Company to recognize credit losses on financial assets at an earlier date.

The Company will not restate 2017 financial statements to compare differences arising from its choice of financial asset classification, measurement and impairment rules under IFRS 9. Cumulative impacts from first-time adoption will be recognized on the date of first adoption, and disclosed in details the reclassifications made and reconciliation of IFRS 9 practices.

Expected impacts to asset, liability and equity balances as at January 1, 2018 after retrospective application of financial asset reclassification, measurement and impairment rules stated in IFRS 9 are presented below:

	Book value as at December 31, 2017	Adjustments for initial adoption	January 1, 2018 After adjustment Book value
Effect on assets, liabilities and equity			
Financial Assets at Fair Value through Profit or Loss	\$ 2,721,422	\$ 200,798	\$ 2,922,220
Financial assets at fair value through other comprehensive income	-	1,343,328	1,343,328
Available-for-sale financial assets (Note)	2,847,713	(2,847,713)	-
Financial assets carried at cost after amortization	-	2,034,456	2,034,456
Financial Assets at Cost	657,412	(657,412)	-
Investment in bond without active markets	80,000	(80,000)	-
Effect on assets	<u>\$ 6,306,547</u>	<u>(\$ 6,543)</u>	<u>\$ 6,300,004</u>
Retained Earnings	\$ 2,660,677	\$ 16,182	\$ 2,676,859
Unrealized gains/losses on available-for-sale financial assets	26,163	(26,163)	-
Gains/losses on valuation of equity instruments at fair value through other comprehensive income	-	(15,492)	(15,492)
Gains/losses on debt instruments at fair value through other comprehensive income	-	18,930	18,930
Effects on equity	<u>\$ 2,686,840</u>	<u>(\$ 6,543)</u>	<u>\$ 2,680,297</u>

Note: The Company has placed NT\$472,282,000 of government bond as operation bond, which is presented as guarantee deposits paid.

Apart from the impacts mentioned above, the Company expected no material impact from amendments of other standards and interpretations to its financial position and business performance as of the publication date of this financial report.

(III) IFRSs published by IASB but yet to be approved by FSC

New/Amended/Modified Standards and Interpretations	Effective date of IASB announcement (Note 1)
“Improvements for years 2015-2017”	January 1, 2019
Amendment to IFRS 9 - “Prepayment features with negative compensation”	January 1, 2019 (Note 2)
Amendment of IFRS and IAS 28 - “Sale or contribution of assets between investor and associated companies/joint ventures”	Undetermined
IFRS 16 - “Leases”	January 1, 2019 (Note 3)
IFRS 17 - “Insurance contracts”	January 1, 2021
Amendment to IAS 19 - “Plan amendment, curtailment or settlement”	January 1, 2019 (Note 4)
Amendment to IAS 28 - “Long-term interests in associates and joint ventures”	January 1, 2019
IFRIC 23 - “Uncertainty over income tax treatments”	January 1, 2019

Note 1: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

Note 2: FSC allows the Company to adopt this amendment early on January 1, 2018.

Note 3: On December 19, 2017, the FSC announced that local businesses shall adopt IFRS 16 starting from January 1, 2019.

Note 4: This amendment will apply to all plan amendments, curtailments and settlements that take place after January 1, 2019.

1. IFRS 16 - “Leases”

IFRS 16 regulates accounting treatments for leases. This standard will supersede corresponding rules and interpretations in IAS 17 - “Leases.”

For lease arrangements where the Company is a tenant, IFRS 16 requires the Company to recognize both usage rights assets and lease liabilities on the balance sheet, except for low-value and short-term leases that can be accounted similarly to an operating lease described in IAS 17. The statement of comprehensive income needs to make separate presentations of depreciation expense on usage rights asset and interest expense accrued on lease liabilities using the effective interest method. In the cash flow statement, repayment of lease liabilities is presented as a financing activity, while payment of interest on leases is presented as an operating activity.

There should be no material impact to the accounting treatment of leases where the Company is a lessor.

When IFRS 16 is effected, the Company may choose to make retrospective adjustments to figures of the comparative period or recognize cumulative effects in one lump sum on the day of initial adoption.

2. IFRS 17 - “Insurance contracts”

Accounting treatment of insurance contracts stated under IFRS 17 will supersede IFRS 4 - “Insurance contracts.” Main context of IFRS 17 is as follows:

Level of aggregation for insurance contracts

IFRS 17 requires the Company to identify portfolios of insurance contracts. A portfolio refers to contracts that are subject to similar risks and management. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued by the Company shall be divided into a minimum of:

- (a) A group of contracts that are onerous at initial recognition;
- (b) A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
- (c) A group of the remaining contracts in the portfolio.

The Company is not permitted to include contracts issued more than one year apart in the same group, and shall apply appropriate recognition and measurement rules of IFRS 17 for the portfolios it has determined.

Recognition

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

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

Measurement at initial recognition

On initial recognition, the Company shall measure a group of insurance contracts at the total of fulfillment cash flows and contractual service margin. The fulfillment cash flows (“FCF”) comprise estimates of future cash flows, an adjustment to reflect the time value of money (“TVM”) and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk. Contractual service margin represents the unearned profit of the group of insurance contracts that the Company will recognize as it provides services in the future. Unless the group of contracts is onerous, contractual service margin is measured on initial recognition of a group of insurance contracts at an amount that results in no income or expenses arising from: (a) The initial recognition of an amount for the FCF; (b) The de-recognition at that date of any asset or liability recognized for insurance acquisition cash flows; and (c) Any cash flows arising from the contracts in the group at that date.

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

- (a) The Company reasonably expects the size of liability for remaining coverage measured from PAA to be a reasonable approximation of the general model, or
- (b) The coverage period of each contract in the group is one year or less.

Where, at the inception of the group, the Company expects significant variances in the FCF before a claim is incurred that would affect the measurement of liabilities for remaining coverage, such contracts are not eligible for condition (a).

Using the PAA, the liability for remaining coverage shall be initially recognized as the premiums received at initial recognition minus any insurance acquisition cash flows. Subsequently, the carrying amount of the liability shall be adjusted for premiums received, amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with a discretionary participation feature

An investment contract with a discretionary participation feature (DPF) is a financial instrument that does not include a transfer of significant insurance risk. These contracts are subject to IFRS 17 only if the Company issues investment contracts with DFP and insurance contracts at the same time.

Modification and derecognition

If the terms of an insurance contract are modified, the Company shall de-recognize the original contract and recognize the modified contract as a new

contract if there is a substantive modification that meets any of the specified criteria.

The Company shall de-recognize an insurance contract when it is extinguished or if any substantive modification is made.

Transition

In general, the Company shall fully adopt IFRS 17 on a retrospective basis. However, where it is impracticable to do so, the Company shall have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Company shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. If reasonable and supportable information is unavailable, the Company shall apply the fair value approach instead.

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

Apart from the impacts mentioned above, the Company continues to evaluate how amendments of the above standards and interpretations will affect its financial position and business performance as of the publication date of the financial statements. Outcomes of these assessments will be disclosed once they are concluded.

IV. Summary of significant accounting policies

(I) Statement of compliance

This financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and FSC-approved IFRSs.

(II) Basis of preparation

This financial report has been prepared based on historical cost, except for financial instruments carried at fair value.

Fair value measurement can be rated on a level of 1 to 3 depending on the ease of observation and significance of inputs:

1. Level 1 input: Refers to quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.
2. Level 2 input: Refers to inputs that can be observed directly (i.e. price) or indirectly (i.e. established from price) for an asset or liability, other than Level 1 quotations.
3. Level 3 input: Refers to inputs that can not be observed for an asset or liability.

(III) Classification of current and non-current assets and liabilities

Due to the distinctive nature of its business activities, the Company does not classify assets and liabilities into current or non-current categories, but instead presents its accounts in the order of relative liquidity.

(IV) Foreign currencies

Monetary foreign currency accounts are converted using closing exchange rates as at every balance sheet date. Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the year occurred.

Foreign currency-denominated non-monetary items carried at fair value are converted using exchange rates as at the date of fair value assessment; exchange differences are recognized in the current profit and loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as at the date of initial transaction. No further re-calculation shall be made.

(V) Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost, and subsequently presented at cost after accumulated depreciation and impairment.

Property, plant, and equipment are depreciated on a straight-line basis. Depreciation is recognized separately for each material category. The Company reviews the estimated useful life, residual value and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from decommissioned property, plant and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized in profit and loss in the year occurred.

(VI) Investment property

Investment properties are real estate properties held for rental income or capital gain, or both. Investment properties also include land held on hand that the Company has yet to determine their future uses.

Investment properties are initially recognized at cost (including transaction cost) and subsequently presented at cost after accumulated depreciation and impairment. Depreciation is provided on a straight-line basis.

Difference between the disposal proceed and book value of decommissioned investment property is recognized in profit and loss.

(VII) Intangible assets

Intangible assets that are acquired through separate purchase with limited useful life are recognized at cost at initiation, and subsequently presented at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value and depreciation method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Difference between the disposal proceed and book value of decommissioned intangible assets is recognized in current profit and loss.

(VIII) Impairment of tangible and intangible assets (except goodwill)

The Company evaluates all tangible and intangible assets (except goodwill) for signs of impairment every balance sheet date. Assets that exhibit any sign of impairment will have recoverable amount estimated. If the recoverable amount can not be estimated on an individual basis, the Company will instead estimate recoverable amount for the entire cash-generating unit. For shared assets, amortization is allocated on a reasonable and consistent basis to individual cash-generating units.

Recoverable amount is the higher between “fair value less selling costs” and the “utilization value.” If recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset/cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized in profit and loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized in profit and loss.

(IX) Financial instruments

Financial assets and financial liabilities are recognized on balance sheet when the Company becomes a party of the contract.

When recognizing financial assets and liabilities at initiation, those that are not designated to be carried at fair value through profit and loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities are recognized in profit and loss at the time incurred.

1. Financial assets

Regular transactions of financial asset are recognized on or removed from balance sheet based on principles of trade date accounting.

(1) Measurement categories

The Company held the following types of financial assets: financial assets at fair value through profit and loss, available-for-sale financial assets, and loans and receivables.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss mainly comprise financial assets held for trading.

Financial assets at fair value through profit and loss are measured at fair value, with gains and losses (including any dividends or interests generated from the financial asset) recognized in profit and loss. See Note 29 for details regarding the fair value method.

B. Available-for-sale financial assets

Available-for-sale financial assets consist of non-derivative assets that are deemed available for sale, or do not meet the criteria of other classifications such as loans, receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

Available-for-sale financial assets are measured at fair value. For available-for-sale monetary financial assets, book value changes caused by foreign exchange and interest income accounted using the effective interest method and dividends of available-for-sale equity investments are recognized in profit and loss. Other changes in the book value of available-for-sale financial assets are recognized in other comprehensive income, and will be reclassified into profit and loss at the time of disposal or when impairment is confirmed.

Dividends on available-for-sale equity investments are recognized when the Company's entitlement to such proceeds has been established.

Available-for-sale financial assets that are characterized as equity instruments without active market, open quotation and reliable method of fair value assessment, and any derivative derivatives linked to or require delivery of such instruments, are subsequently measured at cost after impairment losses, and presented separately as "Financial assets carried at cost." These financial assets will be remeasured at fair value if fair value can be measured reliably on a later date. Differences between the book value and the fair value are recognized in other comprehensive income, whereas impairment losses are recognized through profit and loss.

C. Loans and receivables

Loans and receivables (including cash and cash equivalents, receivables, other receivables, investment in bond without active markets and other financial assets) are measured at cost after amortization and impairment using the effective interest method. This excludes interests arising from short-term receivables that are of immaterial amount.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of fair value changes. Cash equivalents are held for the purpose of meeting the Company's short-term cash commitments.

(2) Impairment of financial assets

Except for financial assets at fair value through profit and loss, the Company assesses financial assets for signs of impairment on every balance sheet date. A financial asset is deemed impaired if there is objective evidence to suggest that estimated future cash flow may have been lost due to single or multiple events.

Financial assets that are presented at cost after amortization, such as accounts receivable, will have impairments assessed on a collective basis if no impairment is found on an individual basis. The Company has “The First Insurance Co., Ltd. Asset Assessment, Overdue Loan Collection and Charge Off Procedures” available to assess impairment of receivables. Impairment is identified and recognized only if there is “objective evidence” to show loss of estimated future cash flow since initiation. As a conservative practice, the Company adopts the authority’s “Regulations Governing Asset Assessment, Overdue Loan Collection and Charge Off for Insurance Enterprises” as the minimum standard for making statutory provisions.

For financial assets carried at cost after amortization, impairment is recognized as the difference between book value and estimated future cash flows discounted at the asset’s initial effective interest rate.

For financial assets carried at cost after amortization, the amount of impairment reduced in subsequent periods can be reversed and recognized in profit and loss against a direct adjustment of cumulative impairments or the provision account, provided that the reduction is objectively believed to have been attributable to events occurred after the impairment was recognized. However, the reversal can not produce a book value that is greater than the amount of cost after amortization (as at the date of reversal) had the financial asset not been impaired in the first place.

For available-for-sale equity instruments, an objective evidence of impairment is one that shows substantial or sustained fall of fair value below cost.

Other objective evidence of impairment to financial assets include: severe financial distress or default (e.g. delay or inability to pay interests or principals owed) involving the issuer/debtor, increased likelihood of the debtor undergoing bankruptcy or financial restructuring, or any financial crisis that may render the financial asset no longer available on the active market.

When an available-for-sale asset is impaired, accumulated losses previously recognized in other comprehensive income are reclassified into profit and loss.

Available-for-sale equity instruments that had impairment losses recognized through profit and loss can not have such losses reversed through profit and loss on a later date. Any recovery of fair value after impairment losses shall be recognized in other comprehensive income. If fair value of an available-for-sale debt instrument increases on a later date and the increase is objectively related to an event subsequent to the recognition of impairment in profit and loss, the Company may reverse previous impairment losses and recognize them through profit and loss.

For financial assets carried at cost, impairment is recognized as the difference between the book value and estimated future cash flows discounted at the prevailing market rate of return of other similar assets. This impairment loss can not be reversed in subsequent periods.

All impairment losses on financial assets are deducted directly from book value, except for receivables where book value is adjusted using a provision account. Receivable balances that are deemed unrecoverable are charged against the provision account. Amounts charged off but recovered in subsequent periods are credited to the allowance account. Changes in the book value of provision account are recognized in profit and loss, except for charge-offs made against unrecoverable accounts receivable.

(3) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

When a financial asset is removed, the difference between book value and the sum of consideration received plus any cumulative gains or losses recognized under other comprehensive income is recognized in profit and loss.

2. Financial liabilities

(1) Subsequent measurements

Financial liabilities are carried at cost after amortization using the effective interest method.

(2) Removal of financial liabilities

When a financial liability is removed, the difference between book value and the consideration paid (including any non-cash assets transferred or any additional liabilities borne) is recognized in profit and loss.

(X) Ceded reinsurance

The Company makes reinsurance arrangements in accordance with insurance regulations and as needed for its business activities in order to limit possible losses arising from exposure to certain risks. For ceded insurance coverage, the Company may not deny its obligations to insured parties on the basis that its reinsurers have failed to fulfill their obligations.

The Company recognizes reinsurance premiums expense for ceded reinsurance coverage depending on the nature of reinsurance contract. The financial reports have been prepared after taking into consideration the policy period, which matches premium revenues. Reinsurance premiums expenses are estimated on each balance sheet date using rational and systematic methods. All associated revenues (such as: reinsurance commission revenues) are also recognized during the same period. The Company does not defer gains/losses on reinsurance.

Reinsurance reserve assets include: unearned premium reserve, ceded claim reserve and deficiency reserve for ceded coverage. These reserves are made in accordance with Regulations Governing Reserve Provisioning by Insurance Enterprises and terms of the respective reinsurance contracts, and represent the Company's entitlements over the reinsurers.

The Company assesses reinsurance reserve assets, claims recoverable from reinsurers, and reinsurance accounts receivable balances above on a regular basis for signs of impairment or non-recovery. If there is objective evidence to suggest that the Company may be unable to recover all reinsurance contract assets due to occurrence of an event after initial recognition, the Company will recognize cumulative impairments for the recoverable amount that falls short of the book value of the reinsurance reserve assets, provided that impact to the amounts recoverable from reinsurer due to the above event can be measured reliably. Appropriate amounts of doubtful debt are provided for balances of claims recoverable from reinsurers and reinsurance accounts receivable that are no longer deemed recoverable.

(XI) Acceptance of residual assets and right of subrogation

The Company recognizes entitlement over insurance claims when such claims become certain (high likely inflow of future economic benefits) and the amount of which can be measured reliably.

(XII) Insurance liabilities

The Company provides insurance liabilities for various insurance contracts according to “Regulations Governing Reserve Provisioning by Insurance Enterprises,” “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance,” “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance” and “Regulations for the Management of the Various Reserves for Nuclear Risks Insurance by Non-life Insurance Enterprises.” All insurance liabilities have been verified by FSC-certified actuaries. The basis of provision for various insurance liabilities is explained below:

1. Unearned premium reserve

The Company makes provision of unearned premium reserve for unexpired contracts and existing insurance risks by calculating unexpired risks of each insurance contract. The Company adopts the 24th Method and other methods to provide for and recover unearned premium reserves.

2. Claim reserves

The Company makes claim reserves using actuarial methods based on past experiences and payments. The Company makes two different types of claim reserve: Reported but unpaid claims and Unreported claims. The amount of reserve for Reported but unpaid claims is estimated on a case-by-case basis and provided for different insurance categories.

3. Special claim reserves

There are two types of special claim reserve: “Special claim reserves for major incidents” and “Special claim reserves for change of risk.” Provisions made before January 1, 2011 will continue to be presented as liabilities,

whereas new provisions made on and after January 1, 2011 net of income taxes are presented as special reserve under other equity items. Starting from January 1, 2011, offsets or recoveries can be made to special claim reserves that are presented as liabilities. Once the liability has been depleted, the remainder of the offset/recovery net of income taxes can be charged against special claim reserves that are presented under other equity items.

(1) Special claim reserves for major incidents

Special claim reserves for major incidents are provided using the percentages specified by the competent authority.

Any occurrence of government-announced major incident that causes individual insurance companies to pay retained claims amounting to NT\$30 million across all insurance categories, and the entire non-life insurance industry to pay claims amounting to NT\$2 billion or above across all insurance categories, may be offset against special claim reserves for major incidents.

Insurance companies that have made special claim reserves for major incidents for more than 15 years may devise a reserve recovery system with the involvement of certified actuaries, and implement with the acknowledgment of the competent authority.

(2) Special claim reserves for change of risk

If the balance of actual claim after offsetting against special claim reserves for major incidents of a particular insurance category is lower than expected claims, the Company shall provide special claim reserves for change of risk on the difference according to rules of the competent authority.

If the balance of actual claim after offsetting against special claim reserves for major incidents of a particular insurance category is higher than expected claims, the Company may offset the difference against special claim reserves for change of risk. If there are insufficient special claim reserves for change of risk to offset a particular insurance category, the Company may offset the excess against special claim reserves for change of risk of other insurance categories. The insurance category and amount of offset shall comply with the rules and are subject to acknowledgment of the competent authority.

The Company shall recover amounts of special claim reserves for change of risk that exceed the requirements imposed by the competent authority per insurance category.

4. Deficiency reserve

The Company assesses future possible claims and expenses for each category of unexpired contracts and existing insurance risks. If the estimated claims and expenses exceed unearned premium reserves plus expected premium revenues, a deficiency reserve shall be provided on the difference for that insurance category.

(XIII) Liability adequacy test

On each balance sheet date, the Company follows the practical actuarial principles published by Actuarial Institute of Chinese Taipei to estimate future cash flows of individual insurance contracts. Any shortfall in the book value of recognized insurance liabilities identified from the above is recognized as current expense/loss.

(XIV) Revenue recognition

The Company recognizes revenues according to IAS 18 - "Revenue."

Revenue and acquisition cost of insurance coverage:

For direct written coverage, premium revenues are recognized on all underwritten and modified coverage approved in the current period. For assumed reinsurance coverage, reinsurance premium revenues are recognized based on invoice delivery date. Reinsurance premium revenues accruing as at the balance sheet date are estimated using rational and systematic methods. All associated acquisition costs (e.g.: commission expense, agency charge, fee and reinsurance commission expense) are recognized in the period incurred and not deferred.

The Company makes provision of unearned premium reserve for unexpired contracts and existing insurance risks by calculating unexpired risks of each insurance contract.

Unearned premium reserves on mandatory automobile liabilities insurance are provided according to "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance."

Unearned premium reserves on residential earthquake insurance are provided according to "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance."

Unearned premium reserves on nuclear risks insurance are provided according to "Regulations for the Management of the Various Reserves for Nuclear Risks Insurance by Non-life Insurance Enterprises."

Methods for providing unearned premium reserves are determined by actuarial personnel for the various types of insurance coverage, unless otherwise regulated by law (no change can be made without the authority's approval). The amount of unearned premium reserve is subject to verification and certification by actuarial personnel.

Taxes on insurance revenues are recognized on an accrual basis according to the Value-added and Non-value-added Business Tax Act, the Stamp Tax Act and relevant regulations.

(XV) Cost of insurance claims

For direct written coverage, the cost of insurance claims comprises claims payments (including claim-related expenses) incurred and approved in the current period. Amounts that have been ascertained by the claims department but not yet paid by the accounting/finance department and amounts that are not yet ascertained by the claims department are estimated on a case-by-case basis for each insurance category, and recognized as net change in reported but unpaid claim reserves.

For assumed reinsurance coverage, claims payable to reinsurers are recognized based on invoice delivery date. Reinsurance claims payable accruing as at the balance sheet date are estimated using rational and systematic methods, and recognized as net change in claim reserves.

For direct written and assumed reinsurance coverage, the amount of unreported insurance claims is calculated category-by-category based on previous claims and expenses using actuarial methods, and recognized as net change in unreported claim reserves.

With regards to claims recoverable from reinsurers on ceded reinsurance coverage, any claims (including claim-related expenses) received are recognized as claims recovered from reinsurers, whereas unpaid and unreported claims (including claim-related expenses) are recognized as net change in claim reserves.

The Company does not apply discounting when calculating claim reserves.

Claim reserves on mandatory automobile liabilities insurance are provided according to “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.”

Claim reserves on residential earthquake insurance are provided according to “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.”

Claim reserves on nuclear risks insurance are provided according to “Regulations for the Management of the Various Reserves for Nuclear Risks Insurance by Non-life Insurance Enterprises.”

(XVI) Leases

1. Where the Company is the lessor

Proceeds received from operating leases are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

Proceeds paid on operating leases are recognized as expense on a straight-line basis over the lease tenor.

(XVII) Employee benefits

1. Short-term employee benefit

Liabilities associated with short-term employee benefits are measured at non-discounted amount of cash that the Company expects to pay in exchange for employees' service.

2. Retirement benefits

For defined contribution plans, the amount of contributions made to pension funds over the duration of employees' service are recognized as current period expenses.

For defined benefit plans, the cost of benefit (including service cost, net interest and effect of remeasurement) is estimated using the Projected Unit Credit Method. Service costs (including current service costs) and net interests on net defined benefit plan liabilities are recognized as employee welfare expense at the time incurred or whenever the plan is amended, curtailed or

repaid. Effects of remeasurement (including actuarial gains/losses, change in plan asset limits, and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit and loss in subsequent periods.

Net defined benefit plan liabilities represent the shortfall of contributions made to the defined benefit plan.

(XVIII) Income tax

Income tax expense represents the sum of current income tax and deferred income tax.

1. Current income tax

Current income tax payable is calculated based on taxable income of the current period. The taxable income may differ from pre-tax profit presented in the statement of comprehensive income because some of the gains, expenses and losses are taxable or deductible in other years, while some are tax-exempted or eligible for tax deductions. The Company's current income tax liabilities are calculated using tax rate applicable as at the balance sheet date.

Undistributed earnings are subject to an additional 10% income tax according to the Income Tax Act. Due to uncertainties concerning the distribution of current year's earnings, this additional income tax expense will be recognized in the year when earnings appropriation is resolved during the shareholder meeting.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred income tax

Deferred income taxes are tax effects of temporary differences, given rise by the different book value of assets and liabilities presented in the financial statement and those reported for tax filing. Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income to realize them in the future.

Book value of deferred income tax asset is re-assessed on every balance sheet date. The Company will reduce book value if it is not highly likely to generate enough taxable income to realize part or all of the assets. Amounts that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These amounts may increase the book value of deferred income tax asset, provided that the Company is highly likely to generate taxable income for full or partial recovery of such asset.

Deferred income tax assets and liabilities are estimated using expected tax rate applicable at the time the liability/asset is expected to be settled/realized. This expected tax rate is determined based on the tax rate and tax laws prevailing as at the balance sheet date. Deferred income tax liabilities and

assets represent the tax impacts of the method by which the Company expects to recover/settle the book value of its assets and liabilities as at the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit and loss, except in the case of items that are recognized under other comprehensive income, where current and deferred income taxes are also recognized under other comprehensive income.

(XIX) Coinsurance organization, coinsurance and guarantee fund

1. Coinsurance contract for mandatory automobile liabilities insurance

The Company has signed a “Mandatory Automobile Liabilities Coinsurance Contract” with all peers that have been approved by the competent authority to engage in mandatory automobile liabilities insurance service. The contract requires all underwritten mandatory automobile liabilities insurance coverage to be subject to coinsurance. Violators will be subject to default penalty, and all contract participants have agreed to auditing by representatives of the coinsurance team. Assumed coinsurance coverage is calculated on a pure premium basis, and allocated at the agreed coinsurance percentage. Coinsurance participants may not exist the arrangement unless due to liquidation or business cessation. Participants will automatically exit the coinsurance arrangement if they stop providing automobile liabilities insurance service. In which case, natural expiry shall apply to unexpired liabilities.

2. Coinsurance contract for residential earthquake insurance

The Company and all industry peers approved by the competent authority to engage in residential fire insurance service have been granted membership to Residential Earthquake Insurance Fund (Earthquake Insurance Fund), a coinsurance organization. The members have jointly established a “Residential Earthquake Coinsurance Contract” that requires all underwritten residential earthquake insurance coverage to be subject to coinsurance. All contract participants have agreed to auditing by representatives of the coinsurance team. Assumed coinsurance coverage is calculated on a pure premium basis; participants bear coinsurance liability for the coverage they assume individually, and are not jointly responsible for the liabilities of others. Participants may exit the coinsurance arrangement by notifying the Earthquake Insurance Fund 3 months before commencement of the next policy year. Exited participants will continue to assume existing shared liabilities until the end of the current year, and shared liabilities outstanding thereafter will be transferred to other coinsurance members. Members may notify the Earthquake Insurance Fund to withdraw from coinsurance if dissolved due to business cessation, liquidation, or dismissal; in which case, all assumed coverage remaining in the current year will be transferred to other members of the coinsurance organization starting from the date of cessation/liquidation/dissolution announced by the competent authority. The coinsurance organization will

convene meetings to discuss the method of transfer. For members that withdraw from the coinsurance due to the above reasons, any assumed coverage remaining in the current year will be undertaken by surviving companies.

(XX) Accounting policy of the headquarter and branches

The Company's head office and branches adopt independent accounting practices. Each branch will calculate profit and loss separately and have the results aggregated by the head office for financial statement preparation. Insurance policies are reviewed and underwritten separately by the head office and branches before consolidating at the head office level. The head office's Reinsurance Department then determines the amount of retained and ceded coverage based on terms of the reinsurance contract. The head office retails all premiums received on assumed reinsurance coverage and does not allocate them to branches. The head office also makes overall decisions on the planning and use of available capital.

Provisions for unearned premium reserve, claim reserve, special claim reserve and deficiency reserve are made in aggregate of the head office and branches.

V. Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty

When applying accounting policies, the management is required to make judgments, estimates and assumptions based on historical experience or other relevant factors in situations where information can not be easily obtained from available sources. The actual outcome may differ from initial estimates.

The management will continually review its estimates and basic assumptions. If a revision of accounting estimate affects only the current period, the effect shall be recognized only for the current period. If a revision of accounting estimate affects current and future periods, the effect shall also be recognized for current and future periods.

Insurance liabilities from insurance contracts

Claim reserves arising from insurance contracts are estimated on each balance sheet date according to insurance regulations. These amounts are verified by FSC-certified actuaries, but due to the estimations involved, the actual amount of liability may be higher or lower than the amount estimated.

VI. Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash	\$ 935	\$ 1,039
Bank deposit		
Cheque deposit	482,051	416,064
Demand deposit	630,807	786,164
Foreign currency deposit	38,381	23,555
Cash equivalents - (refers to time deposits with an original tenor of 3 months or lesser)	5,000	5,000
	<u>\$ 1,157,174</u>	<u>\$ 1,231,822</u>

Foreign currency deposits are placed with domestic banks. As at December 31, 2017 and 2016, the Company held NT\$2,734,384,000 and NT\$2,792,892,000 of time deposit, respectively, that had initial maturity date of more than 3 months (refer to Note 11).

VII. Financial assets at fair value through profit and loss

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
- TWSE/TPEX listed shares	\$ 1,003,933	\$ 836,201
- Fund beneficiary certificates	<u>1,717,489</u>	<u>1,094,130</u>
	<u>\$ 2,721,422</u>	<u>\$ 1,930,331</u>

VIII. Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Domestic investments		
- TWSE/TPEX listed shares	\$ 171,467	\$ 225,383
- Fund beneficiary certificates	151,050	184,110
- Government bonds	479,440	470,011
- Bond investments - bank debentures	<u>2,045,756</u>	<u>2,350,513</u>
Subtotal	2,847,713	3,230,017
Less: Amount placed as guarantee deposit	(<u>472,282</u>)	(<u>463,004</u>)
	<u>\$ 2,375,431</u>	<u>\$ 2,767,013</u>

(I) Information on government bond investments as at the balance sheet date:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Face value of investment	<u>\$459,000</u>	<u>\$459,000</u>
Coupon interest rate	1.13%~5.00%	1.13%~5.00%
Average maturity	5.68 year(s)	6.68 year(s)

(II) Information on bank debenture investments as at the balance sheet date:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Face value of investment	<u>\$ 2,020,000</u>	<u>\$ 2,310,000</u>
Effective interest rate	2.04%~3.25%	2.04%~3.25%
Average maturity	2.21 year(s)	2.28 year(s)

(III) Please refer to Note 17 for the amount of government bonds placed as guarantee deposit for insurance business as at December 31, 2017 and 2016.

(IV) Please refer to Note 29(5) for information on reclassification of financial assets.

IX. Financial assets at cost

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-listed domestic common shares		
Sunny Commercial Bank	<u>\$ 657,412</u>	<u>\$ 637,895</u>

The abovementioned financial assets carried at cost have been presented as available-for-sale financial assets based on applicable classification criteria.

In 2017 and 2016, the Company invested additional 1,952,000 and 5,101,000 shares into Sunny Commercial Bank for a sum of NT\$19,517,000 and NT\$51,013,000, respectively. The Company held a 3.81% equity interest in the investee as at December 31, 2017.

Due to the extensive range of fair value estimates and absence of rational assessment methods, the management was unable to obtain reliable measurement for the fair value of unlisted share investments mentioned above, and therefore presented the investment at cost after impairment loss as at the balance sheet date.

X. Investment in bond without active markets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Domestic bank debentures	\$ 50,000	\$ 50,000
Domestic corporate bonds	<u>30,000</u>	<u>30,000</u>
	<u>\$ 80,000</u>	<u>\$ 80,000</u>

Information on domestic bank debenture and corporate bond investments as at the balance sheet date:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Face value of investment	\$ 80,000	\$ 80,000
Coupon interest rate	3.7%~3.9%	3.7%~3.9%
Effective interest rate	3.7%~3.9%	3.7%~3.9%

XI. Other financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Time deposit with initial maturity of more than 3 months</u>		
- NTD	\$ 2,084,000	\$ 2,281,500
- Foreign currency	<u>650,384</u>	<u>511,392</u>
	<u>\$ 2,734,384</u>	<u>\$ 2,792,892</u>
Interest rate range - NTD	0.13%~1.05%	0.13%~1.21%
Interest rate range - Foreign currency	1.40%~3.70%	0.95%~3.40%

XII. Receivables

(I) Details:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Note receivable - net</u>		
Arising from business activities	\$ 221,775	\$ 208,070
Arising from non-business activities	271	40
Less: doubtful debt provision	(<u>3,102</u>)	(<u>8,639</u>)
	<u>\$ 218,944</u>	<u>\$ 199,471</u>
 <u>Premiums receivable - net</u>		
Premiums receivable	\$ 368,833	\$ 367,729
Less: doubtful debt provision	(<u>43,066</u>)	(<u>38,406</u>)
	<u>\$ 325,767</u>	<u>\$ 329,323</u>
 <u>Other Receivable</u>		
Other Receivable	\$ 49,429	\$ 56,107
Less: doubtful debt provision	(<u>247</u>)	(<u>23</u>)
	<u>\$ 49,182</u>	<u>\$ 56,084</u>
 Claims recoverable from reinsurers (Note)	\$ 235,834	\$ 201,006
Less: doubtful debt provision	(<u>1,179</u>)	(<u>1,005</u>)
	<u>\$ 234,655</u>	<u>\$ 200,001</u>
 Reinsurance accounts receivable (Note)	\$ 240,048	\$ 147,506
Less: doubtful debt provision	(<u>1,113</u>)	(<u>634</u>)
	<u>\$ 238,935</u>	<u>\$ 146,872</u>

Note: Presented under reinsurance contract assets. Please refer to Notes 14 and 36(1) for details on insurance contract receivables.

- (II) Impaired receivable balances (notes receivable but unredeemed past the due date, premiums receivable that are overdue for more than 3 months, and claims recoverable from reinsurers and reinsurance accounts receivable that are overdue for more than 9 months) are reclassified as overdue receivables, for which doubtful debt provisions are made based on counterparty's previous payment records, financial position, and estimation of the unrecoverable amount. For other receivable balances, impairment is assessed on a portfolio basis according to the Company's policies, whereas the likelihood of recovery is also subject to regular review according to "Regulations Governing Asset Assessment, Overdue Loan Collection and Charge Off for Insurance Enterprises."

The following is an aging analysis of notes receivable, premiums receivable, claims recoverable from reinsurers and reinsurance accounts receivable prepared in

accordance with “Regulations Governing Asset Assessment, Overdue Loan Collection and Charge Off for Insurance Enterprises”:

Notes receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not yet		
matured/redeemed/collected	\$ 222,029	\$ 207,404
Returned notes	<u>17</u>	<u>706</u>
Total	<u>\$ 222,046</u>	<u>\$ 208,110</u>

Premiums receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
0~90 days	\$ 290,110	\$ 283,367
91 days and above	<u>78,723</u>	<u>84,362</u>
Total	<u>\$ 368,833</u>	<u>\$ 367,729</u>

Aging analysis for premiums receivable was prepared based on contract effective date.

Claims recoverable from reinsurers and reinsurance accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
0~270 days	\$ 473,944	\$ 347,176
271 days and above	<u>1,938</u>	<u>1,336</u>
Total	<u>\$ 475,882</u>	<u>\$ 348,512</u>

Aging analysis for reinsurance accounts receivable was prepared based on bookkeeping date.

(III) Change in doubtful debt provisions:

	<u>Impairment losses assessed on individual basis</u>	<u>Impairment losses assessed on group basis</u>	<u>Total</u>
Balance as at January 1, 2017	\$ 37,721	\$ 10,986	\$ 48,707
Plus: Bad debt expenses provided in the current year	4,639	898	5,537
Less: Actual charge-offs made in the current year	-	-	-
Less: Bad debt expenses reversed in the current year	(<u>689</u>)	(<u>4,848</u>)	(<u>5,537</u>)
Balance as at December 31, 2017	<u>\$ 41,671</u>	<u>\$ 7,036</u>	<u>\$ 48,707</u>
Balance as at January 1, 2016	\$ 40,991	\$ 17,033	\$ 58,024
Plus: Bad debt expenses provided in the current year	6,062	203	6,265
Less: Actual charge-offs made in the current year	(9,317)	-	(9,317)
Less: Bad debt expenses reversed in the current year	(<u>15</u>)	(<u>6,250</u>)	(<u>6,265</u>)
Balance as at December 31, 2016	<u>\$ 37,721</u>	<u>\$ 10,986</u>	<u>\$ 48,707</u>

Change in doubtful debt provisions by account category:

	2017				
	Notes receivable	Premiums receivable	Other receivables	Claims recovered from reinsurers	Reinsurance accounts receivable
Opening balance	\$ 8,639	\$ 38,406	\$ 23	\$ 1,005	\$ 634
Plus: Bad debt expenses provided in the current year	-	4,660	224	174	479
Less: Bad debt expenses reversed in the current year	(5,537)	-	-	-	-
Closing balance	<u>\$ 3,102</u>	<u>\$ 43,066</u>	<u>\$ 247</u>	<u>\$ 1,179</u>	<u>\$ 1,113</u>
	2016				
	Notes receivable	Premiums receivable	Other receivables	Claims recovered from reinsurers	Reinsurance accounts receivable
Opening balance	\$ 13,850	\$ 33,281	\$ 12	\$ 813	\$ 10,068
Plus: Bad debt expenses provided in the current year	327	5,735	11	192	-
Less: Actual charge-offs made in the current year	-	-	-	-	(9,317)
Less: Bad debt expenses reversed in the current year	(5,538)	(610)	-	-	(117)
Closing balance	<u>\$ 8,639</u>	<u>\$ 38,406</u>	<u>\$ 23</u>	<u>\$ 1,005</u>	<u>\$ 634</u>

Explanation to overdue receivables and doubtful debt provisions:

1. Balances of notes receivable and premiums receivable as at December 31, 2017 included NT\$17,000 and NT\$78,723,000 that were overdue, for which the Company had made doubtful debt provisions totaling NT\$17,000 and NT\$41,615,000, respectively. Reinsurance accounts receivable has been assessed for impairment and unrecoverable amounts. The balance includes NT\$1,938,000 of overdue receivables, for which a doubtful debt provision of NT\$39,000 has been made.
2. Balances of notes receivable and premiums receivable as at December 31, 2016 included NT\$706,000 and NT\$84,362,000 that were overdue, for which the Company had made doubtful debt provisions totaling NT\$706,000 and NT\$36,989,000, respectively. Reinsurance accounts receivable has been assessed for impairment and unrecoverable amounts. The balance includes NT\$1,366,000 of overdue receivables, for which a doubtful debt provision of NT\$27,000 has been made.

XIII. Investment property

	2017		
	Land	Buildings	Total
<u>Cost</u>			
Opening balance	\$ 615,081	\$ 370,844	\$ 985,925
Reclassified to property, plant and equipment	(5,962)	(6,246)	(12,208)
Closing balance	<u>609,119</u>	<u>364,598</u>	<u>973,717</u>
<u>Increase from revaluation</u>			
Opening balance	<u>163,480</u>	<u>-</u>	<u>163,480</u>
Closing balance	<u>163,480</u>	<u>-</u>	<u>163,480</u>
<u>Accumulated depreciation</u>			
Opening balance	-	154,095	154,095
Depreciation	-	6,938	6,938
Reclassified to property, plant and equipment	-	(2,658)	(2,658)
Closing balance	<u>-</u>	<u>158,375</u>	<u>158,375</u>
<u>Cumulative impairment</u>			
Opening balance	<u>15,526</u>	<u>6,172</u>	<u>21,698</u>
Closing balance	<u>15,526</u>	<u>6,172</u>	<u>21,698</u>
Year-end net value	<u>\$ 757,073</u>	<u>\$ 200,051</u>	<u>\$ 957,124</u>
	2016		
	Land	Buildings	Total
<u>Cost</u>			
Opening balance	\$ 615,081	\$ 375,360	\$ 990,441
Decrease in current year	-	(4,516)	(4,516)
Closing balance	<u>615,081</u>	<u>370,844</u>	<u>985,925</u>
<u>Increase from revaluation</u>			
Opening balance	<u>163,480</u>	<u>-</u>	<u>163,480</u>
Closing balance	<u>163,480</u>	<u>-</u>	<u>163,480</u>
<u>Accumulated depreciation</u>			
Opening balance	-	151,305	151,305
Depreciation	-	7,050	7,050
Decrease in current year	-	(4,260)	(4,260)
Closing balance	<u>-</u>	<u>154,095</u>	<u>154,095</u>
<u>Cumulative impairment</u>			
Opening balance	<u>15,526</u>	<u>6,172</u>	<u>21,698</u>
Closing balance	<u>15,526</u>	<u>6,172</u>	<u>21,698</u>
Year-end net value	<u>\$ 763,035</u>	<u>\$ 210,577</u>	<u>\$ 973,612</u>

Depreciation expenses are provided on investment property on a straight-line basis over the number of useful years shown as follows:

Main structure	55 to 60 years
Renovation of exterior wall	41 year(s)
Renovation of interior	10 year(s)
Other constructions	10 year(s)

The Company's investment property as at December 31, 2017 and 2016, amounted to NT\$2,975,463,000 and NT\$2,619,008,000, respectively. Fair value was determined by the management based on actual transaction prices of properties near the invested assets in the one year dating back from the financial reporting date, as published on the website of the Department of Land Administration, Ministry of the Interior. The management had decided to use level 3 fair value input, and take the lowest or a range of prices transacted near the invested properties.

XIV. Reinsurance contract assets

(I) Details:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Claims recoverable from reinsurers	\$ 234,655	\$ 200,001
Reinsurance accounts receivable	238,935	146,872
Reinsurance reserve assets	<u>1,999,993</u>	<u>2,411,872</u>
	<u>\$ 2,473,583</u>	<u>\$ 2,758,745</u>

(II) Please refer to Notes 12 and 36(1) for details and changes in the amount of claims recoverable from reinsurers and reinsurance accounts receivable presented above.

(III) Details of reinsurance reserve assets:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Ceded unearned premium reserve	\$ 1,216,881	\$ 1,260,235
Ceded claim reserve	778,858	1,146,782
Deficiency reserve for ceded coverage	<u>4,254</u>	<u>4,855</u>
	<u>\$ 1,999,993</u>	<u>\$ 2,411,872</u>

Please refer to Items (2), (3) and (5) in Note 36 - Disclosure of insurance contract-related information for more details on reinsurance reserve assets presented above.

XV. Property, plant, and equipment

	2017			
	Proprietary land	Buildings	Sundry equipment	Total
<u>Cost</u>				
Opening balance	\$ 302,439	\$ 342,154	\$ 47,117	\$ 691,710
Increase in current year	-	466	4,877	5,343
Decrease in current year	-	(7,073)	(4,959)	(12,032)
Reclassified from investment property	<u>5,962</u>	<u>6,246</u>	<u>-</u>	<u>12,208</u>
Closing balance	<u>308,401</u>	<u>341,793</u>	<u>47,035</u>	<u>697,229</u>
<u>Increase from revaluation</u>				
Opening balance	<u>123,786</u>	<u>-</u>	<u>-</u>	<u>123,786</u>
Closing balance	<u>123,786</u>	<u>-</u>	<u>-</u>	<u>123,786</u>
<u>Accumulated depreciation</u>				
Opening balance	-	149,985	36,733	186,718
Depreciation	-	7,008	3,164	10,172
Decrease in current year	-	(6,934)	(4,661)	(11,595)
Reclassified from investment property	<u>-</u>	<u>2,658</u>	<u>-</u>	<u>2,658</u>
Closing balance	<u>-</u>	<u>152,717</u>	<u>35,236</u>	<u>187,953</u>
<u>Cumulative impairment</u>				
Opening balance	<u>4,774</u>	<u>1,898</u>	<u>-</u>	<u>6,672</u>
Closing balance	<u>4,774</u>	<u>1,898</u>	<u>-</u>	<u>6,672</u>
Year-end net value	<u>\$ 427,413</u>	<u>\$ 187,178</u>	<u>\$ 11,799</u>	<u>\$ 626,390</u>
	2016			
	Proprietary land	Buildings	Sundry equipment	Total
<u>Cost</u>				
Opening balance	\$ 302,439	\$ 353,275	\$ 51,356	\$ 707,070
Increase in current year	-	-	2,385	2,385
Decrease in current year	<u>-</u>	<u>(11,121)</u>	<u>(6,624)</u>	<u>(17,745)</u>
Closing balance	<u>302,439</u>	<u>342,154</u>	<u>47,117</u>	<u>691,710</u>
<u>Increase from revaluation</u>				
Opening balance	<u>123,786</u>	<u>-</u>	<u>-</u>	<u>123,786</u>
Closing balance	<u>123,786</u>	<u>-</u>	<u>-</u>	<u>123,786</u>
<u>Accumulated depreciation</u>				
Opening balance	-	153,053	39,698	192,751
Depreciation	-	7,429	3,119	10,548
Decrease in current year	<u>-</u>	<u>(10,497)</u>	<u>(6,084)</u>	<u>(16,581)</u>
Closing balance	<u>-</u>	<u>149,985</u>	<u>36,733</u>	<u>186,718</u>
<u>Cumulative impairment</u>				
Opening balance	<u>4,774</u>	<u>1,898</u>	<u>-</u>	<u>6,672</u>
Closing balance	<u>4,774</u>	<u>1,898</u>	<u>-</u>	<u>6,672</u>
Year-end net value	<u>\$ 421,451</u>	<u>\$ 190,271</u>	<u>\$ 10,384</u>	<u>\$ 622,106</u>

Depreciation expenses are provided on property, plant and equipment on a straight-line basis over the number of useful years shown as follows:

Buildings	
Main structure	
- Confined masonry	35 year(s)
- Steel-reinforced concrete	50 to 62 year(s)
Renovation of exterior wall	41 year(s)
Renovation of interior	8 to 19 year(s)
Other constructions	10 to 25 year(s)
Others	15 to 30 year(s)
Sundry equipment	3 to 15 year(s)

Property, plant, and equipment in 2017 and 2016 exclude capitalized interest.

The Company's property, plant, and equipment showed no sign of impairment as at December 31, 2017 and 2016.

XVI. Intangible assets

	<u>2017</u>	<u>2016</u>
<u>Cost</u>		
Opening balance	\$ 23,731	\$ 9,526
Increase in current year	4,304	14,915
Amounts made redundant in current year	(3,074)	(710)
Closing balance	<u>24,961</u>	<u>23,731</u>
<u>Accumulated depreciation</u>		
Opening balance	7,984	4,656
Amortization expenses	7,440	4,038
Amounts made redundant in current year	(3,074)	(710)
Closing balance	<u>12,350</u>	<u>7,984</u>
Year-end net value	<u>\$ 12,611</u>	<u>\$ 15,747</u>

The above computer software is amortized on a straight-line basis over 3 years. The Company's intangible assets showed no sign of impairment as at December 31, 2017 and 2016.

XVII. Guarantee deposits paid

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Guarantee deposit for insurance		
business - Government bonds	\$ 472,282	\$ 463,004
Others	<u>54,989</u>	<u>55,743</u>
	<u>\$ 527,271</u>	<u>\$ 518,747</u>

According to Articles 141 and 142 of the Insurance Act, insurance enterprises are required to place guarantee deposits amounting to 15% of paid-up capital with the treasury. This guarantee deposit will not be refunded unless the insurance enterprise ceases business operations and completes liquidation. The Company had placed the guarantee deposit in the form of government bonds.

XVIII. Other assets - others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Prepayments	\$ 10,688	\$ 9,566
Prepaid equipment purchase	299	-
Others	<u>4,204</u>	<u>2,915</u>
	<u>\$ 15,191</u>	<u>\$ 12,481</u>

XIX. Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salary and bonus payable	\$ 84,923	\$ 77,810
Share settlements payable	25,689	10,388
Leave encashment payable	817	821
Others	<u>50,659</u>	<u>75,815</u>
	<u>\$ 162,088</u>	<u>\$ 164,834</u>

XX. Insurance liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unearned premium reserve	\$ 3,917,841	\$ 3,833,716
Claim reserve	2,423,547	2,863,475
Special claim reserve	1,750,502	1,779,064
Deficiency reserve	<u>19,502</u>	<u>20,419</u>
	<u>\$ 8,111,392</u>	<u>\$ 8,496,674</u>

Please refer to Items (2) to (5) in Note 36 - Disclosure of insurance contract-related information for more details on insurance liabilities presented above.

XXI. Retirement benefit plan

(I) Defined contribution plan

The Company is subject to the pension scheme introduced under the "Labor Pension Act." It is a government-managed defined contribution plan, for which the Company contributes an amount equal to 6% of employees' monthly salary into their individual pension accounts held under the Bureau of Labor Insurance.

Please see Note 24(1) for details on pension costs recognized in 2017 and 2016.

(II) Defined benefit plan

The Company is subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and 6-month average salary leading up to their retirement. The Company makes monthly pension contributions equivalent to 6% of employees' monthly salaries into an account held under Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year, the Company will reimburse the shortfall by no later than the end of March next year. The account

is managed by Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

Please see Note 24(1) for details on pension costs recognized in 2017 and 2016.

The following amounts relating to the defined benefit plan have been recognized on the balance sheet:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 590,862	\$ 594,854
Fair value of plan assets	(<u>384,852</u>)	(<u>379,827</u>)
Net defined benefit liabilities	<u>\$ 206,010</u>	<u>\$ 215,027</u>

Details of changes in net defined benefit liabilities (assets):

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
January 1, 2017	<u>\$ 594,854</u>	(<u>\$ 379,827</u>)	<u>\$ 215,027</u>
Service costs			
Current period service costs	13,358	-	13,358
Interest expense (income)	<u>6,649</u>	(<u>4,361</u>)	<u>2,288</u>
Recognized through profit and loss	<u>20,007</u>	(<u>4,361</u>)	<u>15,646</u>
Remeasurement			
Return on plan assets (excluding discounted interest income)	-	695	695
Actuarial loss - change in demographic assumption	13,152	-	13,152
Actuarial gain - adjustment based on past experience	(<u>5,703</u>)	-	(<u>5,703</u>)
Recognized as other comprehensive income (Note)	<u>7,449</u>	<u>695</u>	<u>8,144</u>
Employer's contribution	<u>-</u>	(<u>17,781</u>)	(<u>17,781</u>)

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Amount paid with plan assets	<u>(\$ 16,422)</u>	<u>\$ 16,422</u>	<u>\$ -</u>
Amount paid on the Company's account	<u>(15,026)</u>	<u>-</u>	<u>(15,026)</u>
December 31, 2017	<u>\$ 590,862</u>	<u>(\$ 384,852)</u>	<u>\$ 206,010</u>
January 1, 2016	<u>\$ 563,288</u>	<u>(\$ 359,647)</u>	<u>\$ 203,641</u>
Service costs			
Current period service costs	14,918	-	14,918
Interest expense (income)	<u>7,745</u>	<u>(5,142)</u>	<u>2,603</u>
Recognized through profit and loss	<u>22,663</u>	<u>(5,142)</u>	<u>17,521</u>
Remeasurement			
Return on plan assets (excluding discounted interest income)	-	2,542	2,542
Actuarial loss - change in demographic assumption	8,272	-	8,272
Actuarial loss - change in financial assumption	14,179	-	14,179
Actuarial gain - adjustment based on past experience	<u>(4,205)</u>	<u>-</u>	<u>(4,205)</u>
Recognized as other comprehensive income (Note)	<u>18,246</u>	<u>2,542</u>	<u>20,788</u>
Employer's contribution	<u>-</u>	<u>(26,923)</u>	<u>(26,923)</u>
Amount paid with plan assets	<u>(9,343)</u>	<u>9,343</u>	<u>-</u>
December 31, 2016	<u>\$ 594,854</u>	<u>(\$ 379,827)</u>	<u>\$ 215,027</u>

Note: After-tax amounts recognized through other comprehensive income were NT\$6,759,000 in 2017 and NT\$17,254,000 in 2016.

The Company is exposed to the following risks due to adoption of pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor manages the labor pension fund either on its own or by engaging outside parties. The labor pension fund is being allocated into equity securities, debt securities and bank deposits local and abroad; however, the Company estimates return on plan assets at a rate no lesser than the 2-year time deposit rate offered by local banks.

2. Interest rate risk: A decrease in government/corporate bond yield would increase the present value of defined benefit obligations while at the same time increase the return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risk: The present value of defined benefit obligations is calculated by taking into consideration the participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate	1.125%	1.125%
Long-term average salary adjustment	2.000%	2.000%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate		
0.25% increase	(\$ 14,072)	(\$ 14,384)
0.25% decrease	<u>\$ 14,589</u>	<u>\$ 14,916</u>
Expected salary increase		
0.25% increase	<u>\$ 14,201</u>	<u>\$ 14,518</u>
0.25% decrease	(\$ 13,770)	(\$ 14,072)

The sensitivity analysis above was prepared by changing one actuarial assumption while holding other actuarial assumptions unchanged. Changes in the present value of defined benefit obligations are also measured using the Projected Unit Credit Method. Methodology and assumption of current period's sensitivity analysis are consistent and unchanged compared to those of the previous period.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected contribution to plan assets in the next year	<u>\$ 17,146</u>	<u>\$ 17,144</u>
Weighted average duration of defined benefit plan	9.7 year(s)	9.9 year(s)

XXII. Other liabilities - others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Temporary receipt	\$ 82,725	\$ 51,139
Amount received in advance	<u>1,200</u>	<u>1,200</u>
	<u>\$ 83,925</u>	<u>\$ 52,339</u>

XXIII. Equity

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Share capital	\$ 3,011,638	\$ 3,011,638
Retained Earnings	2,660,677	2,402,882
Other Equity	<u>26,163</u>	(<u>40,658</u>)
	<u>\$ 5,698,478</u>	<u>\$ 5,373,862</u>

(I) Share capital Common shares

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Authorized shares (thousands)	<u>301,163.8</u>	<u>301,163.8</u>
Authorized capital	<u>\$ 3,011,638</u>	<u>\$ 3,011,638</u>
Shares issued and fully paid up (thousands)	<u>301,163.8</u>	<u>301,163.8</u>
Issued share capital	<u>\$ 3,011,638</u>	<u>\$ 3,011,638</u>

All issued common shares have a face value of NT\$10 per share. Each share is entitled to one voting right and the right to receive dividends.

(II) Retained earnings and dividend policy

Amendments of the Company Act dated May 2015 had made dividends and profit sharing exclusive to shareholders, and rendered employees ineligible to share the Company's earnings. During the annual general meeting held on June 24, 2016, a resolution was passed to amend the Company's earnings distribution policy and introduce new policies for the distribution of employee and director remuneration in the Articles of Incorporation. Please refer to Note 24(1) - Employee welfare expenses.

According to the earnings appropriation policy of the amended Articles of Incorporation: Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 20% provision or reversal of special reserve as required by the authority. The Company may retain an appropriate amount of earnings before distributing the remainder to shareholders as dividends.

In addition to complying with requirements of the Insurance Act (see Note 28), the Company's dividend decisions involve several factors including the current business environment and growth stage, its future capital requirements and long-term financial plan, and shareholders' needs for cash flow. Payment of cash dividends shall amount to no lesser than 10% of total dividends.

The Company shall continue providing for legal reserve until the balance equals its paid-up capital. Legal reserves can be taken to offset previous losses. The Company is permitted under Article 241 of the Company Act to distribute legal reserves that it had provided according to Article 145-1 of the Insurance Act back to shareholders at the existing shareholding percentage, when the Company has no cumulative losses outstanding. To do so, the Company is required to present

documentary proof of its financial position and seek permission from the competent authority before a shareholder meeting in the manners outlined in Letter No.

Jin-Guan-Bao-Cai-10202501991 dated February 8, 2013.

Provision and reversal of special reserves are performed in accordance with Letter No. Jin-Guan-Bao-Cai-10102508861, Letter No.

Jin-Guan-Bao-Cai-10502066461, and “Q&A on Special Reserves Treatment after IFRSs Adoption” issued by the authority. If contra equity items are reversed on a later date, the Company may also reverse a matching amount from its special reserves.

Except for shareholders who are considered non-residents of The Republic of China, all other shareholders are entitled to receive imputation credits on earnings distributed to them, which is calculated using imputation ratio as at the date of dividend allocation.

The following are details of the 2016 and 2015 earnings appropriation plans resolved during annual general meetings held on June 28, 2017 and June 24, 2016, respectively:

	<u>Earnings appropriation plan</u>		<u>Dividends per share (NT\$)</u>	
	2016	2015	2016	2015
Legal reserve	\$ 86,202	\$ 33,731		
Special reserve (Note 1)	143,585	166,417		
Special reserve (Note 2)	2,399	-		
Dividends	195,756	-	\$ 0.65	\$ -

Note 1: According to “Regulations Governing Reserve Provisioning by Insurance Enterprises,” insurance enterprises are required to make new provisions of special claim reserves for major incidents and change of risk to the special reserve at the end of each year, starting from January 1, 2011. Provision of this special reserve had already been made on December 31, 2016.

Note 2: Represents special reserve provided for FinTech development according to Letter No. Jin-Guan-Bao-Cai-10502066461 issued by the authority.

Earnings appropriation plan for 2017 was approved under board of directors resolution dated March 28, 2018, as follows:

	<u>Earnings appropriation plan</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 91,323	\$ -
Special reserve (Note 1)	180,789	-
Special reserve (Note 2)	2,008	-
Dividends	180,698	0.60

Note 1: The Company has been making NT\$180,789,000 of new provisions to special claim reserves for major incidents and change of risk on a yearly basis since January 1, 2011 according to “Regulations Governing Reserve Provisioning by Insurance Enterprises.” Provision of this special reserve had

already been made on December 31, 2017 in compliance with the above policy.

Note 2: Represents special reserve provided for FinTech development according to Letter No. Jin-Guan-Bao-Cai-10502066461 issued by the authority.

(III) Special reserve (including provision of special reserve required for first-time adoption of IFRSs)

1. Details of special reserve made for first-time adoption of IFRSs:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Special reserve	<u>\$ 51,849</u>	<u>\$ 51,849</u>

Due to insufficient increase in retained earnings from first-time adoption of IFRSs, the Company had provided special reserve only for the increase in retained earnings was caused by the adoption of IFRSs, which was NT\$51,849,000.

This special reserve can be reversed proportionally back into retained earnings and distributed to shareholders when the assets are used, disposed or reclassified on a later date. Special reserves provided during first-time adoption of IFRSs can be used to offset losses in subsequent years. If the Company makes earnings in subsequent years at a time when the initial reason for providing special reserves no longer exists, the Company shall make up for the required amount of special reserve before distributing earnings.

In order to support development of financial technologies and protect the interests of employees, the Company is required to make provisions totaling 0.5% to 1% of after-tax net income to special reserve when distributing earnings between 2016 and 2018. Starting from 2017, the Company may reverse the above special reserve for amounts incurred on the transfer or reassignment of employees that are related to development of financial technology.

2. Change of special reserve balance in 2017 and 2016 is explained below:

	<u>Special reserve</u>	<u>Financial technology</u>	<u>Provision for first-time adoption of IFRSs</u>	<u>Total</u>
<u>2017</u>				
Opening balance	\$ 1,084,745	\$ -	\$ 51,849	\$ 1,136,594
Provisions in the current year	<u>180,789</u>	<u>2,399</u>	<u>-</u>	<u>183,188</u>
Closing balance	<u>\$ 1,265,534</u>	<u>\$ 2,399</u>	<u>\$ 51,849</u>	<u>\$ 1,319,782</u>
<u>2016</u>				
Opening balance	\$ 941,160	\$ -	\$ 51,849	\$ 993,009
Provisions in the current year	<u>143,585</u>	<u>-</u>	<u>-</u>	<u>143,585</u>
Closing balance	<u>\$ 1,084,745</u>	<u>\$ -</u>	<u>\$ 51,849</u>	<u>\$ 1,136,594</u>

(IV) Other equity items

Unrealized gains/losses on available-for-sale financial assets

	2017	2016
Opening balance	(\$ 40,658)	(\$ 46,508)
Unrealized gains/losses on available-for-sale financial assets	<u>66,821</u>	<u>5,850</u>
Closing balance	<u>\$ 26,163</u>	<u>(\$ 40,658)</u>

Unrealized gains/losses on available-for-sale financial assets represent cumulative gains and losses measured at fair value. They are recognized through other comprehensive income, and the balance is presented net of reclassifications into profit and loss that are due to disposal or impairment of the underlying asset.

XXIV. Net income from continuing operations

Breakdown of net income from continuing operations

(I) Employee welfare expenses

	2017			2016		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee welfare expenses						
Salary	\$ -	\$ 538,824	\$ 538,824	\$ -	\$ 516,150	\$ 516,150
Labor/health insurance premium	-	55,841	55,841	-	53,357	53,357
Pension expense	-	34,227	34,227	-	36,089	36,089
Other employee welfare expenses	-	361,774	361,774	-	365,779	365,779
	<u>\$ -</u>	<u>\$ 990,666</u>	<u>\$ 990,666</u>	<u>\$ -</u>	<u>\$ 971,375</u>	<u>\$ 971,375</u>

	2017	2016
Retirement benefits		
Defined contribution plan	\$ 18,581	\$ 18,568
Defined benefit plan (Note 21)	<u>15,646</u>	<u>17,521</u>
	<u>\$ 34,227</u>	<u>\$ 36,089</u>

As at December 31, 2017 and 2015, the Company employed a total of 855 and 832 employees, respectively.

Following the amendment of the Company Act dated May 2015 and amendment of the Articles of Incorporation during the shareholder meeting held in June 2016, the Company provides for employee remuneration at no lesser than 1% of pre-tax profit and director remuneration at no higher than 0.6% of pre-tax profit. However, earnings must first be taken to offset cumulative losses, if any, before the remainder is distributed as employee and director remuneration in the above percentages. The Company had estimated employee remuneration at NT\$5,202,000 and director remuneration at NT\$3,121,000 for 2017 by applying 1% and 0.6%, respectively, to the abovementioned pre-tax profit after reimbursing NT\$3,694,000 in losses (calculation: opening undistributed earnings - NT\$287,422,000 minus 2016 provision for legal reserve - NT\$86,202,000 minus provision for FinTech special

reserve - NT\$2,399,000 minus cash dividends NT\$195,756,000 and minus loss on 2017 remeasurement of defined benefit plan - NT\$6,759,000). Employee remuneration totaling NT\$5,239,000 and director remuneration totaling NT\$3,143,000 were estimated for 2016 by applying 1% and 0.6%, respectively, to the abovementioned pre-tax profit after reimbursing NT\$31,494,000 in losses (calculation: opening undistributed earnings - NT\$2,237,000 minus 2015 provision for legal reserve - NT\$33,731,000 and minus loss on remeasurement of defined benefit plan - NT\$17,254,000). The 2017 and 2016 employee/director remuneration were resolved in board of directors meetings dated March 28, 2018 and March 27, 2017, respectively. Details are as follows:

Estimated percentage

	2017	2016
Employee remuneration	1%	1%
Director remuneration	0.6%	0.6%

Amount

	2017		2016	
	Cash	Shares	Cash	Shares
Employee remuneration	\$ 5,202	\$ -	\$ 5,239	\$ -
Director remuneration	3,121	-	3,143	-

If the amount changes after the financial statements are approved and announced to the public, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

2017 and 2016 employee/director remuneration were resolved during board of directors meetings held on March 28, 2018 and March 27, 2017, respectively. The amounts resolved were indifferent from the amounts of employee and director remuneration estimated for the 2017 and 2016 financial reports.

Please visit “Market Observation Post System” for more information regarding employee/director/supervisor remuneration resolved during the Company's board of director meetings in 2018 and 2017.

(II) Depreciation and amortization

	2017	2016
Property, Plant and Equipment	\$ 10,172	\$ 10,548
Investment Property	6,938	7,050
Intangible Assets	<u>7,440</u>	<u>4,038</u>
	<u>\$ 24,550</u>	<u>\$ 21,636</u>
Depreciation and amortization expenses by function		
Depreciation (classified as operating expenses)	\$ 10,172	\$ 10,548
Depreciation (classified as operating costs)	6,938	7,050
Amortization (classified as operating expenses)	<u>7,440</u>	<u>4,038</u>
	<u>\$ 24,550</u>	<u>\$ 21,636</u>

(III) Gain/loss on investment property

	2017	2016
Rental income	\$ 69,347	\$ 69,282
Direct expenses associated with rental income	(<u>14,728</u>)	(<u>15,871</u>)
	<u>\$ 54,619</u>	<u>\$ 53,411</u>

(IV) Gain/loss on foreign currency exchange

	2017	2016
Total gain on foreign exchange	\$ 18,864	\$ 30,287
Total loss on foreign exchange	(<u>60,711</u>)	(<u>47,090</u>)
Net gain (loss)	(<u>\$ 41,847</u>)	(<u>\$ 16,803</u>)
Total gain/loss on foreign exchange		
Gain (loss) on exchange - investment	(\$ 34,410)	(\$ 10,919)
Gain (loss) on exchange - non-investment	(<u>7,437</u>)	(<u>5,884</u>)
	(<u>\$ 41,847</u>)	(<u>\$ 16,803</u>)

XXV. Income tax expense for continuing operations

(I) Main composition of income tax expense recognized in profit and loss

	<u>2017</u>	<u>2016</u>
Current income tax		
Incurred in the current year	\$ 61,119	\$ 70,418
Adjustment of previous year figures	14	11,677
Deferred income tax		
Incurred in the current year	(<u>5,909</u>)	<u>2,405</u>
Income tax expense recognized in profit and loss	<u>\$ 55,224</u>	<u>\$ 84,500</u>

Reconciliation of accounting income and income tax expense:

	<u>2017</u>	<u>2016</u>
Pre-tax profit from continuing operations	<u>\$ 515,534</u>	<u>\$ 564,255</u>
Income tax expense calculated by applying statutory tax rate to pre-tax profit (17%)	\$ 87,641	\$ 95,923
Tax impact of non-deductible expenses and losses	-	1,180
Unrealized tax-exempt benefits	(4,895)	(12,716)
Tax-exempt income	(27,843)	(11,564)
Additional tax on undistributed earnings	307	-
Adjustments to income tax recognized in previous years	<u>14</u>	<u>11,677</u>
Income tax expense recognized in profit and loss	<u>\$ 55,224</u>	<u>\$ 84,500</u>

Following the amendment of Income Tax Act by the President of the Republic of China in February 2018, the business income tax rate was adjusted from 17% to 20%, and will take effect starting from 2018. Meanwhile, the applicable tax rate for 2018 undistributed earnings will be reduced from 10% to 5%. The amount of deferred income tax assets recognized as at December 31, 2017 is expected to increase by NT\$10,179,000 due to the tax rate adjustment.

(II) Income tax recognized under other comprehensive income

	<u>2017</u>	<u>2016</u>
Deferred income tax		
Incurred in current year - Actuarial gain (loss) on remeasurement of defined benefit plan	<u>\$ 1,385</u>	<u>\$ 3,534</u>

(III) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2017

	Opening balance	Recognized through profit and loss	Recognized as other comprehensiv e income	Closing balance
Deferred Income Tax Liabilities				
Assets carried at cost	\$ 4,823	\$ -	\$ -	\$ 4,823
Defined benefit plan	38,117	(1,368)	1,385	38,134
Leave encashment payable	139	(1)	-	138
Unrealized loss on exchange	600	7,520	-	8,120
Doubtful debt provision	<u>6,710</u>	<u>(242)</u>	<u>-</u>	<u>6,468</u>
	<u>\$ 50,389</u>	<u>\$ 5,909</u>	<u>\$ 1,385</u>	<u>\$ 57,683</u>

Deferred income tax liabilities				
Land value increment tax	<u>\$ 92,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,934</u>

2016

	Opening balance	Recognized through profit and loss	Recognized as other comprehensiv e income	Closing balance
Deferred Income Tax Liabilities				
Assets carried at cost	\$ 4,823	\$ -	\$ -	\$ 4,823
Defined benefit plan	36,181	(1,598)	3,534	38,117
Leave encashment payable	161	(22)	-	139
Unrealized loss on exchange	-	600	-	600
Doubtful debt provision	<u>8,095</u>	<u>(1,385)</u>	<u>-</u>	<u>6,710</u>
	<u>\$ 49,260</u>	<u>(\$ 2,405)</u>	<u>\$ 3,534</u>	<u>\$ 50,389</u>

Deferred income tax liabilities				
Land value increment tax	<u>\$ 92,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,934</u>

(IV) Disclosure related to imputation tax

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Undistributed earnings		
1998 and after	<u>\$ -</u>	<u>\$ 287,422</u>
	(Note)	
Shareholders' imputation credit		
balance	<u>\$ -</u>	<u>\$ 310,525</u>
	(Note)	
	<u>2017</u>	<u>2016</u>
Percentage of tax credit		
applicable to earnings		
distribution	(Note)	20.48%

Note: Amendments to the Income Tax Act, which took effect since February 2018, had abolished the imputation credit system. As a result, information presented for 2017 is no longer applicable.

Since January 1, 2015, domestic natural-person shareholders were permitted to use "half" of the imputation credits they receive from dividends to offset individual income tax.

(V) Assessment of income tax return

The Company's profit-seeking business income tax filings have been certified by the tax authority up till 2015. All differences between the certified amount and the reported amount have been properly reconciled.

XXVI. Earnings per share

Earnings and the number of weighted average common shares used for calculating earnings per share are explained below:

Current net income

	<u>2017</u>	<u>2016</u>
Net income used for calculating		
earnings per share	<u>\$ 460,310</u>	<u>\$ 479,755</u>

Shares

	<u>2017</u>	<u>Unit: thousand shares</u> <u>2016</u>
Weighted average common shares		
used for calculating basic		
earnings per share	301,164	301,164
Dilutive effect of potential		
common shares:		
Employee remuneration	<u>267</u>	<u>246</u>
Weighted average common shares		
used for calculating diluted		
earnings per share	<u>301,431</u>	<u>301,410</u>

If the Company has the option to distribute employee remuneration either in cash or in shares, then the calculation of diluted earnings per share shall be made by assuming full share-based payment. In which case, the number of potential common shares is added to the calculation of weighted-average outstanding shares as soon as they become dilutive, and this is the basis used for calculating diluted earnings per share. Dilutive effects of potential common shares will continue to be taken into account when calculating diluted EPS for next year's decision of share-based employee remuneration.

XXVII. Operating lease agreement

(I) Where the Company is the lessee

Operating leases of business premise have a duration between 1 and 3 years. The Company is not entitled any privilege to purchase leased properties at the end of the lease.

As at December 31, 2017 and 2016, the Company had placed deposits totaling NT\$538,000 and NT\$526,000, respectively, in relation to the operating lease agreements.

The sum of minimum lease payments on irrevocable operating lease arrangements is explained below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Within 1 year	\$ 2,940	\$ 2,334
More than 1 year but not exceeding 5 years	<u>486</u>	<u>1,026</u>
	<u>\$ 3,426</u>	<u>\$ 3,360</u>

(II) Where the Company is the lessor

Operating lease arrangements involve leasing of the Company's investment properties, which have a lease tenor of 1 to 8 years. All operating lease agreements contain clauses that enable the lessor to adjust rent according to the market rate if the lessee chooses to renew lease at the end of the lease tenor. The lessees are not entitled any privileges to purchase the leased properties at the end of the lease period.

As at December 31, 2017 and 2016, the Company had collected deposits totaling NT\$15,111,000 and NT\$15,162,000, respectively, in relation to the operating lease agreements.

The sum of minimum lease receipts on irrevocable operating lease arrangements is explained below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Within 1 year	\$ 55,856	\$ 60,159
More than 1 year but not exceeding 5 years	72,150	92,821
More than 5 years	<u>6,536</u>	<u>11,767</u>
	<u>\$ 134,542</u>	<u>\$ 164,747</u>

XXVIII. Capital risk management

Please refer to Note 35(6) for more information on the management of asset and liability risks. According to the Insurance Act, the Company is required to maintain capital at no lesser than 200% of risk-weighted assets. Failure to maintain the abovementioned ratio will render the Company unable to distribute earnings; meanwhile, the Company would be required to raise capital within the due dates specified by the competent authority or have business activities and use of capital restricted in certain ways. As at December 31, 2017, the Company had maintained its capital above the percentage stated in the Insurance Act and was not subject to the above treatments.

XXIX. Financial instruments

(I) Fair value information - financial instruments that are not measured at fair value

Apart from the items listed below, the management considers all other financial assets and liabilities not measured at fair value to have book values closely resembling their fair values, or that their fair values can not be determined reliably.

1. Financial assets with book value significantly different from fair value

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
<u>Financial assets</u>				
Investment in bond without active markets	<u>\$ 80,000</u>	<u>\$ 79,749</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

2. Fair value hierarchy

December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Investment in bond without active markets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,749</u>	<u>\$ 79,749</u>

December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Investment in bond without active markets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

If no open market quotation is available, value is assessed using the counterparty valuation model or the price quoted by financial peers.

(II) Fair value information - financial instruments with fair value measured on a recurring basis

1. Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial Assets at Fair Value through Profit or Loss</u>				
TWSE/TPEX listed shares	\$ 1,003,933	\$ -	\$ -	\$ 1,003,933
Fund beneficiary certificates	<u>1,717,489</u>	<u>-</u>	<u>-</u>	<u>1,717,489</u>
Total	<u>\$ 2,721,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,721,422</u>

Available-for-Sale

Financial Assets

TWSE/TPEX listed securities				
- Equity investments	\$ 171,467	\$ -	\$ -	\$ 171,467
- Bond investments	7,158	2,045,756	-	2,052,914
Fund beneficiary certificates	<u>151,050</u>	<u>-</u>	<u>-</u>	<u>151,050</u>
Total	<u>\$ 329,675</u>	<u>\$ 2,045,756</u>	<u>\$ -</u>	<u>\$ 2,375,431</u>

Guarantee Deposits Paid

TWSE/TPEX listed securities				
- Bond investments	<u>\$ 472,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,282</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
<u>Financial Assets at Fair Value through Profit or Loss</u>				
TWSE/TPEX listed shares	\$ 836,201	\$ -	\$ -	\$ 836,201
Fund beneficiary certificates	<u>1,094,130</u>	<u>-</u>	<u>-</u>	<u>1,094,130</u>
Total	<u>\$ 1,930,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,930,331</u>

Available-for-Sale

Financial Assets

TWSE/TPEX listed securities				
- Equity investments	\$ 225,383	\$ -	\$ -	\$ 225,383
- Bond investments	7,007	2,350,513	-	2,357,520
Fund beneficiary certificates	<u>184,110</u>	<u>-</u>	<u>-</u>	<u>184,110</u>
Total	<u>\$ 416,500</u>	<u>\$ 2,350,513</u>	<u>\$ -</u>	<u>\$ 2,767,013</u>

Guarantee Deposits Paid

TWSE/TPEX listed securities				
- Bond investments	<u>\$ 463,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,004</u>

In periods 2017 and 2016, there was no change of fair value measurement between level 1 and level 2.

Level 2 fair value measurement techniques and inputs:

Type of financial instrument	Measurement techniques and inputs
Investment in TWSE/TPEX listed bonds	Fair value is derived based on information of the primary market and indicative yield curve published by Taipei Exchange.

(III) Types of financial instrument

	December 31, 2017	December 31, 2016
<u>Financial assets</u>		
Held for trading at fair value through profit and loss	\$ 2,721,422	\$ 1,930,331
Loans and receivables (Note 1)	5,093,492	5,091,682
Available-for-sale financial assets (Note 2)	3,505,125	3,867,912
<u>Financial liabilities</u>		
Carried at cost after amortization (Note 3)	678,865	604,284

Note 1: Balance includes cash and cash equivalents, investment in bond without active markets, notes receivable - net, premiums receivable - net, other receivables, other financial assets, claims recoverable from reinsurers, reinsurance accounts receivable, guarantee deposits paid (excluding insurance industry guarantee deposits and rental deposits placed in the form of securities), and loans and receivables carried at cost after amortization.

Note 2: Balance includes available-for-sale financial assets, available-for-sale financial assets carried at cost, and insurance industry guarantee deposits placed in the form of securities (presented as guarantee deposits paid).

Note 3: Balance includes insurance claims payable, commissions payable, reinsurance account payable, other payables (excluding salary, bonus and leave encashment payable), guarantee deposits paid (excluding rental deposit), and financial liabilities carried at cost after amortization.

(IV) Purpose and policy of financial risk management

For the purpose of establishing sound risk management practice, internal risk awareness, and robust risk management framework, the Company has implemented relevant principles and policies along with qualitative and quantitative methods to assess, respond and monitor potential risks.

The Company's financial instruments mainly comprise equity and debt investments, receivables and payables. Key risk exposures include market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk.

1. Market risk

Risks of exchange rate variation, interest rate variation and equity price variation are considered the Company's main financial risks, given its operating activities.

There is no change in how the Company manages and assesses market risk exposure of its financial instruments.

(1) Exchange rate risk

The Company holds assets and liabilities denominated in foreign currencies, which presents the Company with risk of exchange rate variation. As at December 31, 2017, the Company had about 4.6% of assets that were not denominated in the functional currency of the transaction entity.

The Company had the following financial assets denominated in foreign currencies that were exposed to material exchange rate risk as at the balance sheet date:

Unit: in thousands of foreign currency or NTD			
December 31, 2017			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
Bank deposit and notes receivable			
USD	\$ 1,227	29.760	\$ 36,522
EUR	5	35.570	179
CNY	328	4.565	1,498
HKD	30	3.807	115
Other Financial Assets			
USD	19,400	29.760	577,344
CNY	16,000	4.565	73,040

December 31, 2016			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
Bank deposit and notes receivable			
USD	\$ 520	32.200	\$ 16,748
EUR	170	33.700	5,717
CNY	212	4.592	974
HKD	49	4.128	201
Other Financial Assets			
USD	13,600	32.200	437,920
CNY	16,000	4.592	73,472

Unrealized foreign currency gain/loss of material impact:

2017		2016	
Foreign currency	Exchange rate	Exchange rate	
			Unrealized net loss on exchange
USD	1:29.760 (USD:NTD)	1 : 32.200 (USD:NTD)	(\$ 1,493)
CNY	1:4.565 (CNY:NTD)	1 : 4.592 (CNY:NTD)	(2,038)
			(\$ 47,768)
			(\$ 3,531)

Sensitivity analysis

The Company is prone to the impact of changes in USD and CNY exchange rates.

The following sensitivity analysis shows the impact of a 1% strengthening/weakening in the foreign currency against NTD (the functional currency) to the Company. 1% is the rate of sensitivity adopted by the management when reporting exchange rate risks. It also represents the management's estimate on the reasonable range of exchange rate variation. The sensitivity analysis only covered monetary items denominated in foreign currency, and the analysis was performed by making a 1% adjustment to the exchange rate applicable at the end of the period. The sensitivity analysis covered foreign currency bank deposit, other financial assets, and notes receivable. The following table shows decrease in pre-tax profit and equity if NTD strengthens against other currencies by 1%. Effects on pre-tax profit and equity following a 1% strengthening of the NTD against the respective foreign currencies would be the positive figure of the same amount.

	2017	2016
Gain (loss) on USD	(\$ 6,139)	(\$ 4,547)
Gain (loss) on CNY	(745)	(744)

(2) Interest rate risk

The book value of financial assets exposed to interest rate risks as at the balance sheet date is presented below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Risk of cash flow changes due to interest rate		
- Financial assets	\$ 669,188	\$ 809,719
Risk of fair value changes due to interest rate		
- Financial assets	2,525,196	2,820,524

Sensitivity analysis

The following sensitivity analysis has been prepared based on interest rate risk exposures of derivatives and non-derivatives as at the balance sheet date. The Company had conducted the sensitivity analysis based on 1 basis-point increase/decrease in interest rate, which also represents the management's estimate on the reasonable range of interest rate variation.

A. Risk of cash flow changes due to interest rate

If interest rate increased/decreased by 1 basis point, the Company's 2017 pre-tax profit and equity would increase/decrease by NT\$67,000, provided that all other variables remain unchanged. Exposure to interest rate risk is mainly attributed to bank deposits (demand deposits and foreign currency deposits) held on hand.

B. Risk of fair value changes due to interest rate

All of the Company's bond investments pay fixed interest. A change in market interest rate would cause changes in the fair value of bond investments.

If market interest rate increased/decreased by 1 basis point, the 2017 other comprehensive income (pre-tax) and equity would decrease/increase by NT\$783,000 due to changes in the fair value of available-for-sale financial assets.

(3) Other price risks

The Company is exposed to the risk of equity price variation due to investment in TWSE/TPEX-listed beneficiary securities and fund beneficiary certificates.

Sensitivity analysis

The following sensitivity analysis is based on equity price risks of beneficiary securities and fund beneficiary certificates outstanding as at the balance sheet date.

A 1% rise/fall in the price of beneficiary securities and beneficiary certificates would increase/decrease the 2017 pre-tax profit and equity by NT\$27,214,000 due to changes in the fair value of investments held for trading. Meanwhile, the sum of 2017 other comprehensive income before tax and fair value of available-for-sale financial assets would increase/decrease by NT\$3,225,000.

2. Credit risk

Credit risk refers to the risk of financial loss due to the counterparty's absence in fulfilling contractual obligations. As at the balance sheet date, the Company's maximum exposure to the risk of loss due to counterparties' default of contractual obligations is represented by the book value of financial assets shown on the balance sheet.

The Company uses accessible financial information and previous transaction records to rate its major customers. The Company monitors credit risk exposure and counterparty credit risks on an ongoing basis.

The Company credit risk exposure is significantly concentrated in the top five reinsurers from which claims and reinsurance accounts are receivable. As at December 31, 2017 and 2016, amounts receivable from the above customers accounted for 25% and 19% of total receivables.

3. Liquidity risk

The Company maintains adequate position of cash and cash equivalents to support corporate operations and to mitigate effects of cash flow variation.

The following table is a maturity analysis for non-derivative financial liabilities (including insurance claims payable, commissions payable, reinsurance account payable and other payables) with pre-arranged repayment date. The analysis has been prepared based on the earliest date by which the Company may be required to repay, using undiscounted cash flow.

December 31, 2017

	Weighted average effective interest rate (%)	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years and above
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	-	\$ 340,415	\$ 36,936	\$ 387,251	\$ -	\$ -

December 31, 2016

	Weighted average effective interest rate (%)	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years and above
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	-	\$ 290,294	\$ 324,077	\$ 60,433	\$ 8,108	\$ -

(V) Reclassification

The Company had reclassified its financial assets on July 1, 2008. Fair value as at the date of reclassification is as follows:

	Before reclassification	After reclassification
Financial assets at fair value through profit and loss - held for trading	\$ 2,003,836	\$ -
Available-for-Sale Financial Assets	-	2,003,836
	<u>\$ 2,003,836</u>	<u>\$ 2,003,836</u>

Worldwide financial turmoil in the 3rd quarter of 2008 had resulted in substantial loss of investors' confidence and collapse in the price of financial instruments. In a decision not to sell the above-listed financial assets held for trading over the short term, the Company chose to appropriately reclassify them as available-for-sale financial assets instead.

The book value and fair value of reclassified and outstanding financial assets are shown below:

	December 31, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Available-for-Sale Financial Assets	<u>\$ 100,672</u>	<u>\$ 100,672</u>	<u>\$ 65,833</u>	<u>\$ 65,833</u>

The following table shows amounts recognized in profit and loss on reclassified and outstanding financial assets as at the balance sheet date in 2017 and 2016, and pro-forma gains/losses that need to be recognized on the financial assets if they were not reclassified in the first place:

	2017		2016	
	Amount of gains (losses) recognized	Pro-forma gains (losses) recognizable under original classification	Amount of gains (losses) recognized	Pro-forma gains (losses) recognizable under original classification
Available-for-Sale Financial Assets	\$ -	\$ 34,839	\$ -	(\$ 5,957)

XXX. Related party transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Yi Chih Co., Ltd.	Other related parties
Ta Feng Construction Engineering Co., Ltd.	Other related parties
Zong Cheng Enterprise Co., Ltd.	Other related parties
Du Ho Enterprise Co., Ltd.	Other related parties
Chien Yi Industrial Co., Ltd.	Other related parties
Chien Cheng Development Co., Ltd.	Other related parties
Hua Wang Manufacturer Co., Ltd.	Other related parties
Hai Hwa Construction Co., Ltd.	Other related parties
Tsai Cheng Enterprise Co., Ltd.	Other related parties
Fu Bi Shi Construction Co., Ltd.	Other related parties
Tai Jing Apartment Building Management and Maintenance Co., Ltd.	Other related parties
Taiwan Real Estate Management Co., Ltd.	Other related parties
Taiwan Fuji Die Co., Ltd.	Other related parties
Yon Gji Enterprise Co., Ltd.	Other related parties
CHIMAX Development Company	Other related parties
Pao Shan Construction Co., Ltd.	Other related parties
Jui San Co., Ltd.	Other related parties
Chi Yi Construction Management Co., Ltd.	Other related parties
Jia Tai Construction Co., Ltd.	Other related parties
Yi Guang Enterprise Development Co., Ltd.	Other related parties
Chien Chi Co., Ltd.	Other related parties
Other related parties	Second degree relatives or closer to the company's Director, Chairman or President

(II) Major transactions with related parties

1. Premium revenues

<u>Type of related party</u>	<u>2017</u>	<u>2016</u>
Other related parties	<u>\$ 3,573</u>	<u>\$ 3,454</u>

2. Insurance claims paid

<u>Type of related party</u>	<u>2017</u>	<u>2016</u>
Other related parties	<u>\$ 567</u>	<u>\$ 90</u>

The above insurance coverage to other related parties were underwritten with the same terms and claim criteria as non-related parties.

3. Rental expense

<u>Type of related party</u>	<u>2017</u>	<u>2016</u>
Other related parties	<u>\$ 12</u>	<u>\$ 17</u>

Rental of conference room from the above related parties were undertaken at terms that were not materially different from ordinary transactions.

4. Premiums receivable

<u>Type of related party</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties	<u>\$ 171</u>	<u>\$ 383</u>

(III) Remuneration to the executive management

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 45,080	\$ 46,491
Retirement benefits	<u>3,392</u>	<u>3,986</u>
	<u>\$ 48,472</u>	<u>\$ 50,477</u>

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

XXXI. Major contingent liabilities and unrecognized contractual commitments

The Company is a non-life insurance company, and had no major commitment or contingent liability as at the balance sheet date apart from those mentioned in other footnotes.

XXXII. Losses from major disasters: None.

XXXIII. Major post-balance sheet events

A major earthquake occurred in Hualien on February 6, 2018. According to the terms of the earthquake rider attached to a commercial fire insurance policy, the Company's retained losses should be within the NT\$250,000,000 limit.

XXXIV. Information on foreign currency-denominated financial assets and liabilities and exchange rate

Please refer to paragraph 1. Market risk in Note 29(4) for foreign currency-denominated financial assets of material impact.

XXXV. Risk management goals, policies, procedures and methods

(I) Risk management policies and goals

The Company has established risk management policies and procedures according to "Risk Management Best Practice Principles for Insurance Enterprises" and "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" to provide the foundation needed to facilitate proper risk management, business expansion, accomplishment of operational targets, and enhancement of shareholder value. These policies and procedures also provide the basis for other risk management guidelines within the Company.

(II) Risk management framework, organization and responsibilities

1. Risk management framework and organization

The board of directors outlines the Company's risk management policies based on overall operational strategies and the prevailing business environment. The board is ultimately responsible for overall risk management within the Company. A Risk Management Committee has been assembled under the board of directors while a Risk Management Department has been created outside of

business units to enable continuous monitoring of the risk management system. The independent director serves as the convener for the Risk Management Committee. The committee's responsibilities are to supervise risk exposures and to ensure that the Company has adequate capital to meet all risks. The Risk Management Department is responsible for executing the risk management policy, consolidating risk information from all departments, and communicating/coordinating across different departments for the execution of risk policies and limits.

2. The responsibilities of each unit are listed as below:

Board of Directors

- (1) The board of directors is the highest decision maker of risk management issues, and is ultimately responsible for overall risk management within the Company.
- (2) The board is responsible for the establishment of proper risk management systems and cultures, approval and regular review of risk management policies, and making the most efficient allocation of available resources.
- (3) The board evaluates risks, consequences and effects from the perspective of the entire organization. It also makes decisions in line with legal capital requirements imposed by the competent authority, while taking into consideration various financial and business rules that are relevant to capital allocation.
- (4) The board reviews risk appetite on a yearly basis and makes adjustments as deemed appropriate.
- (5) The Chairman is authorized to approve risk management-related policies within the Company.

Risk Management Committee

- (1) The committee outlines the Company's risk management policies, framework and organization, and implements quantitative or qualitative standards for the Company's major risk exposures. The committee presents formal reports to the board of directors at least twice a year, and provides the board with relevant updates and recommendation as deemed necessary.
- (2) The committee executes the board's risk management decisions and performs full-scale review of the Company's risk management system, implementation and execution at least once a year.
- (3) The committee assists and supervises various departments in risk management activities.
- (4) The committee adjusts risk exposure category, risk limit and risk mitigation methods depending on changes in the environment.
- (5) The committee coordinates risk management practices and establishes communication and interaction across different departments.
- (6) The committee supervises overall risk management of the Company.

Risk Management Department

- (1) The department assists in the development of risk management policy, framework and organization, and executes board-approved risk management policy.
- (2) The department assists in setting risk limits based on risk appetite.
- (3) The department is responsible for consolidating risk information from all departments, and communicating/coordinating across different departments for the execution of risk policies and limits.
- (4) The department prepares monthly risk management reports.
- (5) The department monitors breach and use of risk limit by business units at least twice a year.
- (6) The department assists in stress testing.
- (7) The department performs back testing where necessary.
- (8) The department resolves breach of risk limit by other units.
- (9) Other risk management-related affairs.

Business units

- (1) Identify risk and report risk exposure.
- (2) Assess extent of impact (quantitative or qualitative) in the occurrence of risk event, and convey risk information in a timely and accurate manner.
- (3) Review risk exposure and limits at least twice a year to ensure that risk limits are properly executed within business units.
- (4) Monitor risk exposure and report limit breach, including actions taken by the business unit in response to the breach.
- (5) Assist in the development of risk model. Ensure that the business unit adopts consistent and rational assumptions and basis for its risk assessment and modeling.
- (6) Ensure that internal control procedures are effectively executed by the business unit in a manner that complies with laws and the Company's risk management policy.
- (7) Assist in the gathering of operational risk-related data.
- (8) The head of each business unit shall supervise the transfer of risk management information to the Risk Management Department, and is responsible for the daily risk management, reporting and response of the assigned unit.
- (9) The head of each business unit shall assign risk management personnel to assist them in the effective execution of risk management tasks.

Internal audit

Internal auditors are responsible for auditing business activities of high integrity risk in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and prevailing regulations. They also assess risk management practices of various business units and the Risk Management Department, and review the design and execution of internal

control system. A formal report containing internal auditors' findings is prepared and presented to the board of directors.

(III) Control and disclosure of key risks

The Company has systems and practices in place to manage key risk categories that arise in relation to its business activities, such as market risk, credit risk, liquidity risk, assets and liabilities matching risk, insurance risk and operational risk. These systems and practices are constantly reviewed (including assessment on the effectiveness of risk management system and appropriateness of risk factors) to accommodate the Company's goals, risk exposures and changes in the external environment. The board of directors is reported regularly on the Company's risk management progress, and advised on possible improvements whenever deemed necessary.

(IV) Control of insurance contract risks

Insurance contract risks can be distinguished into several risk sub-categories by stages of business activity, including product design and pricing risk, underwriting risk, reinsurance risk, disaster risk, claims risk, and reserve-related risk. Definitions of each risk sub-category are as follows:

1. Insurance risks

Insurance risk refers to the risk of loss caused by unexpected changes after the Company has collected insurance premiums, assumed the transfer of risk from insured parties and become obliged to pay claims and associated expenses.

2. Product design and pricing risks

Product design and pricing risk refers to the risk of using inappropriate or inconsistent information for product design, terms setting and pricing, or the risk of reference information becoming obsolete due to unexpected change in circumstances.

3. Underwriting risks

Underwriting risk refers to the risk of unexpected losses and expenses arising from business solicitation and underwriting review.

4. Reinsurance risks

Reinsurance risk refers to the risk of reinsurers becoming unable to fulfill obligations for undertaking risks beyond capacity without proper reinsurance arrangement, and thereby rendering the Company unable to collect premiums, claims or expenses from reinsurers.

5. Disaster risks

Disaster risk refers to the risk of one or multiple insurance categories suffering losses due to occurrence of risk events, to the extent that may negatively affect the Company's credit rating or solvency.

6. Claims risks

Claims risk refers to the risk of mishandling customers' claim requests.

7. Reserve-related risks

Reserve-related risk refers to the risk of underestimating liabilities on insurance coverage underwritten by the Company, leaving insufficient reserves to meet future obligations.

The Company has a set of “Insurance Risk Management Guidelines” and systems in place to manage insurance risks. The risk management process includes risk identification, assessment, response, monitoring and reporting.

(V) Control of insurance risk exposure and avoidance of risk concentration

The Company has adopted practices in accordance with “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” to manage the risks of retained, ceded and assumed insurance coverage. Reinsurance plans are devised and executed after taking into consideration the Company's risk tolerance. Please refer to Note 36(9) for retention limits of each insurance category.

(VI) Asset and liability management

The Company's insurance liabilities are of short-term nature, which makes liquidity the primary concern in asset and liability management. The Company has identified three liquidity levels: Normal, Cautious and Critical based on the liquidity ratio, and applied different management practices for each of the above levels. The Company tries to maintain liquidity within the Normal level at all times. Any sign of liquidity deteriorating to the Cautious level (before the Critical level) must be reported with asset positions reviewed immediately, followed by a reassessment of asset allocation if necessary. If liquidity deteriorates to the Critical level, an emergency response meeting must be convened immediately to discuss possible solutions.

XXXVI. Disclosure of insurance contract-related information

(I) Details of insurance contract receivables:

	December 31, 2017				
	Notes receivable	Premiums receivable	Reinsurance accounts receivable - assumed reinsurance coverage (Note)	Reinsurance accounts receivable - ceded reinsurance coverage (Note)	Total
Fire Insurance	\$ 11,319	\$ 105,548	\$ 1,627	\$ 62,577	\$ 181,071
Marine Insurance	40,727	34,313	5,249	8,341	88,630
Automobile Insurance	147,340	50,850	34,101	25,511	257,802
Engineering Insurance	12,207	12,359	1,238	3,581	29,385
Personal accident Insurance	4,887	37,221	709	67,059	109,876
Accident Insurance	5,256	28,279	1,848	7,457	42,840
Others	39	100,263	1,286	19,464	121,052
	<u>221,775</u>	<u>368,833</u>	<u>46,058</u>	<u>193,990</u>	<u>830,656</u>
Less: doubtful debt provision	(<u>3,102</u>)	(<u>43,066</u>)	-	(<u>1,113</u>)	(<u>47,281</u>)
Net value	<u>\$ 218,673</u>	<u>\$ 325,767</u>	<u>\$ 46,058</u>	<u>\$ 192,877</u>	<u>\$ 783,375</u>

December 31, 2016					
	Notes receivable	Premiums receivable	Reinsurance accounts receivable - assumed reinsurance coverage (Note)	Reinsurance accounts receivable - ceded reinsurance coverage (Note)	Total
Fire Insurance	\$ 16,961	\$ 110,811	\$ 233	\$ 25,245	\$ 153,250
Marine Insurance	44,009	27,074	2,349	3,609	77,041
Automobile Insurance	119,213	45,358	19,742	55	184,368
Engineering Insurance	18,999	17,108	1,396	6,049	43,552
Personal accident Insurance	4,010	39,384	790	51,483	95,667
Accident Insurance	4,878	27,537	3,138	11,605	47,158
Other insurance	-	100,457	1,505	20,307	122,269
	208,070	367,729	29,153	118,353	723,305
Less: doubtful debt provision	(8,639)	(38,406)	-	(634)	(47,679)
Net value	<u>\$ 199,431</u>	<u>\$ 329,323</u>	<u>\$ 29,153</u>	<u>\$ 117,719</u>	<u>\$ 675,626</u>

Note: Presented as reinsurance contract assets.

(II) Unearned premium reserve

1. Details of unearned premium reserve:

Class	December 31, 2017	December 31, 2016
Long-term residential fire insurance	\$ 192,313	\$ 248,249
One-year commercial fire insurance	216,504	205,257
General automobile hull insurance for private vehicle	997,207	950,776
General automobile liabilities insurance for private vehicle	702,029	634,658
Mandatory automobile liabilities insurance for private vehicle	246,024	238,383
Personal accident insurance	363,403	312,949
Others	<u>1,200,361</u>	<u>1,243,444</u>
	<u>\$ 3,917,841</u>	<u>\$ 3,833,716</u>

Due to the extensive range of insurance categories involved, only categories that represented more than 5% of outstanding balance were presented above.

2. Details of retained unearned premium reserve:

December 31, 2017				
	Unearned premium reserve		Ceded and unearned Premium reserve	Retained insurance (4) = (1) + (2) - (3)
	Direct insurance	Assumed reinsurance	Ceded reinsurance	
	(1)	(2)	(Note)(3)	
Fire Insurance	\$ 561,177	\$ 15,316	\$ 252,964	\$ 323,529
Marine Insurance	93,796	2,942	37,195	59,543
Automobile Insurance	2,106,082	138,634	368,979	1,875,737
Engineering Insurance	106,604	6,289	82,643	30,250
Personal accident Insurance	361,441	1,962	184,580	178,823
Accident Insurance	182,824	11,319	51,966	142,177
Other Insurance	307,119	22,336	238,554	90,901
	<u>\$ 3,719,043</u>	<u>\$ 198,798</u>	<u>\$ 1,216,881</u>	<u>\$ 2,700,960</u>
December 31, 2016				
	Unearned premium reserve		Ceded and unearned Premium reserve	Retained insurance (4) = (1) + (2) - (3)
	Direct insurance	Assumed reinsurance	Ceded reinsurance	
	(1)	(2)	(Note)(3)	
Fire Insurance	\$ 610,225	\$ 9,406	\$ 314,237	\$ 305,394
Marine Insurance	106,591	(1,191)	47,655	57,745
Automobile Insurance	1,992,743	137,381	353,483	1,776,641
Engineering Insurance	118,488	5,768	103,637	20,619
Personal accident Insurance	311,185	1,764	134,316	178,633
Accident Insurance	185,284	13,314	51,316	147,282
Other Insurance	321,031	21,727	255,591	87,167
	<u>\$ 3,645,547</u>	<u>\$ 188,169</u>	<u>\$ 1,260,235</u>	<u>\$ 2,573,481</u>

Note: Presented as reinsurance contract assets.

3. Changes in unearned premium reserve and ceded unearned reserve

2017		
Item	Unearned premium reserve	Ceded and unearned Premium reserve
Amount at the beginning of year	\$ 3,833,716	\$ 1,260,235
Provisions made in current year	3,917,841	1,216,881
Recoveries made in current year	(3,833,716)	(1,260,235)
Amount at the end of year	<u>\$ 3,917,841</u>	<u>\$ 1,216,881</u>

2016		
Item	Unearned premium reserve	Ceded and unearned Premium reserve
Amount at the beginning of year	\$ 3,775,650	\$ 1,253,538
Provisions made in current year	3,833,716	1,260,235
Recoveries made in current year	(3,775,650)	(1,253,538)
Amount at the end of year	<u>\$ 3,833,716</u>	<u>\$ 1,260,235</u>

(III) Claim reserve

1. Details of claim reserve:

Class	December 31, 2017	December 31, 2016
One-year commercial fire insurance	\$ 338,219	\$ 518,137
General automobile hull insurance for private vehicle	198,733	203,897
General automobile liabilities insurance for private vehicle	465,703	434,151
Mandatory automobile liabilities insurance for private vehicle	486,264	416,196
Mandatory motorcycle liabilities insurance	123,745	140,397
General liabilities insurance	159,328	161,065
Typhoon and flood insurance	91,657	139,747
Engineering insurance	89,939	175,990
Commercial earthquake insurance	82,665	291,566
Others	<u>387,294</u>	<u>382,329</u>
	<u>\$ 2,423,547</u>	<u>\$ 2,863,475</u>

Due to the extensive range of insurance categories involved, only categories that represented more than 5% of outstanding balance were presented above.

2. Details of retained claim reserve:

	December 31, 2017			
	Claim reserve		Ceded claim reserve	Retained insurance
	Direct underwritten insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	(4) = (1) + (2) - (3)
<u>Reported but not paid</u>				
Fire Insurance	\$ 395,459	\$ 25,745	\$ 199,886	\$ 221,318
Marine Insurance	76,501	1,853	13,921	64,433
Automobile Insurance	606,330	41,052	109,507	537,875
Engineering Insurance	58,099	11,477	35,733	33,843
Personal accident Insurance	20,519	5	10,434	10,090
Accident Insurance	213,030	5,506	90,888	127,648
Other Insurance	<u>91,284</u>	<u>2,506</u>	<u>23,810</u>	<u>69,980</u>
	<u>1,461,222</u>	<u>88,144</u>	<u>484,179</u>	<u>1,065,187</u>
<u>Not reported</u>				
Fire Insurance	3,014	7,386	3	10,397
Marine Insurance	7,386	-	892	6,494
Automobile Insurance	611,258	140,531	250,556	501,233
Engineering Insurance	17,071	3,292	9,380	10,983
Personal accident Insurance	42,868	1	19,531	23,338
Accident Insurance	21,589	1,055	2,144	20,500
Other Insurance	<u>17,398</u>	<u>1,332</u>	<u>12,173</u>	<u>6,557</u>
	<u>720,584</u>	<u>153,597</u>	<u>294,679</u>	<u>579,502</u>
	<u>\$ 2,181,806</u>	<u>\$ 241,741</u>	<u>\$ 778,858</u>	<u>\$ 1,644,689</u>

December 31, 2016				
	Claim reserve		Ceded claim reserve	Retained insurance (4) = (1) + (2) - (3)
	Direct underwritten insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	
<u>Reported but not paid</u>				
Fire Insurance	\$ 781,872	\$ 26,087	\$ 472,046	\$ 335,913
Marine Insurance	86,435	850	46,596	40,689
Automobile Insurance	594,692	36,474	100,009	531,157
Engineering Insurance	149,683	11,898	113,603	47,978
Personal accident Insurance	26,495	-	16,605	9,890
Accident Insurance	212,758	4,763	90,068	127,453
Other Insurance	<u>138,030</u>	<u>4,531</u>	<u>41,210</u>	<u>101,351</u>
	<u>1,989,965</u>	<u>84,603</u>	<u>880,137</u>	<u>1,194,431</u>
<u>Not reported</u>				
Fire Insurance	6,006	5,301	519	10,788
Marine Insurance	11,857	-	5,054	6,803
Automobile Insurance	523,573	134,093	214,927	442,739
Engineering Insurance	11,992	2,418	5,532	8,878
Personal accident Insurance	47,627	-	22,533	25,094
Accident Insurance	24,322	658	4,306	20,674
Other Insurance	<u>19,592</u>	<u>1,468</u>	<u>13,774</u>	<u>7,286</u>
	<u>644,969</u>	<u>143,938</u>	<u>266,645</u>	<u>522,262</u>
	<u>\$ 2,634,934</u>	<u>\$ 228,541</u>	<u>\$ 1,146,782</u>	<u>\$ 1,716,693</u>

Note: Presented as reinsurance contract assets.

NR/NS reserves outstanding as at December 31, 2017 and 2016 were NT\$874,181,000 and NT\$788,907,000, respectively.

3. Net change in claim reserves and net change in ceded claim reserves

2017								
	Direct underwritten insurance		Assumed reinsurance		Claim reserve (5)=(1)-(2)	Ceded reinsurance		Net change in ceded claim reserves
	Provisions (1)	Recoveries (2)	Provisions (3)	Recoveries (4)	+(3)-(4)	Provisions (6)	Recoveries (7)	(8)=(6)-(7)
<u>Reported but not paid</u>								
Fire Insurance	\$ 395,459	\$ 781,872	\$ 25,745	\$ 26,087	(\$ 386,755)	\$ 199,886	\$ 472,046	(\$ 272,160)
Marine Insurance	76,501	86,435	1,853	850	(8,931)	13,921	46,596	(32,675)
Automobile Insurance	606,330	594,692	41,052	36,474	16,216	109,507	100,009	9,498
Engineering Insurance	58,099	149,683	11,477	11,898	(92,005)	35,733	113,603	(77,870)
Personal accident Insurance	20,519	26,495	5	-	(5,971)	10,434	16,605	(6,171)
Accident Insurance	213,030	212,758	5,506	4,763	1,015	90,888	90,068	820
Others	<u>91,284</u>	<u>138,030</u>	<u>2,506</u>	<u>4,531</u>	<u>(48,771)</u>	<u>23,810</u>	<u>41,210</u>	<u>(17,400)</u>
	<u>1,461,222</u>	<u>1,989,965</u>	<u>88,144</u>	<u>84,603</u>	<u>(525,202)</u>	<u>484,179</u>	<u>880,137</u>	<u>(395,958)</u>
<u>Not reported</u>								
Fire Insurance	3,014	6,006	7,386	5,301	(907)	3	519	(516)
Marine Insurance	7,386	11,857	-	-	(4,471)	892	5,054	(4,162)
Automobile Insurance	611,258	523,573	140,531	134,093	94,123	250,556	214,927	35,629
Engineering Insurance	17,071	11,992	3,292	2,418	5,953	9,380	5,532	3,848
Personal accident Insurance	42,868	47,627	1	-	(4,758)	19,531	22,533	(3,002)
Accident Insurance	21,589	24,322	1,055	658	(2,336)	2,144	4,306	(2,162)
Others	<u>17,398</u>	<u>19,592</u>	<u>1,332</u>	<u>1,468</u>	<u>(2,330)</u>	<u>12,173</u>	<u>13,774</u>	<u>(1,601)</u>
	<u>720,584</u>	<u>644,969</u>	<u>153,597</u>	<u>143,938</u>	<u>85,274</u>	<u>294,679</u>	<u>266,645</u>	<u>28,034</u>
	<u>\$ 2,181,806</u>	<u>\$ 2,634,934</u>	<u>\$ 241,741</u>	<u>\$ 228,541</u>	<u>(\$ 439,928)</u>	<u>\$ 778,858</u>	<u>\$ 1,146,782</u>	<u>(\$ 367,924)</u>
2016								
	Direct underwritten insurance		Assumed reinsurance		Claim reserve (5)=(1)-(2)	Ceded reinsurance		Net change in ceded claim reserves
	Provisions (1)	Recoveries (2)	Provisions (3)	Recoveries (4)	+(3)-(4)	Provisions (6)	Recoveries (7)	(8)=(6)-(7)
<u>Reported but not paid</u>								
Fire Insurance	\$ 781,872	\$ 355,377	\$ 26,087	\$ 1,177	\$ 451,405	\$ 472,046	\$ 145,581	\$ 326,465
Marine Insurance	86,435	286,551	850	1,115	(200,381)	46,596	224,181	(177,585)
Automobile Insurance	594,692	546,562	36,474	33,457	51,147	100,009	74,787	25,222
Engineering Insurance	149,683	72,735	11,898	10,692	78,154	113,603	34,530	79,073
Personal accident Insurance	26,495	26,612	-	-	(117)	16,605	9,051	7,554
Accident Insurance	212,758	204,964	4,763	5,129	7,428	90,068	86,321	3,747
Other Insurance	<u>138,030</u>	<u>53,765</u>	<u>4,531</u>	<u>4,250</u>	<u>84,546</u>	<u>41,210</u>	<u>9,980</u>	<u>31,230</u>
	<u>1,989,965</u>	<u>1,546,566</u>	<u>84,603</u>	<u>55,820</u>	<u>472,182</u>	<u>880,137</u>	<u>584,431</u>	<u>295,706</u>
<u>Not reported</u>								
Fire Insurance	6,006	5,200	5,301	255	5,852	519	88	431
Marine Insurance	11,857	10,211	-	-	1,646	5,054	2,380	2,674
Automobile Insurance	523,573	452,980	134,093	96,286	108,400	214,927	141,020	73,907
Engineering Insurance	11,992	20,028	2,418	2,313	(7,931)	5,532	13,292	(7,760)
Personal accident Insurance	47,627	29,288	-	-	18,339	22,533	8,839	13,694
Accident Insurance	24,322	19,705	658	697	4,578	4,306	4,048	258
Other Insurance	<u>19,592</u>	<u>18,866</u>	<u>1,468</u>	<u>919</u>	<u>1,275</u>	<u>13,774</u>	<u>13,313</u>	<u>461</u>
	<u>644,969</u>	<u>556,278</u>	<u>143,938</u>	<u>100,470</u>	<u>132,159</u>	<u>266,645</u>	<u>182,980</u>	<u>83,665</u>
	<u>\$ 2,634,934</u>	<u>\$ 2,102,844</u>	<u>\$ 228,541</u>	<u>\$ 156,290</u>	<u>\$ 604,341</u>	<u>\$ 1,146,782</u>	<u>\$ 767,411</u>	<u>\$ 379,371</u>

Changes in claim reserves and ceded claim reserves:

2017		
Item	Claim reserve	Ceded claim reserve
Amount at the beginning of year	\$ 2,863,475	\$ 1,146,782
Provisions made in current year	2,423,547	778,858
Recoveries made in current year	(2,863,475)	(1,146,782)
Amount at the end of year	<u>\$ 2,423,547</u>	<u>\$ 778,858</u>

2016		
Item	Claim reserve	Ceded claim reserve
Amount at the beginning of year	\$ 2,259,134	\$ 767,411
Provisions made in current year	2,863,475	1,146,782
Recoveries made in current year	(2,259,134)	(767,411)
Amount at the end of year	<u>\$ 2,863,475</u>	<u>\$ 1,146,782</u>

(IV) Special claim reserve

1. Details of special claim reserve:

Nature	Insurance category	December 31, 2017	December 31, 2016
Major incident	Commercial	\$ 98,652	\$ 102,599
	earthquake insurance		
	Typhoon and flood insurance	<u>69,085</u>	<u>71,848</u>
		<u>167,737</u>	<u>174,447</u>
Change of risk	Mandatory automobile liabilities insurance for private vehicle	59,513	106,249
	Mandatory commercial automobile liabilities insurance	(107,204)	(109,849)
	Mandatory motorcycle liabilities insurance	586,743	564,505
	Nuclear risks insurance	74,687	74,687
	Commercial	587,411	587,411
	earthquake insurance		
	Typhoon and flood insurance	184,083	184,082
	Government-regulated earthquake insurance	<u>197,532</u>	<u>197,532</u>
		<u>1,582,765</u>	<u>1,604,617</u>
		<u>\$ 1,750,502</u>	<u>\$ 1,779,064</u>

2. Special claim reserve - mandatory automobile/motorcycle liabilities insurance

Item	2017	2016
Amount at the beginning of year	\$ 560,905	\$ 572,015
Provisions made in current year	24,883	5,481
Recoveries made in current year	(46,736)	(16,591)
Amount at the end of year	<u>\$ 539,052</u>	<u>\$ 560,905</u>

3. Special claim reserve - voluntary automobile/motorcycle liabilities insurance

Item	2017					
	Special claim reserve liability			Special reserve		
	Major incident	Change of risk	Total	Major incident	Change of risk	Total
Amount at the beginning of year	\$ 174,447	\$ 1,043,712	\$ 1,218,159	\$ 369,671	\$ 715,074	\$ 1,084,745
Provisions made in current year	-	-	-	67,150	158,535	225,685
Recoveries made in current year	(6,709)	-	(6,709)	-	(44,896)	(44,896)
Amount at the end of year	<u>\$ 167,738</u>	<u>\$ 1,043,712</u>	<u>\$ 1,211,450</u>	<u>\$ 436,821</u>	<u>\$ 828,713</u>	<u>\$ 1,265,534</u>

Item	2016					
	Special claim reserve liability			Special reserve		
	Major incident	Change of risk	Total	Major incident	Change of risk	Total
Amount at the beginning of year	\$ 181,156	\$ 1,306,117	\$ 1,487,273	\$ 300,930	\$ 640,230	\$ 941,160
Provisions made in current year	-	-	-	68,741	107,170	175,911
Recoveries made in current year	(6,709)	(262,405)	(269,114)	-	(32,326)	(32,326)
Amount at the end of year	<u>\$ 174,447</u>	<u>\$ 1,043,712</u>	<u>\$ 1,218,159</u>	<u>\$ 369,671</u>	<u>\$ 715,074</u>	<u>\$ 1,084,745</u>

Note 1: “Notes on Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon/Flood Insurance) Reserve Enhancement for Non-life Insurance Companies” issued by the competent authority in Letter No. Jin-Guan-Bao-Cai-10102515061 dated November 9, 2012 permitted the reclassification of special claim reserves for major incidents to special claim reserves for change of risk. The Company had yet to make full provision of special claim reserves for commercial earthquake and Typhoon/flood insurance at that time, and was therefore unable to reclassify balances to special reserves.

Note 2: If the Company had not adopted “Notes on Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon/Flood Insurance) Reserve Enhancement, Notes on Residential Earthquake Coinsurance

Members' Reserves and Rules on Nuclear Risks Insurance Reserves for Non-life Insurance Companies,” the amount of Insurance liability - Special claim reserve would have decreased by NT\$1,005,504,000 (net of NT\$205,946,000 tax impact) against an increase in special reserve of the same amount as at December 31, 2017; meanwhile, 2017 pre-tax profit would have fallen by NT\$6,709,000 and earnings per share would have reduced by NT\$0.02.

(V) Deficiency reserve

December 31, 2017				
	Deficiency reserve		Deficiency reserve for ceded coverage	Retained insurance (4)=(1)+(2)-(3)
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	
Aviation Insurance	\$ 50	\$ -	\$ -	\$ 50
Typhoon and flood insurance	6,342	751	-	7,093
Fishing Vessel Insurance	4,254	-	4,254	-
Engineering insurance	6,420	1,685	-	8,105
	<u>\$ 17,066</u>	<u>\$ 2,436</u>	<u>\$ 4,254</u>	<u>\$ 15,248</u>
December 31, 2016				
	Deficiency reserve		Deficiency reserve for ceded coverage	Retained insurance (4)=(1)+(2)-(3)
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	
Aviation Insurance	\$ 22	\$ 425	\$ -	\$ 447
Typhoon and flood insurance	10,988	673	-	11,661
Fishing Vessel Insurance	4,855	-	4,855	-
Engineering insurance	2,489	967	-	3,456
	<u>\$ 18,354</u>	<u>\$ 2,065</u>	<u>\$ 4,855</u>	<u>\$ 15,564</u>

Note: Deficiency reserve for ceded coverage is presented under reinsurance contract assets.

(VI) Retained earned premium revenue

The following shows amount and calculation of retained earned gross premiums for the Company's mandatory and voluntary automobile liabilities insurance in 2017:

Insurance category	Premium revenues (1)	Reinsurance Premium (2)	Reinsurance premiums expense (3)	Retained premium (4) = (1) + (2) - (3)
Mandatory automobile liabilities insurance	\$ 788,137	\$ 241,606	\$ 330,459	\$ 699,284
Voluntary automobile liabilities insurance	<u>6,211,648</u>	<u>138,820</u>	<u>1,678,695</u>	<u>4,671,773</u>
	<u>\$ 6,999,785</u>	<u>\$ 380,426</u>	<u>\$ 2,009,154</u>	<u>\$ 5,371,057</u>

For the voluntary automobile liabilities insurance, a sum of NT\$11,768,000 was contributed to the stabilization fund using applicable percentages in 2017.

Insurance category	Direct written insurance - unearned Premium reserve		Assumed reinsurance - unearned Premium reserve		Net change in unearned premium reserve (9)=(5)-(6) + (7)-(8)
	Provisions (5)	Recoveries (6)	Provisions (7)	Recoveries (8)	
Mandatory automobile liabilities insurance	\$ 316,341	\$ 305,483	\$ 138,637	\$ 137,356	\$ 12,139
Voluntary automobile liabilities insurance	<u>3,402,702</u>	<u>3,340,064</u>	<u>60,161</u>	<u>50,813</u>	<u>71,986</u>
	<u>\$ 3,719,043</u>	<u>\$ 3,645,547</u>	<u>\$ 198,798</u>	<u>\$ 188,169</u>	<u>\$ 84,125</u>

Item	Unearned premium reserve for ceded reinsurance		Net change in unearned premium reserve for ceded reinsurance (12)= (10)-(11)	Retained and earned gross premiums (13)= (4)-(9)+(12)
	Provisions (10)	Recoveries (11)		
Mandatory automobile liabilities insurance	\$ 189,814	\$ 183,359	\$ 6,455	\$ 693,600
Voluntary automobile liabilities insurance	<u>1,027,067</u>	<u>1,076,876</u>	(<u>49,809</u>)	<u>4,549,978</u>
	<u>\$ 1,216,881</u>	<u>\$ 1,260,235</u>	(<u>\$ 43,354</u>)	<u>\$ 5,243,578</u>

The following shows amount and calculation of retained earned gross premiums for the Company's mandatory and voluntary automobile liabilities insurance in 2016:

Insurance category	Premium revenues (1)	Reinsurance Premium (2)	Reinsurance premiums expense (3)	Retained premium (4) = (1) + (2) - (3)
Mandatory automobile liabilities insurance	\$ 747,381	\$ 238,483	\$ 314,026	\$ 671,838
Voluntary automobile liabilities insurance	<u>5,889,345</u>	<u>127,305</u>	<u>1,628,163</u>	<u>4,388,487</u>
	<u>\$ 6,636,726</u>	<u>\$ 365,788</u>	<u>\$ 1,942,189</u>	<u>\$ 5,060,325</u>

For the voluntary automobile liabilities insurance, a sum of NT\$11,209,000 was contributed to the stabilization fund using applicable percentages in 2016.

Insurance category	Direct written insurance - unearned Premium reserve		Assumed reinsurance - unearned Premium reserve		Net change in unearned premium reserve (9)=(5)-(6)
	Provisions (5)	Recoveries (6)	Provisions (7)	Recoveries (8)	+(7)-(8)
Mandatory automobile liabilities insurance	\$ 305,483	\$ 298,731	\$ 137,356	\$ 127,600	\$ 16,508
Voluntary automobile liabilities insurance	<u>3,340,063</u>	<u>3,293,733</u>	<u>50,814</u>	<u>55,586</u>	<u>41,558</u>
	<u>\$ 3,645,546</u>	<u>\$ 3,592,464</u>	<u>\$ 188,170</u>	<u>\$ 183,186</u>	<u>\$ 58,066</u>

Item	Unearned premium reserve for ceded reinsurance		Net change in unearned premium reserve for ceded reinsurance (12)= (10)-(11)	Retained and earned gross premiums (13)= (4)-(9)+(12)
	Provisions (10)	Recoveries (11)		
Mandatory automobile liabilities insurance	\$ 183,359	\$ 175,474	\$ 7,885	\$ 663,215
Voluntary automobile liabilities insurance	<u>1,076,876</u>	<u>1,078,064</u>	(<u>1,188</u>)	<u>4,345,741</u>
	<u>\$ 1,260,235</u>	<u>\$ 1,253,538</u>	<u>\$ 6,697</u>	<u>\$ 5,008,956</u>

(VII) Retained claims

The following shows amount and calculation of retained claims for the Company's mandatory and voluntary automobile liabilities insurance as at December 31, 2017:

Insurance category	Insurance claims (including claim-related expenses) (1)	Claims paid to reinsurers (2)	Claims recovered from reinsurers (3)	Retained claims (4) = (1) + (2) - (3)
Mandatory automobile liabilities insurance	\$ 634,772	\$ 195,290	\$ 369,734	\$ 460,328
Voluntary automobile liabilities insurance	<u>3,687,417</u>	<u>38,605</u>	<u>1,020,893</u>	<u>2,705,129</u>
	<u>\$ 4,322,189</u>	<u>\$ 233,895</u>	<u>\$ 1,390,627</u>	<u>\$ 3,165,457</u>

The following shows amount and calculation of retained claims for the Company's mandatory and voluntary automobile liabilities insurance as at December 31, 2016:

Insurance category	Insurance claims (including claim-related expenses) (1)	Claims paid to reinsurers (2)	Claims recovered from reinsurers (3)	Retained claims (4) = (1) + (2) - (3)
Mandatory automobile liabilities insurance	\$ 507,714	\$ 176,338	\$ 260,171	\$ 423,881
Voluntary automobile liabilities insurance	<u>3,256,371</u>	<u>64,852</u>	<u>882,547</u>	<u>2,438,676</u>
	<u>\$ 3,764,085</u>	<u>\$ 241,190</u>	<u>\$ 1,142,718</u>	<u>\$ 2,862,557</u>

(VIII) Policyholders' reported claims liability

Policyholders' reported and paid/unpaid claims liability:

December 31, 2017				
	Insurance claims payable	Claim reserves		
	Reported and paid	Reported but not paid	Not reported	Total
Fire Insurance	\$ -	\$ 421,204	\$ 10,400	\$ 431,604
Marine insurance	-	78,354	7,386	85,740
Automobile Insurance	17,443	647,382	751,790	1,399,172
Engineering Insurance	-	69,576	20,363	89,939
Personal accident Insurance	1,401	20,524	42,869	63,393
Accident Insurance	112	218,537	22,644	241,181
Other Insurance	<u>670</u>	<u>93,789</u>	<u>18,729</u>	<u>112,518</u>
	<u>\$ 19,626</u>	<u>\$ 1,549,366</u>	<u>\$ 874,181</u>	<u>\$ 2,423,547</u>

December 31, 2016				
	Insurance claims payable	Claim reserves		
	Reported and paid	Reported but not paid	Not reported	Total
Fire Insurance	\$ 55	\$ 807,959	\$ 11,307	\$ 819,266
Marine Insurance	23	87,285	11,857	99,142
Automobile Insurance	31	631,166	657,666	1,288,832
Engineering Insurance	305	161,581	14,410	175,991
Personal accident Insurance	1,761	26,495	47,627	74,122
Accident Insurance	238	217,521	24,980	242,501
Other Insurance	<u>1,030</u>	<u>142,561</u>	<u>21,060</u>	<u>163,621</u>
	<u>\$ 3,443</u>	<u>\$ 2,074,568</u>	<u>\$ 788,907</u>	<u>\$ 2,863,475</u>

Reinsurance contract asset - claims recoverable from reinsurers for obligatory payments made to policyholders:

Insurance category	December 31, 2017		
	Actual payments	Reported and paid	Total
Fire Insurance	\$ 21,427	\$ -	\$ 21,427
Marine Insurance	2,884	-	2,884
Automobile Insurance	138,765	2,442	141,207
Engineering insurance	9,180	-	9,180
Personal accident Insurance	30,526	1,078	31,604
Accident Insurance	8,624	53	8,677
Other Insurance	<u>20,353</u>	<u>502</u>	<u>20,855</u>
	231,759	4,075	235,834
Less: doubtful debt provision	(<u>1,179</u>)	<u>-</u>	(<u>1,179</u>)
Net value	<u>\$ 230,580</u>	<u>\$ 4,075</u>	<u>\$ 234,655</u>

Insurance category	December 31, 2016		
	Actual payments	Reported and paid	Total
Fire Insurance	\$ 51,828	\$ 2	\$ 51,830
Marine Insurance	656	-	656
Automobile Insurance	69,987	-	69,987
Engineering insurance	11,603	229	11,832
Personal accident Insurance	41,037	1,599	42,636
Accident Insurance	8,521	108	8,629
Other Insurance	<u>14,855</u>	<u>581</u>	<u>15,436</u>
	198,487	2,519	201,006
Less: doubtful debt provision	(<u>1,005</u>)	<u>-</u>	(<u>1,005</u>)
Net value	<u>\$ 197,482</u>	<u>\$ 2,519</u>	<u>\$ 200,001</u>

Reinsurance contract asset - please refer to Note 36(3) for the amount of ceded claim reserve provided on policyholders' reported and unpaid and unreported claims liability.

(IX) Retention limits by insurance category

Insurance category	2017	2016
Fire Insurance	\$ 250,000	\$ 250,000
Engineering Insurance	250,000	250,000
Liabilities Insurance	150,000	100,000
Cargo Insurance	75,000	75,000
Vessel hull Insurance	60,000	60,000
Fishing Vessel Insurance	60,000	60,000

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Insurance category	2017	2016
Automobile hull insurance	\$ 13,800	\$ 15,000
Automobile third-party liability insurance (per incident)	110,400	200,000
Automobile passenger liability insurance (per incident)	460,000	500,000
Personal accident insurance	30,000	30,000
Health insurance	2,000	2,000

(X) Acquisition costs for insurance contracts

	2017			
	Commission Expenses	Service Charges	Reinsurance commission expenses	Total
Fire Insurance	\$ 82,871	\$ -	\$ 3,149	\$ 86,020
Marine Insurance	28,087	-	4,524	32,611
Auto Insurance	595,838	134,199	-	730,037
Engineering Insurance	9,519	-	4,154	13,673
Personal accident Insurance	89,870	-	141	90,011
Casualty Insurance	50,786	-	2,232	53,018
Others	26,153	-	1,190	27,343
	<u>\$ 883,124</u>	<u>\$ 134,199</u>	<u>\$ 15,390</u>	<u>\$1,032,713</u>

	2016			
	Commission Expenses	Service Charges	Reinsurance commission expenses	Total
Fire Insurance	\$ 86,220	\$ -	\$ 2,987	\$ 89,207
Marine Insurance	31,715	-	3,081	34,796
Automobile Insurance	570,260	132,072	(1)	702,331
Engineering Insurance	9,679	-	3,968	13,647
Personal accident Insurance	88,192	-	83	88,275
Accident Insurance	50,225	-	3,115	53,340
Other Insurance	30,348	-	1,608	31,956
	<u>\$ 866,639</u>	<u>\$ 132,072</u>	<u>\$ 14,841</u>	<u>\$1,013,552</u>

None of the insurance contract acquisition cost above was recognized on a deferred basis.

(XI) Insurance profitability analysis

Profitability analysis for direct underwritten insurance:

2017						
	Premium revenues (1)	Net change in unearned premium reserve (2)	Insurance contract Acquisition cost (3)	Insurance claims (including claim-related expenses)(4)	Net change in claims reserve (5)	Profit (loss) on insurance (6)=(1)-(2)-(3) -(4)-(5)
Fire insurance	\$ 758,743	(\$ 49,048)	\$ 82,871	\$ 704,849	(\$ 389,405)	\$ 409,476
Marine Insurance	379,368	(12,795)	28,087	149,616	(14,405)	228,865
Auto Insurance	4,317,972	113,339	730,037	2,670,540	99,323	704,733
Engineering Insurance	104,169	(11,884)	9,519	128,264	(86,505)	64,775
Personal accident Insurance	552,007	50,256	89,870	329,614	(10,735)	93,002
Casualty Insurance	353,172	(2,460)	50,786	152,973	(2,461)	154,334
Others	534,354	(13,912)	26,153	186,333	(48,940)	384,720
	<u>\$ 6,999,785</u>	<u>\$ 73,496</u>	<u>\$ 1,017,323</u>	<u>\$ 4,322,189</u>	<u>(\$ 453,128)</u>	<u>\$ 2,039,905</u>
2016						
	Premium revenues (1)	Net change in unearned premium reserve (2)	Insurance contract Acquisition cost (3)	Insurance claims (including claim-related expenses)(4)	Net change in claims reserve (5)	Profit (loss) on insurance (6)=(1)-(2)-(3) -(4)-(5)
Fire Insurance	\$ 729,022	(\$ 41,702)	\$ 86,220	\$ 502,155	\$ 427,301	(\$ 244,952)
Marine Insurance	380,523	16,181	31,715	309,132	(198,470)	221,965
Automobile Insurance	4,043,563	85,938	702,332	2,319,588	118,723	816,982
Engineering Insurance	85,960	(31,056)	9,679	63,492	68,912	(25,067)
Personal accident Insurance	507,250	29,477	88,192	276,362	18,222	94,997
Accident Insurance	335,890	7,689	50,225	123,370	12,411	142,195
Other Insurance	554,518	(13,444)	30,348	169,986	84,991	282,637
	<u>\$ 6,636,726</u>	<u>\$ 53,083</u>	<u>\$ 998,711</u>	<u>\$ 3,764,085</u>	<u>\$ 532,090</u>	<u>\$ 1,288,757</u>

Profitability analysis for assumed reinsurance:

2017						
	Reinsurance Premium (1)	Net change in unearned premium reserve (2)	Reinsurance commission expense (3)	Reinsurance claims (4)	Net change in claims reserve (5)	Profit (loss) on assumed reinsurance (6)=(1)-(2)-(3) -(4)-(5)
Fire Insurance	\$ 32,278	\$ 5,910	\$ 3,149	\$ 711	\$ 1,743	\$ 20,765
Marine Insurance	25,564	4,133	4,524	23,614	1,003	(7,710)
Auto Insurance	241,597	1,253	-	195,291	11,016	34,037
Engineering Insurance	14,345	521	4,154	7,101	453	2,116
Personal accident Insurance	3,321	198	141	173	6	2,803
Casualty Insurance	19,380	(1,995)	2,232	4,368	1,140	13,635
Others	43,941	609	1,190	2,637	(2,161)	41,666
	<u>\$ 380,426</u>	<u>\$ 10,629</u>	<u>\$ 15,390</u>	<u>\$ 233,895</u>	<u>\$ 13,200</u>	<u>\$ 107,312</u>

2016						
	Reinsurance Premium (1)	Net change in unearned premium reserve (2)	Reinsurance commission expense (3)	Reinsurance claims (4)	Net change in claims reserve (5)	Profit (loss) on assumed reinsurance (6)=(1)-(2)-(3) -(4)-(5)
Fire Insurance	\$ 22,959	\$ 216	\$ 2,987	\$ 3,019	\$ 29,956	(\$ 13,219)
Marine Insurance	18,409	(7,178)	3,081	38,069	(265)	(15,298)
Automobile Insurance	238,529	9,739	(1)	176,381	40,824	11,586
Engineering Insurance	13,632	433	3,968	7,950	1,311	(30)
Personal accident Insurance	3,116	373	83	196	-	2,464
Accident Insurance	23,464	314	3,115	3,078	(405)	17,362
Other Insurance	45,679	1,086	1,608	12,497	830	29,658
	<u>\$ 365,788</u>	<u>\$ 4,983</u>	<u>\$ 14,841</u>	<u>\$ 241,190</u>	<u>\$ 72,251</u>	<u>\$ 32,523</u>

Current profit/loss recognized on ceded insurance contracts:

2017						
	Reinsurance premiums expense (1)	Net change in ceded unearned premium reserve (2)	Reinsurance commission revenue (3)	Claims recovered from reinsurers (4)	Net change in ceded claim reserves (5)	Profit (loss) on ceded reinsurance (6)=(1)-(2)-(3) -(4)-(5)
Fire Insurance	\$ 320,586	(\$ 61,273)	\$ 28,943	\$ 318,704	(\$ 272,676)	\$ 306,888
Marine Insurance	113,497	(10,460)	15,448	46,887	(36,837)	98,459
Auto Insurance	691,588	15,496	138,046	579,284	45,127	(86,365)
Engineering Insurance	72,923	(20,994)	8,578	87,032	(74,022)	72,329
Personal accident Insurance	252,121	50,264	51,175	196,667	(9,173)	(36,812)
Casualty Insurance	108,653	650	35,631	50,650	(1,342)	23,064
Others	449,786	(17,037)	11,137	111,403	(19,001)	363,284
	<u>\$ 2,009,154</u>	<u>(\$ 43,354)</u>	<u>\$ 288,958</u>	<u>\$ 1,390,627</u>	<u>(\$ 367,924)</u>	<u>\$ 740,847</u>

2016						
	Reinsurance premiums expense (1)	Net change in ceded unearned premium reserve (2)	Reinsurance commission revenue (3)	Claims recovered from reinsurers (4)	Net change in ceded claim reserves (5)	Profit (loss) on ceded reinsurance (6)=(1)-(2)-(3) -(4)-(5)
Fire Insurance	\$ 288,996	(\$ 26,292)	\$ 38,045	\$ 151,508	\$ 326,896	(\$ 201,161)
Marine Insurance	124,234	5,456	14,555	210,389	(174,911)	68,745
Automobile Insurance	661,983	29,318	128,455	450,641	99,129	(45,560)
Engineering Insurance	76,207	(29,787)	12,671	36,108	71,312	(14,097)
Personal accident Insurance	222,755	43,935	43,342	149,040	21,248	(34,810)
Accident Insurance	104,362	(2,379)	33,148	36,704	4,006	32,883
Other Insurance	463,652	(13,554)	15,104	108,328	31,691	322,083
	<u>\$ 1,942,189</u>	<u>\$ 6,697</u>	<u>\$ 285,320</u>	<u>\$ 1,142,718</u>	<u>\$ 379,371</u>	<u>\$ 128,083</u>

(XII) Information on insurance risks

1. Sensitivity analysis for insurance risks

The Company conducts sensitivity analysis on major assumptions that have the potential to affect claim reserves, such as average cost of claim, claim-related expenses and number of claim cases. Impacts on claim reserves are established by making reasonable and possible changes to one assumption while holding other major assumptions constant. For example, a change to the variable “average cost of claim” would result in a proportional change in claim reserves. Detailed analysis is presented below:

December 31, 2017				
Single-variable Variation	Effect on gross claims reserve	Effect on net claims reserve	Effect on pre-tax profit	Effect on owners' equity (before tax)
	Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
Average cost of claim	5%	\$ 87,742	\$ 63,357	(\$ 63,357)

Note: The above analysis does not include mandatory automobile liabilities insurance, nuclear risks insurance, and government-regulated earthquake insurance.

2. Explanation to concentration of insurance risks

The Company sets retention limits depending on the risks associated with individual insurance categories. Risks are transferred away through the use of reinsurance, which reduces concentration of insurance risks and the impacts they have on the Company. Risk concentration by business category is explained below:

	2017		2017	
	Direct written Premium revenues	%	Cumulative retained premiums (Note)	%
Fire Insurance	\$ 758,743	10.84	\$ 471,617	8.78
Marine Insurance	379,368	5.42	291,435	5.43
Automobile Insurance	4,317,972	61.69	3,867,981	72.02
Engineering Insurance	104,169	1.49	45,591	0.85
Personal accident Insurance	552,007	7.89	303,207	5.64
Accident Insurance	353,172	5.04	263,899	4.91
Other Insurance	534,354	7.63	127,327	2.37
	<u>\$ 6,999,785</u>	<u>100.00</u>	<u>\$ 5,371,057</u>	<u>100.00</u>

Note: represents the sum of premium revenue, reinsurance premium revenue and reinsurance premium expense.

Claims trends

Trend analysis for claims on direct insurance is as follows:

Year of accident	December 31, 2017					
	Year count					
	1	2	3	4	5	6
≤ 2012	\$22,466,535	\$22,502,212	\$22,511,610	\$22,516,189	\$22,488,170	\$22,510,567
2013	2,585,897	2,701,193	2,717,649	2,734,086	2,745,448	
2014	2,463,011	2,682,716	2,686,795	2,704,880		
2015	3,062,421	3,211,281	3,211,712			
2016	3,518,890	3,768,046				
2017	2,844,485					

Note: The above table does not include mandatory automobile liabilities insurance, nuclear risks insurance, and government-regulated earthquake insurance.

(XIII) Credit risk, liquidity risk and market risk of insurance contracts

1. Credit risk

All reinsurance contracts held by the Company are evaluated according to “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms.”

As at December 31, 2017 and 2016, the Company was not required to provide substandard reinsurance reserves on its regulatory reports.

2. Liquidity risk

The Company manages liquidity risk of its insurance contracts in three liquidity levels: Normal, Cautious and Critical. The Company's liquidity position as at December 31, 2017 was considered to be at the Normal level, which posed no concern of liquidity risk.

3. Market risk

None of the insurance contracts and reinsurance contracts issued or held by the Company involved any significant market risk.

(XIV) Assets, liabilities, revenues and costs of mandatory automobile liabilities insurance

1. Assets and liabilities of mandatory automobile liabilities insurance

(in NT\$ 1,000)					
Item	Amount		Item	Amount	
ASSETS	December 31, 2017	December 31, 2016	Liabilities	December 31, 2017	December 31, 2016
Cash and bank deposits (Note)	\$ 1,074,067	\$ 1,134,369	Notes payable	\$ -	\$ -
Cash equivalents	-	-	Claims Payable	1,017	-
Notes receivable	12,806	12,227	Claims payable to reinsurers	-	-
Premiums receivable	12,464	8,109	Reinsurance Accounts Payable	62,324	29,316
Claims recoverable from reinsurers	88,766	21,493	Unearned premium reserve	454,978	442,839
Reinsurance accounts receivable	50,104	19,741	Claim reserve	665,957	596,355
Other Receivable	375	2,446	Special claim reserve	539,052	560,905
Available-for-Sale Financial Assets	-	-	Receipts in suspense and pending settlement	22	-
Ceded unearned premium reserve	189,814	183,359	Other liabilities	-	-
Ceded claim reserve	291,172	245,127			
Payments in suspense and pending settlement	3,782	2,544			
Other assets	-	-			
Total assets	\$ 1,723,350	\$ 1,629,415	Total liabilities	\$ 1,723,350	\$ 1,629,415

Note: As at December 31, 2017 and 2016, NT\$58,067,000 and NT\$95,369,000 of which were presented as cash, while NT\$1,016,000,000 and NT\$1,039,000,000 of which were presented as other financial assets, respectively.

2. Revenues and costs of mandatory automobile liabilities insurance

(in NT\$ 1,000)

	2017	2016
Operating Revenue		
Pure premium revenue	\$ 550,763	\$ 523,307
Reinsurance Premium	<u>241,606</u>	<u>238,483</u>
Premium revenues	792,369	761,790
Less: reinsurance premiums expense	(330,459)	(314,026)
Net change in unearned premium reserve	(<u>5,684</u>)	(<u>8,625</u>)
Retained Earned Premium	456,226	439,139
Interest Income	<u>5,806</u>	<u>6,338</u>
Total Operating Revenue	<u>\$ 462,032</u>	<u>\$ 445,477</u>

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	2017	2016
Operating Cost		
Insurance claims (including reinsurance claims, which amounted to NT\$195,290,000 and NT\$176,338,000, respectively)	\$ 830,062	\$ 684,052
Less: Claims recovered from reinsurers	(369,734)	(260,171)
Retained claims	460,328	423,881
Net Change in Reserve for Claim	23,557	32,706
Net Change in Reserve for Special Claim	(21,853)	(11,110)
Total Operating Costs	<u>\$ 462,032</u>	<u>\$ 445,477</u>

XXXVII. Other disclosures

(I) Major transactions:

1. Acquisition of real estate properties amounting to more than NT\$100 million or 20% of paid up capital: None.
2. Disposal of real estate properties amounting to more than NT\$100 million or 20% of paid up capital: None.
3. Core business transactions conducted with related parties that amount to more than NT\$100 million or more than 20% of paid-up capital: None.
4. Related party receivables amounting to more than NT\$100 million or 20% of paid up capital: None.
5. Trading of derivatives: None.

(II) Information on invested businesses: None.

(III) Information relating to investments in the Mainland: None.

XXXVIII. Segment information

Non-life insurance was the Company's primary and only major business segment in 2017 and 2016, therefore segment-by-segment disclosure of financial information is not required.

- VI Latest audited consolidated financial statements: None.
- VII. Any financial distress experienced by the Company or its affiliated enterprise and impacts on the Company's financial status in the last year up till the publication date of this annual report: None.

Seven. Review of financial position, business performance and risk issues

I. Comparative analysis of financial position

(in NT\$ 1,000)

Item \ Year	2017	2016	Variation	
			Amount	%
Cash and cash equivalents	\$ 1,157,174	\$ 1,231,822	(\$ 74,648)	(6)
Receivables	593,893	584,878	9,015	2
Financial assets and loans	8,568,649	8,208,131	360,518	4
Reinsurance Contracts Assets	2,473,583	2,758,745	(285,162)	(10)
Property, Plant and Equipment	626,390	622,106	4,284	1
Intangible Assets	12,611	15,747	(3,136)	(20)
Other assets	1,557,269	1,555,229	2,040	-
Total assets	14,989,569	14,976,658	12,911	-
Payables	764,602	682,912	81,690	12
Liability reserves	8,317,402	8,711,701	(394,299)	(5)
Other liabilities	209,087	208,183	904	-
Total liabilities	9,291,091	9,602,796	(311,705)	(3)
Share capital	3,011,638	3,011,638	-	-
Retained Earnings	2,660,677	2,402,882	257,795	11
Other equity items	26,163	(40,658)	66,821	164
Total equity	5,698,478	5,373,862	324,616	6

Explanation to significant variations amounting to NT\$10 million or 20% or above:

Increase in other equity items in 2017 over 2016 was mainly due to increase of unrealized gains on available-for-sale financial assets in 2017.

II. Analysis of financial performance

(in NT\$ 1,000)

Item	2017	2016	Amount increase (decrease)	Variation %
Operating Revenue	\$ 5,881,343	\$ 5,613,575	\$ 267,768	5
Operating Cost	4,122,629	3,844,794	277,835	7
Operating Expense	<u>1,242,794</u>	<u>1,203,086</u>	39,708	3
TOTAL OPERATING INCOME	515,920	565,695	(49,775)	(9)
Non-operating income and expenses	(<u>386</u>)	(<u>1,440</u>)	1,054	73
Pre-tax profit from continuing operations	515,534	564,255	(48,721)	(9)
Income tax	<u>55,224</u>	<u>84,500</u>	(29,276)	(35)
Current net income from continuing operations	<u>\$ 460,310</u>	<u>\$ 479,755</u>	(19,445)	(4)

(I). Explanation to significant variations of 10% or above:

1. Increase in non-operating income and expenses in 2017 over 2016 was mainly due to a decrease of property obsolescence loss in 2017.
2. Decrease in income tax expense in 2017 over 2016 was mainly due to a decrease of taxable income in 2017.

(II). Future response plans: The Company shall continue focusing on its core business activities while at the same time explore improvements with a focus on stability, pragmatism, and innovation. In terms of asset allocation, the Company will strive to raise capital efficiency and asset yields.

III. Cash flow variation analysis

(in NT\$ 1,000)

Opening cash balance	Net cash flow from operating activities for the year	Cash outflow for the year	Cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Financing plans
1,231,822	130,755	(205,403)	1,157,174	-	-
1. Analysis of cash flow for the year: (1) Operating activities: Net cash inflow of NT\$130,755,000 was mainly due to disposal of available-for-sale financial assets during the year. (2) Investing activities: Net cash outflow of NT\$9,647,000 was mainly due to acquisition of property, plants and equipment and intangible assets. (3) Financing activities: Net cash outflow of NT\$195,756,000 was mainly due to payment of cash dividends. 2. Responsive measures and liquidity analysis for cash flow deficit: None. 3. Liquidity analysis for the next year:					

Opening cash balance	Projected net cash flow from operating activities for the year	Expected cash outflow for the year	Expected cash surplus (deficit)	Financing of projected cash deficits	
				Investment plans	Financing plans
1,157,174	315,284	(300,339)	1,172,119	-	-

IV. Material capital expenditures in the last year and impacts on business performance: None.

V. Causes of profit or loss incurred on investments in the last year, and any improvements or investments planned for the next year: None.

VI. Risk management issues in the last year up till the publication date of this annual report that were subject to evaluation:

(I) Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures:

1. Interest rate: Driven by the consistent expansion of advanced and emerging economies, growth rate of the global economy should continue to rise in 2018. With respect to domestic interest rates, the Central Bank has decided to maintain its interest rate policy unchanged during the board meeting held on March 22, 2018, on the basis of moderate inflationary pressure, low inflation rate, sound real interest rate level compared to leading economies, uncertainties in the global economic outlook, possible fall of domestic growth rate compared to the previous year, and actual output being lower than potential output. The Central Bank's decision will help stabilize price levels and the financial market, and stimulate growth of the economy. The Central Bank's decision to maintain rediscount rate, the rate on accommodations with collateral, and rate on accommodations without collateral unchanged at 1.375%, 1.75% and 3.625%, respectively, may have somewhat adverse effects on the Company's use of capital. As a result, the Company will continue to increase holding position of low-risk, high-yield fixed income assets such as government bond and real estate instrument for higher investment gains.
2. Exchange rate: The Company maintains close contact with banking partners and consults experts for opinions and the latest financial information. The Company constantly obtains banks' view and data on exchange rate movements, and thereby keeping itself informed of the latest developments at all times.
3. Inflation: Not applicable.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profit or loss incurred and future responsive measures:

1. The Company did not engage in any high-risk or highly leveraged investment or transactions such as endorsement, guarantee, or trading of derivatives.
2. The Company has policies in place to govern loans to third parties, and the policies require third-party loans to be priced at 1.5% above the time deposit rates quoted by Chang Hwa Bank, First Commercial Bank, and Hua Nan Bank. The Company treats third-party loan as a form of stable income, but currently has no balance outstanding.

(III) Future research and development plans and projected expenses:

1. Future R&D plans:
The Company is a non-life insurance service provider; its future R&D activities mostly involve modification of existing products and introduction of new products. New insurance products should primarily consist of liability insurance policies combined with riders.
 2. Projected R&D expenses: The Company's new products are developed by various insurance departments in their respective areas of expertise. Their proposals are reviewed and priced by the Actuarial Department before submitting to the competent authority for acknowledgment or approval. As a result, no further R&D expense needs to be invested in the future.
- (IV) Financial impacts and responsive measures due to change of local and foreign regulations in recent years:
The Financial Supervisory Commission is planning to introduce the following measures to “inspire financial innovation and enforce financial governance” while ensuring the prosperity, stability and advancement of the financial market:
1. Ongoing support for new financial technologies.
 2. Ongoing support for green banking.
 3. Amendments to key regulations such as the Banking Act of The Republic of China, the Securities and Exchange Act, and the Insurance Act.
 4. Optimize corporate governance.
 5. Expand the scope of the capital market.
 6. Development of a robust trade market.
 7. Enhance anti-money laundering in the financial industry.
 8. Deregulate and enhance competitiveness of the financial industry.
 9. Ongoing enhancements to the protection of financial consumers' rights.
 10. Ongoing enhancements to financial supervision.
- The Company has amended its Notes on Anti-money Laundering and Counter Terrorism Financing to conform with rules of the competent authority. The Company has also escalated the level of its compliance efforts and enhanced protection for consumers in order to comply with regulatory requirements.
- (V) Financial impacts and responsive measures due to technological or industrial changes in the last year: None.
- (VI) Crisis management, impacts, and responsive measures due to change of corporate image in the last year: None.
- (VII) Expected benefits, risks and responsive measures in relation to mergers and acquisitions undertaken in the last year: None.
- (VIII) Expected benefits, risks and responsive measures associated with plant expansions in the last year: None.
- (IX) Risks and responsive measures associated with concentrated sales or purchases in the last year: None.
- (X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest in the last year: None.
- (XI) Impacts, risks and responsive measures associated with a change of management: None.
- (XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, president, person-in-charge or major shareholder

with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders' equity or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report: None.

(XIII) Other material risks and responsive measures: None.

VII. Other important disclosures: None.

Eight. Special Remarks

- I. Affiliated companies: None.
- II. Private placement of securities in the last year up till the publication date of this annual report: None.
- III. Holding or disposal of the company's shares by subsidiaries in the last year, up till the publication date of this annual report: None.
- IV. Other supplementary information: None.

Nine. Any occurrence of event defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the previous year up till the publication date of this annual report that significantly impacted shareholders' equity or security prices: None.

The First Insurance Co., Ltd.
Chairman Cheng-Han Lee