

MSIG Mingtai Insurance Co., Ltd.**Financial Statements**

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors
MSIG Mingtai Insurance Co., Ltd.:

Opinion

We have audited the financial statements of MSIG Mingtai Insurance Co., Ltd. (“the Company”), which comprise the balance sheet as of December 31, 2024 and 2023, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Provision of insurance reserves

Please refer to Note 4(p) for the accounting policy of insurance reserves, Note 5(b) for the major sources of accounting assumptions, judgments and estimation uncertainty, and Notes 6(p) and 6(ab) for the details and movement reconciliation of insurance reserves and disclosure of the nature and extent of risks arising from insurance contracts, respectively.

The risk

Various insurance reserves are provided by actuary in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves” based on their professional judgment and experience. The insurance reserves are estimated for different types of insurance, and thus, the provision process of these reserves has high degree of complexity. Therefore, this matter needs significant attention in our audit.

How the matter was addressed in our audit

Our principal audit procedures included:

Testing the effectiveness of the design and implementation of internal controls within the financial reporting process that are related to insurance reserves, which include testing the controls responsible for ascertaining the completeness and accuracy of the policy information. Performing the analysis on movements of insurance reserves and checking whether the related information and carrying amount of the worksheet are accurate. Testing samples on unearned premium reserves, claim reserves, premium deficiency reserves and special reserves to assess the accuracy of the premium and claim information, as well as inspecting the provision methodology and examining whether the provision is in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves”. Testing the basis of estimation for (i) reported but not paid claims by inspecting the adjuster report and preliminary loss advice, as well as (ii) incurred but not reported claims by evaluating the reasonableness of the actuarial assumption on its loss development triangle including loss development factors, expected claim ratio, and expenses. In addition, we also assess the appropriateness of the disclosure that are related to insurance reserves.

2. Valuation of investments in financial instruments

Please refer to Note 4(f) for the accounting policy of financial instruments, Note 5(a) for the major sources of accounting assumptions, judgments and estimation uncertainty, and Notes 6(c), 6(d), 6(y) and 6(z) for the details of financial instruments, fair value hierarchy and disclosure of financial risk management, respectively.

The risk

The investments portfolio of the Company represents 31% of its total assets, wherein the majority of it were measured at fair value. The basis used for fair value measurement has significant impact on the valuation of the investments in financial instruments. In addition, the expected credit loss assessment of the investments involves estimation and judgment. Hence, this needs significant attention in our audit.

How the matter was addressed in our audit

Our principal audit procedures included:

Testing the effectiveness of the design and implementation of internal controls within the financial reporting process that are related to investments in financial instruments; Requesting for Confirmation on the investments in financial instruments; Testing samples on the fair value of the financial instruments at financial reporting period end and assessing whether the valuation for each instruments is correct as of financial reporting period end; Assessing whether the main assumptions, valuation method and information used for the fair value of financial derivatives are appropriate; Assessing the credit rating of financial instruments, interest payments of its debt instruments, trends of the fair value movement, as well as the estimation of expected credit loss of financial instruments.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs, IASs, interpretation as well as related guidance approved by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chou, Pao-Lian.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2025

Notes to Readers

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

The independent auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditor's report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

MSIG MINGTAI INSURANCE CO., LTD.**Balance Sheets****December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11000	Cash and cash equivalents (notes 6(a) and 12)	\$ 9,640,639	24	10,345,363	31		Liabilities:				
12000	Accounts receivables, net (notes 6(b), 6(l) and 6(m))	2,320,852	6	2,146,776	6	21000	Accounts payable (notes 6(n) and 7)	\$ 3,986,146	10	3,125,860	9
12600	Current tax assets	35,008	-	38,222	-	21700	Current tax liabilities	32,303	-	-	-
13200	Other assets classified as held for sale, net (note 6(e))	-	-	113,038	-	23200	Financial liabilities at fair value through profit or loss (notes 6(c) and 6(d))	34,813	-	-	-
14110	Financial assets at fair value through profit or loss (notes 6(c), 6(d) and 12)	5,617,617	14	4,427,000	14	23800	Lease liabilities (note 6(o))	667,563	2	633,797	1
14190	Financial assets at fair value through other comprehensive income (note 6(c))	6,709,844	17	5,210,574	16	24000	Insurance reserves (note 6(p))	26,020,002	65	19,594,907	59
14200	Investment property (note 6(f))	217,270	1	217,402	1	25000	Other liabilities (note 6(r))	116,162	-	205,632	1
15000	Reinsurance contract assets (notes 6(g), 6(l), 6(m), 6(p) and 7)	13,087,227	32	7,937,751	24	28000	Deferred income tax liabilities (note 6(v))	111,739	-	82,316	-
16000	Property and equipment (note 6(h))	548,980	1	573,057	2		Total liabilities	30,968,728	77	23,642,512	70
16700	Right-of-use assets (note 6(i))	636,426	2	611,161	2		Equity (notes 6(p) and 6(w)):				
17000	Intangible assets (note 6(j))	110,961	-	92,167	-	31100	Common stock	2,535,930	6	2,535,930	8
17800	Deferred income tax assets (note 6(v))	596,749	1	691,054	2	32000	Capital surplus	172,495	-	172,495	1
18000	Other assets (notes 6(c), 6(k) and 8)	786,014	2	729,353	2		Retained earnings:				
18160	Net defined benefit assets (note 6(t))	156,801	-	31,966	-	33100	Legal reserve	2,523,430	6	2,261,550	7
						33200	Special reserve	3,041,206	7	3,711,707	11
						33300	Unappropriated retained earnings	1,015,286	3	883,404	3
								6,579,922	16	6,856,661	21
							Other equity:				
						34220	Valuation gain(loss) on debt instrument measured at fair value through other comprehensive income	(78,605)	-	(54,475)	-
						34400	Remeasurements of defined benefit plans (note 6(t))	(50,825)	-	(142,441)	-
						34950	Gain (loss) on reclassification using overlay approach	336,743	1	154,202	-
								207,313	1	(42,714)	-
							Total equity	9,495,660	23	9,522,372	30
Total assets		\$ 40,464,388	100	33,164,884	100		Total liabilities and equity	\$ 40,464,388	100	33,164,884	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

MSIG MINGTAI INSURANCE CO., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		2024		2023		Change
		Amount	%	Amount	%	%
Operating revenue:						
41110	Direct written premium (notes 6(q), 6(ab) and 12)	\$ 19,598,346	142	17,580,892	140	11
41120	Reinsurance premium assumed (notes 6(q) and 12)	650,791	5	651,958	5	-
	Premium income	20,249,137	147	18,232,850	145	11
51100	Less: Reinsurance expense ceded (notes 6(q), 7 and 12)	8,238,902	60	6,944,850	55	19
51310	Unearned premiums reserve movement (notes 6(p), 6(q) and 12)	419,125	3	440,944	4	(5)
	Retained earned premium (notes 6(ab) and 12)	11,591,110	84	10,847,056	86	7
41300	Commission on reinsurance ceded (notes 6(q) and 7)	999,005	7	887,199	7	13
41400	Fee income	46,891	-	43,591	-	8
	Investment profit or loss, net					
41510	Interest income (note 6(s))	312,631	2	225,327	2	39
41521	Gains (losses) on financial assets (liabilities) measured at fair value through profit or loss (notes 6(c), 6(d) and 6(s))	714,162	5	996,395	8	(28)
41527	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	(15,779)	-	11,615	-	(236)
41550	Gains (losses) on foreign exchange-investment	196,068	2	(13,107)	-	1,596
41570	Investment income on investment properties, net (notes 6(e), 6(f) and 6(u))	41,125	-	2,015	-	1,941
41585	Expected credit loss and reversal gains on investment (note 6(c))	9	-	121	-	(93)
41600	Gains (losses) on reclassification using overlay approach (note 6(c))	(193,975)	(1)	(520,501)	(4)	63
41800	Other operating income	82,109	1	65,056	1	26
		<u>13,773,356</u>	<u>100</u>	<u>12,544,767</u>	<u>100</u>	<u>10</u>
Operating costs:						
51200	Claims and benefits (notes 6(q) and 12)	9,804,104	71	8,567,680	68	14
41200	Less: Claims recovered from reinsurers (notes 6(q), 7 and 12)	3,797,680	28	2,174,440	17	75
	Net claims (note 12)	6,006,424	43	6,393,240	51	(6)
51300	Other insurance liability movement, net (notes 6(p) and 6(q))	1,489,242	11	(599,335)	(5)	348
51500	Commission expense (note 6(q))	2,380,022	17	2,201,073	18	8
51800	Other operating costs	78,609	1	69,519	1	13
		<u>9,954,297</u>	<u>72</u>	<u>8,064,497</u>	<u>65</u>	<u>23</u>
Operating expenses: (notes 6(h), 6(i), 6(j), 6(t), 6(u), 7 and 12)						
58100	General expenses	2,380,000	17	2,497,121	20	(5)
58200	Administrative expenses	465,909	3	481,439	4	(3)
58300	Employee training expenses	5,765	-	4,708	-	22
58400	Non-investment expected credit loss and reversal gains (note 6(m))	12,994	-	21,702	-	(40)
		<u>2,864,668</u>	<u>20</u>	<u>3,004,970</u>	<u>24</u>	<u>(5)</u>
Operating income		954,391	8	1,475,300	11	(35)
59000	Non-operating income and expenses (note 6(e))	<u>152,029</u>	<u>1</u>	<u>34,515</u>	<u>-</u>	<u>340</u>
Profit from continuing operations before tax		1,106,420	9	1,509,815	11	(27)
63000	Less: Tax expenses (note 6(v))	<u>153,661</u>	<u>1</u>	<u>251,102</u>	<u>2</u>	<u>(39)</u>
Net income		<u>952,759</u>	<u>8</u>	<u>1,258,713</u>	<u>9</u>	<u>(24)</u>
83000	Other comprehensive income :					
83100	Components of other comprehensive income (loss) that will not be reclassified to profit or loss (notes 6(t) and 6(w))					
83110	Remeasurements of defined benefit plans	114,520	1	(5,157)	-	2,321
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	71,892	1	(100)
83180	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	22,904	-	(1,031)	-	2,322
		<u>91,616</u>	<u>1</u>	<u>67,766</u>	<u>1</u>	<u>35</u>
83200	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(v) and 6(w))					
83290	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(22,500)	-	103,337	1	(122)
83295	Other comprehensive income (loss) on reclassification under the overlay approach	193,975	1	520,501	4	(63)
83280	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	13,064	-	32,939	-	(60)
		<u>158,411</u>	<u>1</u>	<u>590,899</u>	<u>5</u>	<u>(73)</u>
83000	Other comprehensive income	<u>250,027</u>	<u>2</u>	<u>658,665</u>	<u>6</u>	<u>(62)</u>
Comprehensive income		<u>\$ 1,202,786</u>	<u>10</u>	<u>1,917,378</u>	<u>15</u>	
Earnings per share						
Basic earnings per share (NT dollars) (notes 6(p) and 6(x))		<u>\$ 3.76</u>		<u>4.96</u>		
Diluted earnings per share (NT dollars) (notes 6(p) and 6(x))		<u>\$ 3.75</u>		<u>4.95</u>		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

MSIG MINGTAI INSURANCE CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Total other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Profit or loss reclassified to other comprehensive income using the overlay approach	Total equity
Balance as of January 1, 2023	\$ 2,535,930	172,495	1,999,764	2,635,019	3,560,514	(168,833)	(138,315)	(343,540)	10,253,034
Appropriation and distribution of retained earnings:									
Appropriation of legal reserve	-	-	261,786	-	(261,786)	-	-	-	-
Provision of special earnings reserve provided as the equity deduction items	-	-	-	650,688	(650,688)	-	-	-	-
Cash dividends	-	-	-	-	(2,648,040)	-	-	-	(2,648,040)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	50,691	(50,691)	-	-	-
Total comprehensive income (loss):									
Net income for the year ended December 31, 2023	-	-	-	-	1,258,713	-	-	-	1,258,713
Other comprehensive income (loss)	-	-	-	-	-	165,049	(4,126)	497,742	658,665
Total comprehensive income (loss)	-	-	-	-	1,258,713	165,049	(4,126)	497,742	1,917,378
Provision for special catastrophe reserve and special risk-volatility reserve, net	-	-	-	420,758	(420,758)	-	-	-	-
Provision for special earnings reserve provided as travel insurance	-	-	-	5,242	(5,242)	-	-	-	-
Balance at December 31, 2023	2,535,930	172,495	2,261,550	3,711,707	883,404	(54,475)	(142,441)	154,202	9,522,372
Appropriation and distribution of retained earnings:									
Appropriation of legal reserve	-	-	261,880	-	(261,880)	-	-	-	-
Recovery from provision of special earnings reserve provided as the equity deduction items	-	-	-	(607,974)	607,974	-	-	-	-
Cash dividends	-	-	-	-	(1,229,498)	-	-	-	(1,229,498)
Total comprehensive income (loss):									
Net income for the year ended December 31, 2024	-	-	-	-	952,759	-	-	-	952,759
Other comprehensive income (loss)	-	-	-	-	-	(24,130)	91,616	182,541	250,027
Total comprehensive income (loss)	-	-	-	-	952,759	(24,130)	91,616	182,541	1,202,786
Reversal for special catastrophe reserve and special risk-volatility reserve, net	-	-	-	(69,068)	69,068	-	-	-	-
Provision for special earnings reserve provided as travel insurance	-	-	-	6,541	(6,541)	-	-	-	-
Balance as of December 31, 2024	<u>\$ 2,535,930</u>	<u>172,495</u>	<u>2,523,430</u>	<u>3,041,206</u>	<u>1,015,286</u>	<u>(78,605)</u>	<u>(50,825)</u>	<u>336,743</u>	<u>9,495,660</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

MSIG MINGTAI INSURANCE CO., LTD.**Statements of Cash Flows****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income before tax	\$ 1,106,420	1,509,815
Adjustments items:		
Non-cash adjustment items		
Depreciation expense	173,235	139,355
Amortization expense	40,149	52,391
Gain on financial assets or liabilities at fair value through profit or loss	(714,162)	(996,395)
Loss (gain) on financial assets or liabilities at fair value through other comprehensive income, net	15,779	(11,615)
Interest expense	11,273	8,729
Interest income	(312,631)	(225,327)
Insurance reserve movement, net	1,908,367	(158,391)
Reversal of expected credit loss on investment	(9)	(121)
Provision of expected non-investment expected credit loss	12,994	21,702
Loss on reclassification using overlay approach	193,975	520,501
Gain on disposal and scrap of property and equipment	(785)	(17)
Gain on disposal of assets classified as held for sale	(186,117)	(38,569)
Impairment loss on non-financial assets	-	10,200
Unrealized foreign exchan gain	(363,366)	(113,962)
Other	(8,232)	16,261
Total non-cash adjustment items	<u>770,470</u>	<u>(775,258)</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Decrease (increase) in notes receivable	56,408	(51,353)
Increase in premiums receivable	(398,641)	(386,403)
Decrease in other receivables	185,186	20,951
Increase in reinsurance contract assets	(633,277)	(93,540)
Decrease (increase) in prepaid expenses and other prepayments	4,307	(12,080)
Decrease in other assets	3,299	22,222
Total changes in operating assets	<u>(782,718)</u>	<u>(500,203)</u>
Changes in operating liabilities, net:		
Decrease in claims payable	(424)	(11,384)
Increase in commissions payable	18,860	21,868
Increase in due to reinsurers and ceding companies	1,134,167	348,164
(Decrease) increase in other payables	(284,068)	336,357
Decrease in employee benefit liability reserve	(10,315)	(5,157)
(Decrease) increase in other liabilities	(89,044)	54,968
Total net changes in operating liabilities	<u>769,176</u>	<u>744,816</u>
Total changes in operating assets and liabilities	<u>(13,542)</u>	<u>244,613</u>
Total adjustments	<u>756,928</u>	<u>(530,645)</u>
Net cash flows from operations activities	1,863,348	979,170
Interest received	273,919	206,917
Dividends received	156,513	163,395
Cash paid for income tax	(30,384)	(25,586)
Net cash provided by operating activities	<u>2,263,396</u>	<u>1,323,896</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(2,560,737)	(2,379,083)
Proceeds from disposal of financial assets at fair value through other comprehensive income	623,704	443,905
Principal repaid upon maturity of financial assets at fair value through other comprehensive income	527,935	500,000
Acquisition of financial assets at fair value through profit or loss	(7,140,133)	(5,271,126)
Proceeds from disposal of financial assets at fair value through profit or loss	6,712,399	5,408,398
Proceeds from disposal of assets classified as held for sale	316,613	44,060
Acquisition of property and equipment	(52,111)	(137,894)
Proceeds from disposal of property and equipment	1,518	48
Decrease (increase) in refundable deposits	4,837	(9,890)
Acquisition of intangible assets	(58,943)	(13,373)
Withdrawal of contribution for investment properties	-	5,568
Net cash used in investing activities	<u>(1,624,918)</u>	<u>(1,409,387)</u>
Cash flows from financing activities:		
Decrease in guarantee deposits received	(426)	(314)
Principal repaid upon lease liabilities	(117,796)	(81,943)
Cash dividends paid	(1,229,514)	(2,648,040)
Interest paid	(82)	(215)
Net cash used in financing activities	<u>(1,347,818)</u>	<u>(2,730,512)</u>
Effect of exchange rate changes on cash and cash equivalents	4,616	(33,906)
Net decrease in cash and cash equivalents	(704,724)	(2,849,909)
Cash and cash equivalents at beginning of the year	10,345,363	13,195,272
Cash and cash equivalents on December 31, 2024 and 2023	<u><u>\$ 9,640,639</u></u>	<u><u>10,345,363</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

MSIG Mingtai Insurance Co., Ltd. (the “Company”) was founded and incorporated on August 28, 1961 and started operation on September 22 in the same year. The Company’s head office is located in the Mingtai Building at No. 22, Sec. 2, Jen-Ai Rd., Taipei. Currently, the Company has 16 branch offices, 9 correspondence offices, 8 service centers and 6 offsite offices open to the public around Taiwan. The Company primarily engages in non-life insurance business.

On July 31, 2003, the Company became a subsidiary of First Financing Holding Company Ltd. through share acquisition. On September 2, 2005, Mitsui Sumitomo Insurance Company Ltd. (“MSI”) purchased 100% of the Company, and the Company became a wholly owned subsidiary of Mitsui Sumitomo Insurance Company Ltd.

The Company and Mitsui Sumitomo Insurance Company Ltd. Taipei Branch (“MSI Taipei Branch”) engaged in a merger, with January 1, 2009, as the merger effective date. The Company was the surviving company. In accordance with the consolidation contract, the Company issued \$33,593 thousand new shares of common stock to Mitsui Sumitomo Insurance Company, with a par value of \$10 (dollars) per share, amounting to \$335,930 thousand, and capital surplus amounted to \$169,907 thousand; MSI Taipei Branch dissolved and transferred all business and net assets amounting to \$505,837 thousand as the consideration.

(2) Approval date and procedures of the financial statements

The issuance of the Company’s financial statements had been authorized by the Board of Directors on March 13, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 17 “Insurance Contracts”	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows: ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.	January 1, 2023

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 17 “Insurance Contracts”	The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to: ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	January 1, 2023

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	The amendments set out: 1. The company generally derecognises its trade payable on the settlement date. However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the company to derecognise its trade payable before the settlement date, potentially, when it uses an electronic payment system that meets all of the following criteria: • no practical ability to withdraw, stop or cancel the payment instruction; • no practical ability to access the cash to be used for settlement as a result of the payment instruction; and • the settlement risk associated with the electronic payment system is insignificant. 2. An additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are: • not related directly to a change in basic lending risks or costs; and • are not measured at fair value through profit or loss.	January 1, 2026

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, and interpretations endorsed by the FSC. (hereinafter referred to as “the IFRS endorsed by the FSC”)

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- 1) Financial instruments at fair value through profit or loss are measured at fair value (derivative instruments included);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The deemed costs of some of the investment property at the revaluation date is the revaluation value from the previous ROC GAAP;
- 4) The deemed costs of some of the property and equipment at the revaluation date is the revaluation value from the previous ROC GAAP; and
- 5) Reinsurance contract assets and insurance liabilities are measured in compliance with the “Regulations Governing Various Reserves by Insurance Enterprises”.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which it operates. The Company’s financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(d) Classification of current and noncurrent assets and liabilities

The Company primarily engages in non-life insurance business, and due to the nature of the insurance industry, the operating cycle is determined by the coverage period of insurance contracts and the duration of insurance claim processing. However, the coverage period of insurance contracts and the duration of insurance claim processing often vary from case to case. As a result, the operating cycles cannot be clearly identified. Thus, instead of classifying its assets and liabilities as current and noncurrent items, the Company presents its assets and liabilities individually in the order of relative liquidity and discloses the total amount that the Company expects to be recovered and settled within twelve months subsequent to the reporting date.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits, and unrestricted time deposits that are readily convertible to known amounts of cash, and highly liquid investments that are subject to an insignificant risk of changes in value.

A time deposit shorter than a year is qualified as a cash equivalent when it is subject to an insignificant risk of changes in value and it is held for the purpose of short-term cash commitments rather than for investment or other purposes.

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument by instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial instruments, equity instruments and debt instruments. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

In order to reduce the impact on income statement as a result of an earlier implementation date of IFRS 9 as compared to IFRS 17 "Insurance Contracts", the Company has elected to adopt the "overlay approach" of IFRS 4, by presenting the subsequent movement in fair value of financial assets in OCI instead of the income statement. A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- it is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
- it is not held in respect of an activity that is unconnected with contracts within the scope of this IFRS 4 "Insurance Contracts".

The above conditions are applicable to financial assets adopting the "overlay approach" upon initial application of IFRS 9, or financial assets recognized on initial measurement, or insurance contracts that fulfill the above criteria.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, accounts receivables and other financial assets), and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is higher or equivalent to Ba2 Moody's rating for domestic bond or Baa1 Moody's rating for foreign bond.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

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

(i) Financial liabilities

1) Financial liabilities at fair value through profit or loss

Such liabilities include financial liabilities classified as held for trading and financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative instruments held by the Company, except for those designated as effective hedging instruments, are classified into this category.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

These types of financial liabilities are measured at fair value at the time of initial recognition, and the attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss. However, for those financial liabilities which the fair values are changed due to credit risk, such as loan commitments and financial guarantees contracts, the change shall be recognized in other comprehensive income in order to prevent accounting mismatch. A regular purchase or sale of financial liabilities shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise accounts payable, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or have expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(ii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Involvement with unconsolidated structured entities

The Company holds the financial assets of its structured entities, and will be considered as having controlling interests to its structured entities when it meets all the following conditions:

- 1) Having the authority over its structured entities through having existing rights over their related activities. Ex. through voting or other rights;
- 2) Exposed to or having the rights to variable returns of its structured entities from their involvement;
- 3) Having the ability to exercise authority over its structured entities to affect the amount of returns.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The Company has assessed but yet to have authority over its structured entities or to have the right to variable returns; therefore, the Company does not consolidate its structured entities.

(g) Reinsurance contract assets

The Company utilizes reinsurance agreements to reduce its exposure to large losses. Reinsurance ceded can potentially become a liability of the Company in the event that the reinsurance companies are unable to meet their obligations under the contracts.

The net claim rights of reinsurance contracts include ceded unearned premium reserve, ceded claim reserve, ceded premium deficiency reserve, claims recoverable from reinsurers, and due from (to) other reinsurers, net. The calculation of claims recoverable from reinsurers is identical with the policy claim liability. Reinsurance receivables shall not be offset with the corresponding payables and shall be presented in net amount on the financial statements, except when both parties have a legal enforceable right to set off the recognized amounts and intend to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company periodically assesses the net claim rights of reinsurance. If there is any objective evidence as a result of an event that occurred after the initial recognition of the reinsurance asset that the Company may not receive all amounts as agreed under the terms of the contract, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer, the Company shall recognize the impairment losses and record them under operating expenses to the extent of the difference between the amount recoverable from the reinsurer and the carrying value of the reinsurance reserve assets.

In addition, in determining the classification of a reinsurance contract, the Company considers whether a significant insurance risk should be transferred to the reinsurer. If there is no significant insurance risk that is being transferred, the contract shall be recognized and measured in accordance with deposit accounting, and the consideration received or paid for reinsurance contracts shall be treated as a financial liability or a financial asset, rather than as revenue or expenses.

If a reinsurance contract on the ceded date or reporting date is deemed unqualified ceded reinsurance under the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”, the Company utilizes “The Provision of Unqualified Reinsurance Reserve” to evaluate the effect of unqualified reinsurance in supervision reports, and the results are disclosed in its financial statements.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of that part are the same as those of another significant part of that same item.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The gain or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over the asset's useful life. Items of property and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

No depreciation is involved for land.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- 1) Buildings: 5~61 years
- 2) Miscellaneous equipment: 2~16 years
- 3) Leasehold improvement: 2~10 years
- 4) Computer equipment: 2~6 years
- 5) Transportation equipment: 6 years

Property and equipment constitute mainly buildings and their accessory equipment. They are depreciated based on their useful life of 5~61 years and 5~24 years, respectively.

Depreciation methods, useful lives, and residual values should be reviewed at least annually at the end of the fiscal year. If expectations are different from the previous estimates, the changes are accounted for as a change in accounting estimate.

(iv) Reclassifying as investment property

When the use of a property changes such that it is reclassified as investment property, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(j) Other assets classified as held for sale

Assets that are highly likely to be sold in the future rather than recovered from book value through continued use are classified as assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell.

(k) Lease

(i) Lease

1) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- c) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

2) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee; and
- d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- a) there is a change in future lease payments arising from the change in an index or rate; or

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- b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheet.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of its service locations and wall advertisements that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

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The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of operating income'.

(l) Intangible assets

Computer software acquired by the Company is initially measured at cost. Subsequently, the carrying amount should be equal to cost plus any revaluation required by law less any accumulated amortization or impairment. The amortizable value is equal to the cost minus residual value, and once the intangible asset is in an operational phase, it should be amortized over its useful life of 5~6 years using the straight-line method.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any changes should be viewed as a change in accounting estimate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Salvage and subrogation

Salvage acquired in the course of the claim process related to direct underwriting business, rights for insured assets, or the right of legal subrogation regarding claim costs shall be recognized if debt recovery is definite and the amount can be reasonably measured.

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(o) Classification of insurance contracts

A contract is classified as an insurance contract when the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Company deems a risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits in any scenario except a scenario that lacks commercial substance. A contract that qualifies as an insurance contract at inception shall be considered an insurance contract until all rights and obligations are extinguished or have expired. Contracts that do not transfer a significant insurance risk are classified as financial instruments, and if a significant insurance risk is subsequently transferred, the Company shall reclassify the contracts as insurance contracts.

(p) Insurance reserves

Reserves are provided in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves” and are also certified by a qualified actuary approved by the FSC, except for the reserve provided for one-year group insurance, which shall be based on the greater of the actual insurance premium received or the insurance premium calculated in accordance with Tai-Tsai-Pao No. 852367814, the provisions of reserves are listed below.

(i) Unearned premium reserve

The unearned premium reserve for a policy whose insurance term has not expired or for insurance risks that have not yet terminated is calculated based on the risk of premiums of policies in force for each type of insurance, and the provision method for different insurance types has been determined by actuaries. Among all the insurance underwritten, long-term residential fire insurance, long-term commercial fire insurance, financial institution small loan credit insurance, group accident insurance, travel agency performance guarantee insurance, and travel agency liability insurance shall be calculated based on the factors specified in the contracts or provisions in the related regulation.

The unearned premium reserve is taken back in the following year and shall be provided based on actual in-force business at the reporting date.

Unearned premium reserve for compulsory automobile liability insurance is calculated based on the pure premium in accordance with the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”.

Residential earthquake insurance is provided based on the assumed coinsurance pure premium in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

(ii) Claim reserves

Claim reserves are provided based on previous claim experience and expenses incurred for each type of insurance and are determined by actuarial methods. Claim reserves are provided for both Reported But Not Paid Claims and Incurred But Not Paid Claims. For Reported But Not Paid Claims, a reserve has been provided on a per-policy-claim-report basis for each type of insurance. A reserve for Incurred But Not Paid Claims is calculated and set aside using the

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loss development triangle method based on previous claim experience for each type of insurance. Claim reserves are taken back in the following year and shall be provided based on actual information at the reporting date.

Unreported claim reserve for compulsory insurance required residential earthquake insurance, and nuclear energy insurance, shall be set aside in accordance with associated regulations. Unreported claim reserve provided for compulsory automobile liability insurance shall be calculated using the loss triangle method based on the past claim experience and fee. Claim reserve for residential earthquake insurance is determined based on the data provided by the Taiwan Residential Earthquake Insurance Fund in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”. Lastly, claim reserve for nuclear energy insurance shall be determined based on the retained earned insurance premium and provided at the contributing rate stipulated by the competent authority.

(iii) Special reserve

Special reserve set aside for retained policies should be classified to the “special catastrophe reserve” and the “special risk-volatility reserve”. The provision of special reserves is as follows.

1) Special catastrophe reserve:

For each type of insurance, a special catastrophe reserve is calculated at a specific percentage of premiums by insurance type which is promulgated by the competent authority. Special catastrophe reserve can be reversed by the actual retained claim amount in excess of NT\$30 million. Once such reserve has been retained for 15 years, it can be released based on the evaluation by actuaries, and the release methodology should be reported to and filed with the competent authorities. Effective July 1, 2011, in accordance with the “Regulations Governing Non-Life Insurance Enterprises Engaging in Commercial Earthquake Insurance and Typhoon Flood Insurance for Setting Aside Various Reserves”, the reversal of special catastrophe reserve for commercial earthquake insurance and typhoon flood insurance retained over thirty years could be treated as income.

2) Special risk-volatility reserve:

For each type of insurance, when the balance of actual losses minus the amount reversed from that insurance type’s special catastrophe reserve is lower than expected losses, a special risk-volatility reserve shall be provided at 15 percent of the difference. Effective July 1, 2011, in accordance with the “Regulations Governing Non-Life Insurance Enterprises Engaging in Commercial Earthquake Insurance and Typhoon Flood Insurance for Setting Aside Various Reserves”, if the balance of actual losses from retained business minus the amount reversed from special catastrophe reserves for commercial earthquake insurance and typhoon flood insurance is lower than expected losses, special risk-volatility reserves shall be provided at 75 percent of the differences. Among which, the expected losses shall be calculated based on the expected loss ratios that are not lower than 60%.

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When the balance of actual losses minus the amount reversed from that insurance type's special catastrophe reserve is greater than expected losses, the amount in excess of expected losses may be reversed from the special risk-volatility reserve previously provided. If the special risk-volatility reserve for a particular type of insurance is insufficient to cover losses, the losses may be reversed from the special risk-volatility reserve previously provided for another type of insurance and shall be reported to the competent authority.

In addition, when cumulative provisions for the special risk-volatility reserve exceed 60 percent of the amount of the retained earned premiums for the current year, that portion in excess shall be reversed and treated as income. However, special reserve for accident insurance and health insurance with a coverage period less than one year shall be reversed in accordance with Article 20 of subtitle 3 of Title 1 of the "Guidelines for Insurance Enterprises Handling All Statutory Reserves". Effective July 1, 2011, in accordance with the "Regulations Governing Non-Life Insurance Enterprises Engaging in Commercial Earthquake Insurance and Typhoon Flood Insurance for Setting Aside Various Reserves", if the cumulative provisions for the special risk-volatility reserve set aside for commercial earthquake insurance exceed 18 times the amount of the retained earned premiums for the current year, and if the cumulative provisions for the special risk-volatility reserve set aside for typhoon flood insurance exceed 8 times the amount of the retained earned premiums for the current year, the portions in excess shall be reversed and treated as income.

Effective January 1, 2013, in according with Jin-Guan-Bao-Tsai No. 10102515061 "Directions for Enhancing Non-life Insurers' Reserves for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon Flood Insurance, "the Natural Disaster Insurance")", Jin-Guan-Bao-Chan No. 10102531691 "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", and Jin-Guan-Bao-Tsai No. 10102517091 "Directions for Handling All Statutory Reserves for Non-Life Insurance Enterprises Engaging in Nuclear Insurance" ("the Notes"), the Company should maintain special reserves under liability according to the previous ROC GAAP as of December 31, 2012, except for those provided for compulsory automobile liability insurance, nuclear insurance, and compulsory residential earthquake insurance, which shall be allocated to special catastrophe reserve and special risk-volatility reserve provided for commercial earthquake insurance and typhoon flood insurance to fulfill the "full load levels" and recognized as the liability.

The "full load levels" of the special catastrophe reserve and special risk-volatility reserve for the Natural Disaster Insurance are based on the higher of the retained earned premiums or the average of the retained earned premiums for five years from 2008 to 2012. The "full load level" of the special catastrophe reserve is determined by multiplying the basis by the provision ratio (seven percent) and thirty years; while the "full load level" of special risk – volatility reserve is determined by multiplying the basis by the following: 18 for commercial earthquake insurance and 8 for typhoon and flood insurance.

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The difference between the “full load levels” and special catastrophe reserve for Natural Disaster Insurance remaining under liabilities and equities as of December 31, 2012, shall be allocated to special reserve for Natural Disaster Insurance prior to other insurance. Special reserve for other insurance should prioritize the special catastrophe reserve for Natural Disaster Insurance, and the remaining amount, if any, shall be allocated to special risk-volatility reserve for Natural Disaster Insurance proportionally. The remaining amount, if any, after replenishing the special risk-volatility to “full load levels”, shall be recognized net of tax in special earnings reserve under equity according to IAS 12.

The special catastrophe reserve transferred to Natural Disaster Insurance under liability shall recover 1/30 of the liability balance as of January 1, 2013, every year, from special catastrophe reserve under liability, and recognized as income. The aforementioned recoverable amount should deduct the actual retained claim that reverses in excess of NT\$30 million first. If it results in the accumulated special catastrophe reserve being lower than the current amount before considering the reversal, the Company should complement the accumulated amount and then recover it. In addition, the Company shall review the above-mentioned reversal on an annual basis by the end of 2025, and if the above-mentioned reversal is greater than the reversal for the other insurance type that is legally permitted due to the provision time exceeding the accumulated time required prior to the implementation of the Notes, the difference (net of tax) shall be recognized as special earnings reserve under equity for the type of insurance reversed.

The transfer to special risk-volatility reserve for Natural Disaster Insurance shall be conducted in accordance with the “Regulations Governing Non-Life Insurance Enterprises Engaging in Commercial Earthquake Insurance and Typhoon Flood Insurance for Setting Aside Various Reserves.”

3) Compulsory automobile liability insurance:

In accordance with the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”, special reserves are set aside at the total sum of retained earned pure premium, reversed claim reserve, and interest on the balance of the special reserve in the previous year, after deducting the retained claim payment and provided claim reserve. If the total sum of retained earned pure premium, reversed claim reserve, and interest on the balance of the special reserve in the previous year is less than the total sum of the retained claim payment and provided claim reserve, the deficiency shall be offset by the reversal of special reserve accumulated in the previous years. If the previous accumulated special reserve is insufficient, then the balance shall be recorded as a memorandum entry and will be offset by the special reserves in subsequent years.

Except for the special reserve provided for compulsory automobile liability insurance, which is still recognized under liabilities, newly provided special reserves for other insurance types shall be recognized as special earnings reserve, net of income taxes determined in accordance with IAS 12, under equity at year-end. In addition, the reversal amount of special reserve based on the above-mentioned regulations, net of taxes determined in accordance with IAS 12, shall be offset with special catastrophe reserve or special risk-volatility reserve recognized under equity.

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In accordance with JinGuanBaoChan No. 11004107771, effective April 1, 2021, nonlife insurance enterprises shall contribute NT\$30 from the expense of premium the insured of compulsory automobile liability insurance they underwrite, per insurance contract as the reserve on a monthly basis. Afterwards, if annual pure premium incurs losses when nonlife insurance enterprises operate the compulsory automobile liability insurance business, the losses shall be offset with the special reserve of the insurance in priority; if the special reserve is not enough to offset the losses, the losses shall then be offset in accordance with Article 8 of “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.”

(iv) Liability reserve

Liability reserve is provided based on insurance contracts for the savings portion of non-life policies with coverage terms exceeding one year. Considering the market interest rate at present is lower than the rate specified in the insurance contracts, the interest rate used to calculate the provision for liability reserve is evaluated based on the current market interest rate and return on investment.

(v) Premium deficiency reserve

Premium deficiency reserve for a policy whose insurance term has not expired or for insurance risks that have not yet terminated is calculated based on the difference between claim reserves and expenses, and unearned premium reserve and the expected premium income in the future.

(vi) Liability adequacy reserve

The Company shall assess at each reporting date whether its insurance liabilities recognized are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the net carrying amount of its insurance liabilities less related intangible assets is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss as liability adequacy reserve.

Except for unearned premium reserve provided for long-term fire insurance, which shall be calculated using the 7.8% discount rate specified on the long-term fire insurance unearned premium reserve contributing factor table, reserves are not discounted.

(q) Revenue and expenses recognition, and measurement for insurance contracts

Premium income includes various insurance income generated from insurance contracts derived from insurance and reinsurance business. Premium income includes the entire insurance premium generated from direct underwritten and revised premiums issued within the accounting period, including premium received and temporarily held by solicitors and insurance agents. For automobile insurance business, personal injury insurance, travel insurance and health insurance, the Company should collect insurance fees, and sign and issue insurance policy or certification before the insurance agreement become effective. Income should be recognized once the underwriting process is done. Reinsurance premium assumed is recognized based on the billing schedule, and unbilled reinsurance premium assumed should be assessed and recognized based on a reasonable and systematic method at each reporting date. Corresponding expenses, including commissions, agency charges, and service fee charges, are recognized as incurred.

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The claims and benefits of insurance contracts derived from insurance and reinsurance business operated shall be recognized for the actual amount paid/incurred in accordance with the approved claim.

(r) Coinsurance alliances and coinsurance

The Company engages in “Compulsory Automobile Liability Insurance Coinsurance Contract” with other coinsurers that are authorized to underwrite compulsory automobile liability insurance. In the contract, the Company agrees that all the compulsory automobile liability insurance underwritten shall be included in the coinsurance pool established by the contract, which is subject to penalties upon violation, and that the Company can be inspected by the coinsurance alliance. The coinsurance business assumed shall be calculated based on the pure premium and assigned based on the coinsurance percentage agreed. A member firm cannot withdraw from the coinsurance alliance unless the firm is liquidated or terminated. Ceasing to underwrite compulsory automobile liability insurance indicates a withdrawal from the coinsurance alliance, and unearned premium liabilities the firm assumed shall remain with the firm to their maturity. In addition, the Company should set up separate accounts for the compulsory automobile liability insurance, and recognize and measure all the transactions in accordance with the “Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance”.

For the residual fire insurance business, the Company entered into a “Residual Basic Earthquake Insurance Coinsurance Contract” with other non-life insurers, and agrees that all residual earthquake risk assumed shall be reinsured by the Taiwan Residential Earthquake Insurance Fund in accordance with related regulations. Member insurers of this coinsurance alliance shall provide unearned premium reserves, claim reserves, and special reserves for the insured risk assumed in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance” and shall recognize and measure all the transactions in accordance with the “Accounting Principles for Residual Earthquake Insurance”.

In addition to the contracts mentioned above, the Company recognizes revenues and expenses in accordance with the assumed percentage specified in other coinsurance contracts and set aside various reserves in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves”.

(s) Employee benefits

(i) Defined benefit plan

The Company has established a defined benefit retirement plan covering all regular employees. The retirement benefits are based on the years of service and the average salary for the six-month period before the employee’s retirement. Each employee earns two months’ salary for each of the first fifteen years of service and one month’s salary for each service year thereafter. Payments of employee retirement benefits are borne by the Company under the defined benefit retirement plan. Under the plan, all the retirement benefits are paid by the Company. The Company announced “The beneficial retirement and resignation plan”, which has more benefits than the original.

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In accordance with the Labor Standards Act, the Company has contributed 2% to 15% of monthly salaries to a pension fund maintained with Bank of Taiwan on a monthly basis. The Company reviews the contribution rate with reference to the evaluation report annually. Based on the resolutions approved during the board meetings held on March 25, 2021, March 28, 2022, and March 8, 2023, the Company agreed to adjust its monthly contribution rate to the pension fund based on 3.17%, 2.60%, and 2% of its employees' salaries beginning in September 2021, August 2022, and July 2023, as approved by the Department of Labor, Taipei City Government on August 5, 2021, July 19, 2022, and July 3, 2023, respectively.

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of defined benefit plans, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Defined contribution plan

The Labor Pension Act of the R.O.C. ("the Act") became effective from July 1, 2005. In accordance with the Act, employees who elect to follow the Act and employees who are hired after the effective date of the Act adopt a defined contribution scheme, whereby the Company makes monthly contributions to the employees' individual pension accounts of no less than 6% of the employees' monthly wages. The Company contributes 6% of the employees' wages to the Bureau of Labor Insurance on a monthly basis. The amount contributed is recognized as expense in the current period.

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(iii) Short-term employee benefits

Short-term employee benefit obligations are benefits which the Company plans to pay in full within twelve months after the reporting date of the year that employee services are provided. The benefits are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Employee remuneration

Expenses and liabilities of the employee remuneration are recognized if the Company has a present legal or constructive obligation to pay this amount and the obligation can be estimated reliably. The differences between the actual amount allotted subsequently and the estimated amount will be accounted for as a change in accounting estimates.

(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(u) Earnings per share

The Company discloses its basic earnings per share attributable to its shareholder. The calculation of basic earnings per share is the profit attributable to the shareholder of the Company, divided by the weighted-average number of ordinary shares outstanding. Potential ordinary shares in the Company are remunerations to employees. When the potential ordinary shares are not dilutive, the Company will only disclose the basic earnings per share (EPS). Otherwise, the Company should disclose both basic EPS and dilutive EPS. Dilutive EPS is calculated when the effects of potential ordinary shares are adjusted to both the ordinary shareholders' profit and loss, and the weighted average number of ordinary shares outstanding.

(v) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components within the Company. The segment's operating results are reviewed regularly by the Company's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

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

The preparation of the financial statements is in conformity with the Regulations and the IFRSs endorsed by the FSC, which require management to make judgments and estimates about the future, including climate-related risks and opportunities that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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Information about accounting policies that involved significant judgments and would have effect on the amounts recognized in the financial statements were as follows:

(a) Fair value and impairment of financial instruments

(i) Fair value

The Company holds certain financial instruments without active markets, including financial instruments lacking active market quotes and financial instruments that turned out to be inactive due to market conditions (e.g. low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgment.

If the market for an investment held by the Company is not active, the fair value of the instrument is determined using valuation techniques. The Company uses quotes from independent third parties (such as brokers or valuation service providers) or prices derived from internally developed models to determine the fair value of those financial instruments. When the fair value may be publicly obtained from independent sources, it shall be adopted. Overall, the Company would decide a source or a valuation technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm's-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). The fair value also reflects the credit risk (the risk of its own and counterparties). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to note 6(y) "Fair value hierarchy" for the estimated fair value of the above financial instruments.

(ii) Impairment

Financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are estimated for loss allowance at an amount equal to the 12-month expected credit losses since initial recognition, despite the existence of evidence of objective impairment. Should credit risk on a financial instrument increase significantly, or there exists evidence of objective impairment, then the loss allowance should be adjusted, and recognized in profit or loss.

(b) Insurance liabilities and ceded reinsurance contract assets

The Company measures insurance liabilities and ceded reinsurance contract assets based on the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves."

Unearned premium reserve should be provided based on the unexpired risk. The methods adopted to provide the reserve shall be determined by an actuary in accordance with the characteristics of the types of insurance.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

A claim reserve is estimated based on the loss development triangle method. The major assumptions are loss development factors and expected claim rates; this results in an estimate of ultimate claim costs. The loss development factors and expected loss rates are based on the Company's historical claim experience, and also take expense rates, claims management, and other policy adjustments into consideration.

A liability adequacy test is performed based on the Actuarial Practice Guidance of IFRS 4 Contracts Classification and Liability Adequacy Test issued by the Actuarial Institute of the Republic of China.

The professional judgment applied to the abovementioned liability evaluation process will affect the movement in the insurance reserve and in insurance contracts with a financial instrument feature, and the amount recognized for insurance liabilities and for insurance contracts with a financial instrument feature.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash and cash in bank		
Cash on hand	\$ 524	564
Demand deposits	2,978,454	4,000,413
Time deposits	<u>3,943,902</u>	<u>3,492,850</u>
	<u>6,922,880</u>	<u>7,493,827</u>
Cash equivalents		
Negotiable certificates of deposit	423,000	-
Commercial paper	<u>2,294,759</u>	<u>2,851,536</u>
	<u>2,717,759</u>	<u>2,851,536</u>
	<u>\$ 9,640,639</u>	<u>10,345,363</u>

Time deposits that mature within one year are classified as cash and cash equivalents if they are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in fair value.

Please refer to note 6(z) for the disclosure for interest rate risk and the sensitivity analysis for financial assets and liabilities.

In accordance with the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance", the Company deposits funds as demand deposits or time deposits in financial institutions or invests in securities; please refer to note 12(h).

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(b) Accounts receivable

(i) Details of accounts receivable are as follows:

	December 31, 2024	December 31, 2023
Notes receivable, net	\$ 261,670	317,514
Premium receivable, net	1,911,029	1,526,882
Interest receivable	79,393	57,959
Others	<u>68,760</u>	<u>244,421</u>
	<u>\$ 2,320,852</u>	<u>2,146,776</u>

(ii) Notes receivable, net

	December 31, 2024	December 31, 2023
Notes receivable	\$ 264,313	320,721
Less: Loss allowance	<u>(2,643)</u>	<u>(3,207)</u>
	<u>\$ 261,670</u>	<u>317,514</u>

(iii) Premium receivable, net

	December 31, 2024	December 31, 2023
Fire insurance	\$ 1,034,274	721,393
Marine insurance	311,344	254,743
Liability insurance	565,109	532,521
Health insurance	84	148
Compulsory automobile liability insurance	<u>20,481</u>	<u>18,261</u>
	1,931,292	1,527,066
Overdue receivables	35,116	40,702
Less: Loss allowance	<u>(55,379)</u>	<u>(40,886)</u>
Total	<u>\$ 1,911,029</u>	<u>1,526,882</u>

As of December 31, 2024 and 2023, the overdue premium receivables that were recognized under loss allowance were \$21,530 thousand and \$21,231 thousand, respectively.

(iv) Other receivable, net

	December 31, 2024	December 31, 2023
Other receivables	\$ 68,777	244,438
Overdue receivables	2,801	7,034
Less: Loss allowance	<u>(2,818)</u>	<u>(7,051)</u>
	<u>\$ 68,760</u>	<u>244,421</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(v) The Company's aging schedule of accounts receivable was as follow:

	December 31, 2024	December 31, 2023
90 days or less	\$ 2,288,624	2,058,711
91~365 days	62,897	126,560
More than 366 days	30,171	12,649

(c) Financial instruments

As of December 31, 2024 and 2023, the financial instruments held by the Company are summarized as follows:

Item	December 31, 2024	December 31, 2023
Financial assets mandatorily measured at fair value through profit or loss:		
Listed (over the counter) stocks	\$ 2,233,422	1,950,339
Preferred stocks	710,559	685,902
Real estate investment trusts	106,610	38,556
Beneficiary certificates	1,385,174	830,752
Exchange traded fund-equity ETF and bond ETF	819,202	504,144
Corporate bonds	217,278	218,198
Financial institution bonds	145,372	144,738
Foreign exchange swap	-	54,371
Total	<u>5,617,617</u>	<u>4,427,000</u>
	\$ 5,617,617	4,427,000
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange swap	<u>\$ 34,813</u>	<u>-</u>
Financial assets at fair value through other comprehensive income:		
Debt instruments at fair value through other comprehensive income:		
Government bonds	\$ 1,358,705	1,183,557
Corporate bonds	4,558,224	3,482,661
Financial institution bonds	<u>1,252,547</u>	<u>934,884</u>
	7,169,476	5,601,102
Less: Refundable deposits	<u>(459,632)</u>	<u>(390,528)</u>
	\$ 6,709,844	5,210,574
Other assets – refundable deposit – government bonds	<u>\$ 459,632</u>	<u>390,528</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- (i) As of December 31, 2024 and 2023, the government bonds placed as refundable deposits were as follows:

	December 31, 2024	December 31, 2023
Legal deposits	\$ -	8,826
Statutory deposits	459,632	381,702
	<u>\$ 459,632</u>	<u>390,528</u>

In accordance with the Insurance Law, the Company should deposit the operating guarantee deposits in an amount equal to fifteen percent of paid-in capital in the National Treasury Agency. As of December 31, 2024 and 2023, the Company has placed government bonds with par value amounting to \$461,600 thousand and \$380,800 thousand as operating guarantee deposits, respectively.

- (ii) In accordance with the Regulations for the Management of the Various Reserves for compulsory Automobile Liability Insurance, the Company has set up an insurance reserve for this insurance liability via subscription of government bonds, subsequent to obtaining approval from governing agencies. Please refer to note 12(h).
- (iii) Equity instrument measured at FVOCI

- The Company identified the equity instruments were held within a business model whose main objective was to hold the securities for the long term, and recognized these instruments as financial assets measured at FVOCI since 2021.
- The Company designated equity instruments as FVOCI and recognized the dividends for the years ended December 31, 2024 and 2023. The dividends distributed from the shares, which were recognized as disposal in the current period, and those were classified as holding as of the reporting date were as follows:

	2024	2023
Holding at the reporting date	\$ -	-
Disposals in the current period	-	11,608
	<u>\$ -</u>	<u>11,608</u>

- The Company sold its shares, measured at FVOCI, for the purpose of recognizing its dividends and disposing its financial assets as follows:

	2024	2023
Fair value when disposal	\$ -	343,899
Accumulated gains (losses) on disposal	\$ -	50,691

The above-mentioned accumulated gain (loss) on disposal had been transferred from other equity to retained earnings.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(iv) Financial assets measured at FVOCI

- 1) The Company identifies that debt instruments are held within a business model whose main objective is achieved by collecting contractual cash flows and by selling securities, and recognized these instruments as financial assets measured at FVOCI on January 1, 2018.
- 2) The accumulated loss allowance for the years ended December 31, 2024 and 2023, derived from financial assets measured at FVOCI, are as follows:

	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss – credit loss	Sum
Balance as of January 1, 2024	\$ 383	-	-	383
Net remeasurement of loss allowance	(92)	-	-	(92)
Additions in the current period	312	-	-	312
Disposals in the current period	(287)	-	-	(287)
Foreign exchange and other differences	58	-	-	58
Balance as of December 31, 2024	<u>\$ 374</u>	<u>-</u>	<u>-</u>	<u>374</u>
Balance as of January 1, 2023	\$ 504	-	-	504
Net remeasurement of loss allowance	(198)	-	-	(198)
Additions in the current period	179	-	-	179
Disposals in the current period	(182)	-	-	(182)
Foreign exchange and other differences	80	-	-	80
Balance as of December 31, 2023	<u>\$ 383</u>	<u>-</u>	<u>-</u>	<u>383</u>

As the book value of the financial assets measured at FVOCI is presented at fair value, the loss allowance described above has not been presented in the balance sheet.

- (v) The Company has applied IFRS 9 together with IFRS 4 “Insurance Contracts” in 2018 using the “overlay approach” to recognize the gains and losses. The financial assets eligible for the overlay approach in connection with the insurance contracts issued by the Company are presented below:

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	December 31, 2024	December 31, 2023
Financial assets measured at FVTPL:		
Listed (over-the-counter) stocks	\$ 2,233,422	1,950,339
Corporate bonds	217,278	218,198
Financial institution bonds	145,372	144,738
Preferred stocks	710,559	685,902
Real estate investment trusts	106,610	38,556
Beneficiary certificates	1,385,174	830,752
Exchange traded fund-equity ETF and bond ETF	819,202	504,144
Total	\$ 5,617,617	4,372,629

For the years ended December 31, 2024 and 2023, the reclassification of profit or loss and other comprehensive income as a result of designating financial assets with the overlay method are as follows:

	2024	2023
Gains / (losses) allowance using IFRS 9	\$ 963,177	1,062,762
Less: Gains / (losses) if IAS 39 were adopted	769,202	542,261
Gains / (losses) adjustment on adopting the overlay approach	\$ 193,975	520,501

As a result of the overlay approach, financial assets measured at FVTPL for the years ended December 31, 2024 and 2023 resulted in a decrease from gain of \$714,162 thousand to gain of \$520,187 thousand and decrease from gain of \$996,395 thousand to gain of \$475,894 thousand.

(d) Derivative financial instruments

The derivative financial instruments held by the Company were as follows:

Item	December 31, 2024		December 31, 2023	
	Book Value	Notional Principal	Book Value	Notional Principal
Financial assets at fair value through profit or loss:				
Foreign exchange swap - USD	\$ -	USD -	54,371	USD63,090

Financial liabilities at fair value through profit or loss:

Foreign exchange swap - USD	\$ 34,813	USD74,330	-	USD -
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Foreign exchange swap contracts held by the Company are to hedge against the risks from changes in foreign exchange rates that affect the value of foreign investments. As hedge accounting was not adopted, these derivatives are treated as financial assets (liabilities) mandatorily measured at fair value through profit or loss. For the years ended December 31, 2024 and 2023, the Company recognized a loss of \$89,184 thousand and a gain of \$38,413 thousand, respectively, as a result of the changes in fair value of financial assets (liabilities) through profit or loss.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(e) Other assets classified as held for sale

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
Balance as of January 1, 2024	\$ 34,820	199,560	234,380
Transferred from property and equipment	12,722	17,167	29,889
Disposals	<u>(47,542)</u>	<u>(216,727)</u>	<u>(264,269)</u>
Balance as of December 31, 2024	\$ <u>-</u>	<u>-</u>	<u>-</u>
Balance as of January 1, 2023	\$ -	-	-
Transferred from property and equipment	26,608	177,667	204,275
Transferred from investment property	10,610	31,344	41,954
Disposal	<u>(2,398)</u>	<u>(9,451)</u>	<u>(11,849)</u>
Balance as of December 31, 2023	\$ <u>34,820</u>	<u>199,560</u>	<u>234,380</u>
Accumulated depreciation and asset impairment loss			
Balance as of January 1, 2024	\$ -	121,342	121,342
Transferred from property and equipment	-	12,431	12,431
Disposals	<u>-</u>	<u>(133,773)</u>	<u>(133,773)</u>
Balance as of December 31, 2024	\$ <u>-</u>	<u>-</u>	<u>-</u>
Balance as of January 1, 2023	\$ -	-	-
Transferred from property and equipment	-	102,634	102,634
Transferred from investment property	-	25,066	25,066
Disposal	<u>-</u>	<u>(6,358)</u>	<u>(6,358)</u>
Balance as of December 31, 2023	\$ <u>-</u>	<u>121,342</u>	<u>121,342</u>
Carrying amounts			
Balance as of December 31, 2024	\$ <u>-</u>	<u>-</u>	<u>-</u>
Balance as of January 1, 2023	\$ -	-	-
Balance as of December 31, 2023	\$ <u>34,820</u>	<u>78,218</u>	<u>113,038</u>

In March 2024, the Board of Directors approved the sale of the Company's property and equipment located at 3rd floor, No.92, Baozhong Road, Xindian District, New Taipei City. The real estate sale and purchase contract was signed in March, 2024, and it is expected to complete the sale transaction within one year. Therefore, the carrying amount of the property and equipment amounting to \$14,828 thousand, has been classified as assets held for sale. The non recurring fair value of the assets held for sale amounted to \$48,000 thousand (without deducting the costs to sell), which was evaluated based on the observable inputs. This valuation was based on the sales price of the contract of sale and purchase of real estate signed by the buyer and the seller in March 2024. The fair value of the assets held for sale fell into level 2 of fair value hierarchy. In April 2024, the transaction mentioned above has been completed, including ownership transfer and receipt of full payment. The Company recognized a gain on disposal of assets amounting to \$32,163 thousand (deducting the disposal cost of \$1,009 thousand).

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

In September 2024, the Board of Directors approved the sale of the Company's property and equipment located at No.93, Chengqing Road, Fengshan District, Kaohsiung City. The real estate sale and purchase contract was signed in October, 2024, and it is expected to complete the sale transaction within one year. Therefore, the carrying amount of the property and equipment amounting to \$2,630 thousand, has been classified as assets held for sale. The non recurring fair value of the assets held for sale amounted to \$12,000 thousand (without deducting the costs to sell), which was evaluated based on the observable inputs. This valuation was based on the sales price of the contract of sale and purchase of real estate signed by the buyer and the seller in October 2024. The fair value of the assets held for sale fell into level 2 of fair value hierarchy. In December 2024, the transaction mentioned above has been completed, including ownership transfer and receipt of full payment. The Company recognized a gain on disposal of assets amounting to \$9,078 thousand (deducting the disposal cost of \$292 thousand).

In September 2023, the Board of Directors approved the sale of the Company's property and equipment located at 4th floor, No.173, and lower floor, No.175, Siyuan Road, Xinzhuang District, New Taipei City, and 1st floor to 12th Floor, No.222, Minquan Rd, North Dist, Taichung City. The real estate sale and purchase contract was signed in October and December 2023, respectively, and it is expected to complete the sale transaction within one year. Therefore, the carrying amount of the investment properties and the property and equipment amounting to \$16,888 thousand and \$96,150 thousand, has been classified as assets held for sale. The non recurring fair value of the assets held for sale amounted to \$263,680 thousand (without deducting the costs to sell), which was evaluated based on the observable inputs. This valuation was based on the sales price of the contract of sale and purchase of real estate signed by the buyer and the seller in October and December 2023. The fair value of the assets held for sale fell into level 2 of fair value hierarchy. In January 2024, the transactions mentioned above have been completed, including ownership transfer and receipt of full payment. The Company recognized a gain on disposal of assets amounting to \$40,671 thousand and \$104,205 thousand (deducting the disposal cost of \$5,766 thousand), which are recorded under income from investment properties and non-operating income, respectively .

In March 2023, the Board of Directors approved the sale of the Company's property and equipment located at No.18, Zhongzheng N. Road, Sanchong District, New Taipei City. The real estate sale and purchase contract was signed in August, 2023, and it is expected to complete the sale transaction within one year. Therefore, the carrying amount of the property and equipment amounting to \$5,491 thousand, has been classified as assets held for sale. The non recurring fair value of the assets held for sale amounted to \$44,100 thousand (without deducting the costs to sell), which was evaluated based on the observable inputs. This valuation was based on the sales price of the contract of sale and purchase of real estate signed by the buyer and the seller in August 2023. The fair value of the assets held for sale fell into level 2 of fair value hierarchy. In early September 2023, the transaction mentioned above has been completed, including ownership transfer and receipt of full payment. The Company recognized a gain on disposal of assets amounting to \$38,569 thousand (deducting the disposal cost of \$40 thousand).

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(f) Investment property

- (i) The cost, depreciation, and asset impairment loss of the investment property of the Company for the years ended December 31, 2024 and 2023 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Construction work-in- process</u>	<u>Total</u>
Cost and deemed cost				
Balance at December 31, 2024 (Beginning balance)	\$ <u>214,745</u>	<u>7,900</u>	<u>-</u>	<u>222,645</u>
Balance at January 1, 2023	\$ 225,355	39,244	5,568	270,167
Transfer to assets held for sale	(10,610)	(31,344)	-	(41,954)
Recovered back Investment payment	-	-	(5,568)	(5,568)
Balance at December 31, 2023	\$ <u>214,745</u>	<u>7,900</u>	<u>-</u>	<u>222,645</u>
Accumulated depreciation and asset impairment loss				
Balance at January 1, 2024	\$ -	5,243	-	5,243
Depreciation	-	132	-	132
Balance at December 31, 2024	\$ <u>-</u>	<u>5,375</u>	<u>-</u>	<u>5,375</u>
Balance at January 1, 2023	\$ -	29,625	-	29,625
Depreciation	-	684	-	684
Transfer to assets held for sale	-	(25,066)	-	(25,066)
Balance at December 31, 2023	\$ <u>-</u>	<u>5,243</u>	<u>-</u>	<u>5,243</u>
Carrying amounts				
Balance at December 31, 2024	\$ <u>214,745</u>	<u>2,525</u>	<u>-</u>	<u>217,270</u>
Balance at January 1, 2023	\$ <u>225,355</u>	<u>9,619</u>	<u>5,568</u>	<u>240,542</u>
Balance at December 31, 2023	\$ <u>214,745</u>	<u>2,657</u>	<u>-</u>	<u>217,402</u>
Fair Value				
Balance at December 31, 2024				\$ <u>1,145,692</u>
Balance at December 31, 2023				\$ <u>892,491</u>

- (ii) The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The value of investment properties takes into consideration the appraisal value based on a market comparison approach, an income approach, a cost approach, and a land development analysis approach of cost approach. The major assumptions were as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Capital yield	1.70%	0.70%~4.36%
Profit rate	21.00%	-
Overall capital interest rate	6.85%	-

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(iii) As of December 31, 2024 and 2023, all investment property held by the Company were not pledged or secured.

(g) Reinsurance contract assets

The Company's net balances of reinsurance contract assets were as follows:

	December 31, 2024	December 31, 2023
Claims recoverable from reinsurers	\$ 551,509	479,557
Due from other insurers	838,137	276,812
Less: Loss allowance	(1,215)	(686)
Ceded unearned premium reserve	5,688,146	4,760,561
Ceded claims reserve	<u>6,010,650</u>	<u>2,421,507</u>
Total	<u>\$ 13,087,227</u>	<u>7,937,751</u>

(i) Claims recoverable from reinsurers

	December 31, 2024	December 31, 2023
Fire insurance	\$ 37,473	189,418
Marine insurance	6,878	6,195
Liability insurance	132,994	104,543
Surety insurance	(27)	(22)
Other property insurance	291,413	100,164
Personal accident insurance	127	1,860
Health insurance	15	39
Compulsory automobile liability insurance	<u>82,636</u>	<u>77,360</u>
	<u>\$ 551,509</u>	<u>479,557</u>

(ii) Due from other insurers, net

	December 31, 2024	December 31, 2023
Due from other insurers	\$ 747,758	192,354
Estimated reinsurance premium ceded and commissions on reinsurance ceded	89,164	83,772
Overdue receivables	<u>1,215</u>	<u>686</u>
Total	838,137	276,812
Less: Loss allowance	<u>(1,215)</u>	<u>(686)</u>
Net	<u>\$ 836,922</u>	<u>276,126</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(h) Property and equipment

- (i) The cost, depreciation, and asset impairment loss of the property and equipment of the Company for the years ended December 31, 2024 and 2023, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Miscellaneous equipment</u>	<u>Leasehold improvement</u>	<u>Prepayment for equipment</u>	<u>Total</u>
Cost and deemed cost:						
Balance at January 1, 2024	\$ 262,213	316,485	510,184	182,468	6,015	1,277,365
Additions	-	371	20,968	6,462	24,310	52,111
Transferred from prepayment for equipment	-	-	-	29,545	(29,545)	-
Transfer to assets held for sale	(12,722)	(17,167)	-	-	-	(29,889)
Disposals	-	-	(8,183)	-	-	(8,183)
Scrap	-	-	(3,954)	(1,037)	-	(4,991)
Balance at December 31, 2024	<u>\$ 249,491</u>	<u>299,689</u>	<u>519,015</u>	<u>217,438</u>	<u>780</u>	<u>1,286,413</u>
Balance at January 1, 2023	\$ 288,821	493,222	483,101	87,329	20,002	1,372,475
Additions	-	930	23,091	15,034	98,839	137,894
Transferred from prepayment for equipment	-	-	4,382	84,754	(89,136)	-
Transfer to assets held for sale	(26,608)	(177,667)	-	-	-	(204,275)
Transfer to intangible assets	-	-	-	-	(23,690)	(23,690)
Disposals	-	-	(378)	-	-	(378)
Scrap	-	-	(12)	(4,649)	-	(4,661)
Balance at December 31, 2023	<u>\$ 262,213</u>	<u>316,485</u>	<u>510,184</u>	<u>182,468</u>	<u>6,015</u>	<u>1,277,365</u>
Accumulated depreciation and asset impairment loss:						
Balance at January 1, 2024	\$ -	182,439	448,776	73,093	-	704,308
Depreciation	-	8,507	23,068	26,422	-	57,997
Transfer to assets held for sale	-	(12,431)	-	-	-	(12,431)
Disposals	-	-	(7,463)	-	-	(7,463)
Scrap	-	-	(3,941)	(1,037)	-	(4,978)
Balance at December 31, 2024	<u>\$ -</u>	<u>178,515</u>	<u>460,440</u>	<u>98,478</u>	<u>-</u>	<u>737,433</u>
Balance at January 1, 2023	\$ -	270,163	425,009	65,717	-	760,889
Depreciation	-	14,910	24,125	12,025	-	51,060
Transfer to assets held for sale	-	(102,634)	-	-	-	(102,634)
Disposals	-	-	(346)	-	-	(346)
Scrap	-	-	(12)	(4,649)	-	(4,661)
Balance at December 31, 2023	<u>\$ -</u>	<u>182,439</u>	<u>448,776</u>	<u>73,093</u>	<u>-</u>	<u>704,308</u>
Carrying amounts						
Balance at December 31, 2024	<u>\$ 249,491</u>	<u>121,174</u>	<u>58,575</u>	<u>118,960</u>	<u>780</u>	<u>548,980</u>
Balance at January 1, 2023	<u>\$ 288,821</u>	<u>223,059</u>	<u>58,092</u>	<u>21,612</u>	<u>20,002</u>	<u>611,586</u>
Balance at December 31, 2023	<u>\$ 262,213</u>	<u>134,046</u>	<u>61,408</u>	<u>109,375</u>	<u>6,015</u>	<u>573,057</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) As of December 31, 2024 and 2023, all of the properties and equipment held by the Company were not pledged or secured.

(i) Right-of-use assets

The Company leases many assets including buildings and transportation equipment. Information about leases for which the Company as a lessee is presented below:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 720,180	3,416	723,596
Additions	133,910	6,461	140,371
Disposals	<u>(7,167)</u>	<u>(929)</u>	<u>(8,096)</u>
Balance at December 31, 2024	<u>\$ 846,923</u>	<u>8,948</u>	<u>855,871</u>
Balance at January 1, 2023	\$ 474,477	2,500	476,977
Additions	276,591	2,488	279,079
Disposals	<u>(30,888)</u>	<u>(1,572)</u>	<u>(32,460)</u>
Balance at December 31, 2023	<u>\$ 720,180</u>	<u>3,416</u>	<u>723,596</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 111,580	855	112,435
Depreciation	112,322	2,784	115,106
Disposals	<u>(7,167)</u>	<u>(929)</u>	<u>(8,096)</u>
Balance at December 31, 2024	<u>\$ 216,735</u>	<u>2,710</u>	<u>219,445</u>
Balance at January 1, 2023	\$ 55,011	1,496	56,507
Depreciation	86,680	931	87,611
Disposals	<u>(30,111)</u>	<u>(1,572)</u>	<u>(31,683)</u>
Balance at December 31, 2023	<u>\$ 111,580</u>	<u>855</u>	<u>112,435</u>
Carrying amount:			
Balance at December 31, 2024	<u>\$ 630,188</u>	<u>6,238</u>	<u>636,426</u>
Balance at January 1, 2023	<u>\$ 419,466</u>	<u>1,004</u>	<u>420,470</u>
Balance at December 31, 2023	<u>\$ 608,600</u>	<u>2,561</u>	<u>611,161</u>

Leases liabilities and leases related to the right-of-use assets, please refer to note 6(o) and (u).

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(j) Intangible assets

The cost, amortization, and asset impairment loss of the intangible assets of the Company for the years ended December 31, 2024 and 2023 were as follows:

	Computer software
Cost	
Balance at January 1, 2024	\$ 1,171,706
Additions	<u>58,943</u>
Balance at December 31, 2024	<u>\$ 1,230,649</u>
Balance at January 1, 2023	\$ 1,134,643
Additions	13,373
Transferred from other prepayment	<u>23,690</u>
Balance at December 31, 2023	<u>\$ 1,171,706</u>
Accumulated amortization and asset impairment loss	
Balance at January 1, 2024	\$ 1,079,539
Amortization	<u>40,149</u>
Balance at December 31, 2024	<u>\$ 1,119,688</u>
Balance at January 1, 2023	\$ 1,027,148
Amortization	<u>52,391</u>
Balance at December 31, 2023	<u>\$ 1,079,539</u>
Carrying amounts	
Balance at December 31, 2024	<u>\$ 110,961</u>
Balance at January 1, 2023	<u>\$ 107,495</u>
Balance at December 31, 2023	<u>\$ 92,167</u>

(k) Other assets

As of December 31, 2024 and 2023, other assets of the Company were as follows:

	December 31, 2024	December 31, 2023
Prepayments	\$ 61,202	65,509
Refundable deposits	690,451	626,184
Others	<u>34,361</u>	<u>37,660</u>
Total	<u>\$ 786,014</u>	<u>729,353</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The details of refundable deposits are as follows:

	December 31, 2024	December 31, 2023
Operating guarantee deposits	\$ 459,632	381,702
Deposits on golf club membership	182,500	182,500
Other deposits	<u>48,319</u>	<u>61,982</u>
Total	<u>\$ 690,451</u>	<u>626,184</u>

As of December 31, 2024 and 2023, the Company recognized accumulated impairment of other assets amounting to \$54,280 thousand.

(l) Other overdue receivables

	December 31, 2024	December 31, 2023
Overdue Receivables – Others	\$ 39,131	48,422
Less: Loss allowance	<u>(25,546)</u>	<u>(28,951)</u>
	<u>\$ 13,585</u>	<u>19,471</u>

Other overdue receivables are shifted from overdue premium receivables and other receivables within three months after they exceeded the repayment day, and due from other insurers within nine months after exceeding repayment day. The overdue receivables mentioned above are listed in receivables and reinsurance contract assets.

(m) Loss allowance

The provision and reversal of loss allowance were as follows:

	2024		
	Default risk of receivables	Default risk of other delinquent receivables	Total
Beginning balance	\$ 22,879	28,951	51,830
Provisions (Reversals) for loss	13,630	(636)	12,994
Write-off	<u>-</u>	<u>(2,769)</u>	<u>(2,769)</u>
Ending balance	<u>\$ 36,509</u>	<u>25,546</u>	<u>62,055</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	2023		
	Default risk of	Default risk of other	
	receivables	delinquent	Total
	receivables	receivables	
Beginning balance	\$ 11,415	21,539	32,954
Provisions for loss	11,464	10,238	21,702
Write-off	-	(2,826)	(2,826)
Ending balance	<u><u>\$ 22,879</u></u>	<u><u>28,951</u></u>	<u><u>51,830</u></u>

(n) Accounts payable

As of December 31, 2024 and 2023, the accounts payable of the Company were as follows:

	December 31, 2024	December 31, 2023
Claims payable	\$ 75,354	75,778
Commission payable	376,479	357,619
Due to other insurers	2,948,342	1,814,175
Accrued expense	517,107	784,817
Other payables	<u>68,864</u>	<u>93,471</u>
Total	<u><u>\$ 3,986,146</u></u>	<u><u>3,125,860</u></u>

(i) Claims payable

	December 31, 2024	December 31, 2023
Fire insurance	\$ 1,577	25
Marine insurance	342	237
Liability insurance	28,367	30,053
Surety insurance	11	10
Other property insurance	2	2
Personal accident insurance	6,181	2,021
Health insurance	213	383
Compulsory automobile liability insurance	<u>38,661</u>	<u>43,047</u>
Total	<u><u>\$ 75,354</u></u>	<u><u>75,778</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) Commission payable

	December 31, 2024	December 31, 2023
Fire insurance	\$ 40,591	42,151
Marine insurance	27,795	32,957
Liability insurance	282,993	259,339
Health insurance	9,687	9,120
Compulsory automobile liability insurance	15,413	14,052
Total	<u><u>\$ 376,479</u></u>	<u><u>357,619</u></u>

(iii) Due to other insurers

	December 31, 2024	December 31, 2023
Due to other insurers	\$ 1,668,734	649,284
Estimated reinsurance premium ceded and commissions on reinsurance ceded	1,279,608	1,164,891
Total	<u><u>\$ 2,948,342</u></u>	<u><u>1,814,175</u></u>

(o) Lease liabilities

The lease liabilities of the Company were as follows:

	December 31, 2024	December 31, 2023
Current	<u><u>\$ 114,695</u></u>	<u><u>95,705</u></u>
Non-current	<u><u>\$ 552,868</u></u>	<u><u>538,092</u></u>

For the maturity analysis, please refer to note 6(z).

(p) Insurance reserves

	December 31, 2024	December 31, 2023
Unearned premium reserve	\$ 12,012,125	10,665,415
Claims reserve	10,674,652	5,665,208
Special reserve	3,332,794	3,257,552
Premium deficiency reserve	431	6,732
	<u><u>\$ 26,020,002</u></u>	<u><u>19,594,907</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(i) Unearned premium reserve and unearned premium reserve (ceded)

- 1) As of December 31, 2024 and 2023, the details of unearned premium reserve and unearned premium reserve (ceded) were as follows:

December 31, 2024				
	Unearned premium reserve		Unearned premium reserve (ceded)	
	Direct	Reinsurance assumed	Reinsurance ceded	Retained
Fire insurance	\$ 2,407,252	84,676	1,856,169	635,759
Marine insurance	285,712	2,211	139,803	148,120
Liability insurance	6,204,777	66,436	1,527,305	4,743,908
Surety insurance	6,360	479	904	5,935
Other property insurance	1,971,231	901	1,872,321	99,811
Personal accident insurance	316,050	2,695	16,708	302,037
Health insurance	18,388	-	20	18,368
Compulsory automobile liability insurance	458,193	186,764	274,916	370,041
Total	<u>\$ 11,667,963</u>	<u>344,162</u>	<u>5,688,146</u>	<u>6,323,979</u>
December 31, 2023				
	Unearned premium reserve		Unearned premium reserve (ceded)	
	Direct	Reinsurance assumed	Reinsurance ceded	Retained
Fire insurance	\$ 2,057,357	92,792	1,514,190	635,959
Marine insurance	274,092	2,677	122,346	154,423
Liability insurance	5,565,534	50,868	1,261,734	4,354,668
Surety insurance	6,254	514	840	5,928
Other property insurance	1,656,621	840	1,581,941	75,520
Personal accident insurance	309,227	2,723	15,727	296,223
Health insurance	26,815	-	650	26,165
Compulsory automobile liability insurance	438,550	180,551	263,133	355,968
Total	<u>\$ 10,334,450</u>	<u>330,965</u>	<u>4,760,561</u>	<u>5,904,854</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- 2) The reconciliations of changes in unearned premium reserve and unearned premium reserve (ceded) previously described were as follows:

	2024		2023	
	Unearned premium reserve	Unearned premium reserve (ceded)	Unearned premium reserve	Unearned premium reserve (ceded)
Beginning balance	\$ 10,665,415	4,760,561	8,844,004	3,380,094
Provided	12,012,125	5,688,146	10,665,415	4,760,561
Reversed	<u>(10,665,415)</u>	<u>(4,760,561)</u>	<u>(8,844,004)</u>	<u>(3,380,094)</u>
Ending balance	<u>\$ 12,012,125</u>	<u>5,688,146</u>	<u>10,665,415</u>	<u>4,760,561</u>

(ii) Claims reserve and claims reserve (ceded)

- 1) As of December 31, 2024 and 2023, the details of claims reserve and claims reserve (ceded) of the Company were as follows:

	December 31, 2024		
	Claims reserve	Claims reserve (ceded)	Net
Reserve for claims reported but not paid			
Fire insurance	\$ 4,105,913	3,581,451	524,462
Marine insurance	652,279	527,893	124,386
Liability insurance	4,295,391	1,314,943	2,980,448
Surety insurance	11,202	2,805	8,397
Other property insurance	75,682	60,295	15,387
Personal accident insurance	40,668	1,132	39,536
Health insurance	6,504	-	6,504
Compulsory automobile liability insurance	<u>285,939</u>	<u>114,953</u>	<u>170,986</u>
	<u>9,473,578</u>	<u>5,603,472</u>	<u>3,870,106</u>
Reserve for claims incurred but not paid			
Fire insurance	28,778	-	28,778
Marine insurance	9,751	2,715	7,036
Liability insurance	350,942	37,013	313,929
Surety insurance	258	-	258
Other property insurance	155,184	145,159	10,025
Personal accident insurance	97,199	(4,735)	101,934
Health insurance	4,440	(509)	4,949
Compulsory automobile liability insurance	<u>554,522</u>	<u>227,535</u>	<u>326,987</u>
	<u>1,201,074</u>	<u>407,178</u>	<u>793,896</u>
Total	<u>\$ 10,674,652</u>	<u>6,010,650</u>	<u>4,664,002</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

December 31, 2023			
	Claims reserve	Claims reserve (ceded)	Net
Reserve for claims reported but not paid			
Fire insurance	\$ 1,540,930	1,131,028	409,902
Marine insurance	146,792	35,701	111,091
Liability insurance	2,352,097	672,586	1,679,511
Surety insurance	13,794	3,258	10,536
Other property insurance	77,227	62,890	14,337
Personal accident insurance	49,006	4,504	44,502
Health insurance	5,144	20	5,124
Compulsory automobile liability insurance	236,107	89,526	146,581
	<u>4,421,097</u>	<u>1,999,513</u>	<u>2,421,584</u>
Reserve for claims incurred but not paid			
Fire insurance	\$ 15,237	1,357	13,880
Marine insurance	5,164	365	4,799
Liability insurance	418,550	53,030	365,520
Surety insurance	317	-	317
Other property insurance	136,273	126,905	9,368
Personal accident insurance	121,844	16,779	105,065
Health insurance	3,014	1	3,013
Compulsory automobile liability insurance	543,712	223,557	320,155
	<u>1,244,111</u>	<u>421,994</u>	<u>822,117</u>
Total	<u><u>\$ 5,665,208</u></u>	<u><u>2,421,507</u></u>	<u><u>3,243,701</u></u>

- 2) The reconciliations of changes in claims reserve and claims reserve (ceded) previously described were as follows:

	2024		2023	
	Claims reserve	Claims reserve (ceded)	Claims reserve	Claims reserve (ceded)
Beginning balance \$	5,665,208	2,421,507	6,091,662	2,590,161
Provided	10,674,652	6,010,650	5,665,208	2,421,507
Reversed	(5,665,208)	(2,421,507)	(6,091,662)	(2,590,161)
Ending balance	<u><u>\$ 10,674,652</u></u>	<u><u>6,010,650</u></u>	<u><u>5,665,208</u></u>	<u><u>2,421,507</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- 3) The process used to determine the assumptions that have the greatest effect on the measurement of claims reserve and claims reserve (ceded) was as follows:

The Company's reserve for claims reported but not paid claims was provided on a per-policy-claim-report basis for each type of insurance by the claim department based on the previous claim experience and related information. Reported but not paid claims were properly and reasonably estimated to reflect the actual claim payments. For some cases in which claims were settled after a long period, based on the previous claim experience, the claim department followed their progress at the reporting date to properly and reasonably estimate the claim reserve. For the cases underwritten by the Company and coinsurers, the Company took the estimated claims provided by the lead insurer into consideration and made adjustments based on the Company's previous experience.

Reserve for claims incurred but not paid is calculated by actuaries based on the Company's previous claims experience by accident year. Considering the characteristics of each type of insurance, the actuaries chose the proper assumptions and factors, such as the percentage recovered from reinsurers, loss trends, loss development factors, and expected loss ratio, to evaluate the estimated ultimate cost of claims. The actuaries periodically evaluated and analyzed the effects of changes in assumptions to correspond to changes in the internal and external environments, such as the actual loss ratio, loss trends, and the process of claims handling.

(iii) Special reserves

- 1) As of December 31, 2024 and 2023, the special reserves of the Company were as follows:

	December 31, 2024	December 31, 2023
Special catastrophe reserve	\$ 127,072	134,132
Special reserve for compulsory earthquake insurance	295,165	295,165
Special reserve for compulsory automobile liability insurance	2,834,395	2,752,093
Special reserve for nuclear insurance	76,162	76,162
	<u>\$ 3,332,794</u>	<u>3,257,552</u>

- 2) The reconciliations of changes in special reserves previously described were as follows:

	2024				
	Catastrophe	Compulsory earthquake insurance	Compulsory automobile liability insurance	Nuclear insurance	Total
Beginning balance	\$ 134,132	295,165	2,752,093	76,162	3,257,552
Provided	-	-	92,692	-	92,692
Reversed	(7,060)	-	(10,390)	-	(17,450)
Ending balance	<u>\$ 127,072</u>	<u>295,165</u>	<u>2,834,395</u>	<u>76,162</u>	<u>3,332,794</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	2023				
	Catastrophe	Compulsory earthquake insurance	Compulsory automobile liability insurance	Nuclear insurance	Total
Beginning balance	\$ 141,192	295,165	2,627,551	76,162	3,140,070
Provided	-	-	124,542	-	124,542
Reversed	(7,060)	-	-	-	(7,060)
Ending balance	\$ <u>134,132</u>	<u>295,165</u>	<u>2,752,093</u>	<u>76,162</u>	<u>3,257,552</u>

- 3) In accordance with Jin-Guan-Bao-Tsai No. 10102515061 “Directions for Enhancing Non-life Insurers’ Reserves for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon Flood Insurance)”, Jin-Guan-Bao-Chan No. 10102531691 “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, and Jin-Guan-Bao-Tsai No. 10102517091 “Directions for Handling All Statutory Reserves for Non-Life Insurance Enterprises Engaging in Nuclear Insurance”, effective January 1, 2013, special reserves remaining under liabilities as of December 31, 2012 (except for those provided for compulsory automobile liability insurance, nuclear insurance, and compulsory residential earthquake insurance) shall be allocated to special reserves provided for commercial earthquake insurance and typhoon flood insurance to fulfill the “full load levels”, and the portion that exceeds the “full load levels” shall be recognized net of tax in special earnings reserve under equity according to IAS 12. The reconciliations of changes in special earnings reserves previously described were as follows:

	2024				
	Catastrophe	Risk- volatility	Compulsory earthquake insurance	Nuclear insurance	Total
Beginning balance	\$ 284,201	2,123,737	593,820	50,568	3,052,326
Provided	149,443	165,253	17,789	4,053	336,538
Reversed	-	(405,606)	-	-	(405,606)
Ending balance	\$ <u>433,644</u>	<u>1,883,384</u>	<u>611,609</u>	<u>54,621</u>	<u>2,983,258</u>

	2023				
	Catastrophe	Risk- volatility	Compulsory earthquake insurance	Nuclear insurance	Total
Beginning balance	\$ 138,890	1,899,787	546,103	46,788	2,631,568
Provided	145,311	281,086	47,717	3,780	477,894
Reversed	-	(57,136)	-	-	(57,136)
Ending balance	\$ <u>284,201</u>	<u>2,123,737</u>	<u>593,820</u>	<u>50,568</u>	<u>3,052,326</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The possible impact on income, liability, equity and earnings per share if the reserve system was not adopted:

Influence Item	Not adopted amount	Adopted amount	Difference
December 31, 2024			
Special reserves	\$ 2,834,395	3,332,794	498,399
Equity	9,894,379	9,495,660	(398,719)
December 31, 2023			
Special reserves	2,752,093	3,257,552	505,459
Equity	9,926,739	9,522,372	(404,367)

	2024			2023		
	Not adopted amount	Adopted amount	Difference	Not adopted amount	Adopted amount	Difference
Net income	\$ 947,111	952,759	5,648	1,253,065	1,258,713	5,648
Basic earnings per share (after tax)	3.73	3.76	0.03	4.94	4.96	0.02
Diluted earnings per share (after tax)	3.73	3.75	0.02	4.93	4.96	0.03

(iv) Premium deficiency reserve and premium deficiency reserve (ceded)

- 1) As of December 31, 2024 and 2023, the details of premium deficiency reserve and premium deficiency reserve (ceded) were as follows:

	December 31, 2024		December 31, 2023	
	Premium deficiency reserve	Premium deficiency reserve (ceded)	Premium deficiency reserve	Premium deficiency reserve (ceded)
Marine insurance	\$ 311	-	6,451	-
Liability insurance	120	-	281	-
	\$ 431	-	6,732	-

- 2) The reconciliations of changes in premium deficiency reserve previously described were as follows:

	2024		2023	
	Premium deficiency reserve	Premium deficiency reserve (ceded)	Premium deficiency reserve	Premium deficiency reserve (ceded)
Beginning balance \$	6,732	-	465,749	-
Provided	431	-	6,732	-
Reversed	(6,732)	-	(465,749)	-
Ending balance \$	431	-	6,732	-

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- 3) The process used to determine the assumptions that have the greatest effect on the measurement of the premium deficiency reserve and premium deficiency reserve (ceded) was as follows:

The Company uses the expected costs method to evaluate the premium deficiency reserve. For a policy with a one-year term or less whose insurance term has not expired or for insurance risks that have not yet terminated, premium deficiency reserve is provided based on the difference between expected claims and expenses, and unearned premium reserve and the expected premium income in the future. Currently, when calculating premium deficiency reserve, the Company does not take the effects of lapse rate into consideration.

- (v) Liability adequacy reserve and liability adequacy reserve (ceded)

The Company did not need to recognize a liability adequacy reserve as of December 31, 2024 and 2023, and the liability adequacy test was as follows:

- 1) The liability adequacy test for unearned premium reserve:

Test	Expected costs method
Group	Test by the types of insurance

- 2) The liability adequacy test for claims reserve followed the “Actuarial Standards of Practice” of the Actuarial Institute of the Republic of China.

- (q) Analysis of the sources of earnings from insurance activities

- (i) Analysis of earnings from direct insurance business

2024						
	Direct premium written	Net movement of unearned premium reserve	Insurance contract acquisition cost	Claims (including claim fee)	Net movement of claims reserve	Insurance (loss) profit
Voluntary	\$ 18,466,977	1,313,871	2,201,510	8,692,865	4,898,858	1,359,873
Compulsory	1,131,369	19,643	141,049	742,289	49,526	178,862
Total	<u>\$ 19,598,346</u>	<u>1,333,514</u>	<u>2,342,559</u>	<u>9,435,154</u>	<u>4,948,384</u>	<u>1,538,735</u>
2023						
	Direct premium written	Net movement of unearned premium reserve	Insurance contract acquisition cost	Claims (including claim fee)	Net movement of claims reserve	Insurance (loss) profit
Voluntary	\$ 16,494,486	1,755,174	2,030,246	7,541,709	(395,052)	5,562,409
Compulsory	1,086,406	16,793	136,152	680,285	(17,350)	270,526
Total	<u>\$ 17,580,892</u>	<u>1,771,967</u>	<u>2,166,398</u>	<u>8,221,994</u>	<u>(412,402)</u>	<u>5,832,935</u>

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) Analysis of earnings from reinsurance business (assumed)

2024						
	Reinsurance premium assumed	Net movement of unearned premium reserve	Reinsurance commission expense	Reinsurance claims	Net movement of claims reserve	Reinsurance profit (loss) (assumed)
Voluntary	\$ 319,117	6,983	37,463	64,915	49,944	159,812
Compulsory	331,674	6,213	-	304,035	11,115	10,311
Total	<u>\$ 650,791</u>	<u>13,196</u>	<u>37,463</u>	<u>368,950</u>	<u>61,059</u>	<u>170,123</u>

2023						
	Reinsurance premium assumed	Net movement of unearned premium reserve	Reinsurance commission expense	Reinsurance claims	Net movement of claims reserve	Reinsurance profit (loss) (assumed)
Voluntary	\$ 330,733	46,632	34,675	43,703	(9,657)	215,380
Compulsory	321,225	2,812	-	301,983	(4,395)	20,825
Total	<u>\$ 651,958</u>	<u>49,444</u>	<u>34,675</u>	<u>345,686</u>	<u>(14,052)</u>	<u>236,205</u>

(iii) Analysis of earnings from reinsurance business (ceded)

2024						
	Reinsurance expense	Net movement of unearned premium reserve (ceded)	Reinsurance commission income	Reinsurance claims recovered	Net movement of claims reserve (ceded)	Reinsurance loss (profit) (ceded)
Voluntary	\$ 7,751,411	915,802	999,005	3,352,897	3,559,738	(1,076,031)
Compulsory	487,491	11,783	-	444,783	29,404	1,521
Total	<u>\$ 8,238,902</u>	<u>927,585</u>	<u>999,005</u>	<u>3,797,680</u>	<u>3,589,142</u>	<u>(1,074,510)</u>

2023						
	Reinsurance expense	Net movement of unearned premium reserve (ceded)	Reinsurance commission income	Reinsurance claims recovered	Net movement of claims reserve (ceded)	Reinsurance loss (profit) (ceded)
Voluntary	\$ 6,477,907	1,370,383	887,199	1,772,778	(159,280)	2,606,827
Compulsory	466,943	10,084	-	401,662	(9,374)	64,571
Total	<u>\$ 6,944,850</u>	<u>1,380,467</u>	<u>887,199</u>	<u>2,174,440</u>	<u>(168,654)</u>	<u>2,671,398</u>

(iv) Acquisition cost of insurance contracts

2024			
	Commission expense	Fee expense	Reinsurance commission expense
Voluntary	\$ 2,201,510	-	37,463
Compulsory	-	141,049	-
Total	<u>\$ 2,201,510</u>	<u>141,049</u>	<u>37,463</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	2023			
	Commission expense	Fee expense	Reinsurance commission expense	Total
Voluntary	\$ 2,030,246	-	34,675	2,064,921
Compulsory	-	136,152	-	136,152
Total	<u><u>\$ 2,030,246</u></u>	<u><u>136,152</u></u>	<u><u>34,675</u></u>	<u><u>2,201,073</u></u>

(r) Other liabilities

As of December 31, 2024 and 2023, the other liabilities of the Company were as follow:

	December 31, 2024	December 31, 2023
Prepaid income	\$ -	87,410
Deposits received	1,995	2,421
Temporary credits	<u>114,167</u>	<u>115,801</u>
Total	<u><u>\$ 116,162</u></u>	<u><u>205,632</u></u>

(s) Investment profit or loss, net

(i) Interest income

The interest revenue was as follows:

	2024	2023
Interest from demand deposits	\$ 14,580	17,630
Interest from time deposits	54,572	49,993
Interest from bonds	209,612	130,556
Interest from short-term notes and bills	<u>33,867</u>	<u>27,148</u>
	<u><u>\$ 312,631</u></u>	<u><u>225,327</u></u>

(ii) Gains (losses) on financial assets (liabilities) measured at fair value through profit or loss

The details of the gains (losses) on financial assets (liabilities) measured at fair value through profit or loss were as follows:

	2024	2023
Gains (losses) on valuation	\$ 130,492	552,982
Gains (losses) on disposal	419,096	285,527
Dividends	<u>164,574</u>	<u>157,886</u>
	<u><u>\$ 714,162</u></u>	<u><u>996,395</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(t) Employee benefits

(i) Defined benefit plan

The present value of the defined benefit obligations and the fair value of the plan assets for the Company were as follows:

	December 31, 2024	December 31, 2023
Present value of the defined benefit obligations	\$ 1,035,081	1,079,873
Fair value of the plan assets	<u>(1,191,882)</u>	<u>(1,111,839)</u>
Recognized (assets) liabilities for the defined benefit obligations	<u>\$ (156,801)</u>	<u>(31,966)</u>

The Company's employee benefit (assets) liabilities were as follows:

	December 31, 2024	December 31, 2023
Defined benefit obligations (assets) liability	<u>\$ (156,801)</u>	<u>(31,966)</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plan (covered by the Labor Standards Act) entitles a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with the interest rates offered by local banks.

As of December 31, 2024, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,191,338 thousand. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2024 and 2023, the movements in present value of the defined benefit obligations for the Company were as follows:

	2024	2023
Defined benefit obligation at January 1	\$ 1,079,873	1,099,413
Current service cost and interest	18,943	22,729
Remeasurements of the net defined benefit liability		
- gains and losses due to experience	8,339	(7,154)
- actuarial gains and losses arising from changes in financial assumptions	(24,234)	15,711
Benefits paid by the plan	<u>(47,840)</u>	<u>(50,826)</u>
Defined benefit obligation at December 31	<u>\$ 1,035,081</u>	<u>1,079,873</u>

3) Movements in the fair value of the plan assets

For the years ended December 31, 2024 and 2023, the movements in the fair value of the plan assets for the Company were as follows:

	2024	2023
Fair value of plan assets at January 1	\$ 1,111,839	1,128,420
Interest income on plan assets	14,121	16,024
Actuarial gains and losses arising from plan assets	98,625	3,400
Contributions made	15,137	14,821
Benefits paid by the plan	<u>(47,840)</u>	<u>(50,826)</u>
Fair value of plan assets at December 31	<u>\$ 1,191,882</u>	<u>1,111,839</u>

4) Expenses recognized in profit or loss

For the years ended December 31, 2024 and 2023, the Company's expenses recognized in profit or loss were as follows:

	2024	2023
Current service cost	\$ 5,228	7,117
Net interest on the net defined benefit plans	<u>(406)</u>	<u>(412)</u>
	<u>\$ 4,822</u>	<u>6,705</u>
	2024	2023
Administrative expenses	<u>\$ 4,822</u>	<u>6,705</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- 5) Remeasurements of the net defined benefit plans recognized in other comprehensive income

For the years ended December 31, 2024 and 2023, the remeasurements of the net defined benefit plans of the Company that were recognized in other comprehensive income were a gain of \$114,520 thousand and a loss of \$5,157 thousand, respectively.

- 6) Actuarial assumptions

The following are the major actuarial assumptions used in determining the present value of the defined benefit obligation as of the end of the financial reporting date:

	December 31, 2024	December 31, 2023
Discount rate	1.53 %	1.27 %
Expected return on plan assets	1.53 %	1.27 %
Future salary increasing rate	2.00 %	2.00 %

The expected allocation payment made by the Company to the defined benefit plan within one year period after the reporting date was \$6,547 thousand.

For the years ended December 31, 2024 and 2023, the weighted average duration of the defined benefit plan are 6 years and 9 years, respectively.

- 7) Sensitivity analysis

Changes in one of the major actuarial assumptions that were used as of December 31, 2024 and 2023 would have affected the present value of the defined benefit obligation by the amounts shown below:

	<u>Impact to define benefit liability</u>	
	<u>Increase 0.50%</u>	<u>Decrease 0.50%</u>
December 31, 2024		
Discount rate	\$ (13,713)	47,337
Future salary increasing rate	46,875	(13,714)
December 31, 2023		
Discount rate	(40,339)	54,613
Future salary increasing rate	53,936	(40,323)

The sensitivity analysis abovementioned analyzes the impact on the defined benefit obligation if one of the relevant actuarial assumptions changed while holding other assumptions constant. In practical, most of the changes in assumptions are correlated. The approach to calculate the net defined benefit obligation in the balance sheet and the one used in calculating the sensitivity analysis were consistent.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

8) Remeasurements of defined benefit plans

The Company decided to recognize the remeasurements of defined benefit plans in other equity. The details are listed below:

	December 31, 2024	December 31, 2023
Remeasurements of defined benefit plans	<u>\$ (50,825)</u>	<u>(142,441)</u>

(ii) Defined contribution plan

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The Company's pension expenses under the defined contribution pension plan for the years ended December 31, 2024 and 2023, were \$37,720 thousand and \$35,478 thousand, respectively. The payment was made to the Bureau of Labor Insurance.

(iii) Employee remuneration

The Company needs to set aside 2% of its earnings as employee remuneration based on the article of incorporation of the Company if the Company is making profit during the year. However, the Company should reserve to make up the amount if the Company has accumulated deficit.

The employee remuneration of the Company for the years ended December 31, 2024 and 2023, were provided \$22,580 thousand and \$30,813 thousand, respectively. This amount was calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. This remuneration was expensed under operating costs or expenses for each period. If there were any changes after the approval date of the financial statements in the following year, the changes would be treated as changes in accounting estimate and any impact on the changes would be recognized in profit or loss in the following year.

The employee remuneration for 2023 and 2022 were allocated amounting to \$30,813 thousand and \$14,534 thousand, respectively. There were no difference between the 2023 and 2022 employee remuneration determined by the Board of Directors and estimated in the financial statements.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(u) Leases

(i) Lessee

1) Real estate leases

The Company leases buildings for its service locations. The leases of service locations typically run for a period of 2 to 10 years.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of service locations that have a lease term of 12 months or less.

2) Other leases

The Company leases automobiles for a period of 3 years.

Besides, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of wall advertisements that have a lease term of 12 months or less.

The amounts recognized in profit or loss were as follows:

	2024	2023
Interest on lease liabilities	\$ <u><u>11,191</u></u>	<u><u>8,513</u></u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u><u>6,423</u></u>	<u><u>6,269</u></u>
Expense relating to short-term leases	\$ <u><u>51,897</u></u>	<u><u>49,293</u></u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ <u><u>7</u></u>	<u><u>-</u></u>

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

	2024	2023
Total cash outflow for leases	\$ <u><u>180,539</u></u>	<u><u>137,566</u></u>

(ii) Lessor

The Company leases out its investment properties. As these leases have not transferred substantially all of the risks and rewards of the investment property, these leases are classified as operating leases. Please refer to note 6(f) for disclosures on investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	December 31, 2024	December 31, 2023
Less than one year	\$ 2,280	2,250
One to two years	2,400	2,160
Two to three years	<u>2,460</u>	<u>-</u>
Total undiscounted lease payments receivables	\$ <u><u>7,140</u></u>	<u><u>4,410</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The following table shows the rental income and related operating costs in respect of the investment properties held by the Company:

	2024	2023
Rental income for investment properties	\$ <u><u>2,359</u></u>	<u><u>4,840</u></u>
Direct operating cost associated with investment properties that generate rental income in current period	\$ <u><u>1,905</u></u>	<u><u>2,825</u></u>

(v) Income tax

(i) The Company's income tax expenses (income) were as follows:

	2024	2023
Current income tax expense		
Current period	\$ 69,812	4,081
Adjustment for prior periods	<u>(3,911)</u>	<u>15,097</u>
	<u>65,901</u>	<u>19,178</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>87,760</u>	<u>231,924</u>
Total income tax expense	\$ <u><u>153,661</u></u>	<u><u>251,102</u></u>

(ii) For the years ended December 31, 2024 and 2023, no income tax expense was recognized directly in equity.

(iii) The amounts of income tax expense (income) recognized in other comprehensive income were as follows:

	2024	2023
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	\$ <u><u>22,904</u></u>	<u><u>(1,031)</u></u>
Items that may be reclassified subsequently to profit or loss:		
Valuation gains (losses) on debt instruments measured at FVOCI	\$ 1,630	10,180
Profit or loss reclassified to other comprehensive income using the overlay approach	<u>11,434</u>	<u>22,759</u>
	\$ <u><u>13,064</u></u>	<u><u>32,939</u></u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(iv) Reconciliations of income tax expenses and net income before tax as follows:

	2024	2023
Net income before tax	\$ 1,106,420	1,509,815
Income tax using the Company's domestic tax rate	\$ 221,284	301,963
Tax-exempt income	(126,555)	(91,179)
Land value increment tax	3,151	1,700
Differences due to prior estimation	(3,911)	15,097
Effect of basic tax	47,914	355
Others	11,778	23,166
Total	\$ 153,661	251,102

(v) The Company's deferred income tax assets and liabilities were as follows:

	2024			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Accounts receivables	\$ 6,567	1,368	-	7,935
Financial assets at fair value through profit or loss	(15,933)	13,478	(11,434)	(13,889)
Financial assets at fair value through other comprehensive income	21,014	(13)	(1,630)	19,371
Investment property	2,964	(2,964)	-	-
Property and equipment	134	(134)	-	-
Other assets	-	65	-	65
Accounts payable	34	(2)	-	32
Net defined benefit assets	45,524	(2,063)	(22,904)	20,557
Land value increment tax	(62,570)	401	-	(62,169)
Deferred income tax assets (liabilities) from exchange gain or loss	11,737	(31,927)	-	(20,190)
Loss carryforward	599,267	(65,969)	-	533,298
Deferred income tax expenses		(87,760)	(35,968)	
Deferred income tax assets, net	\$ 608,738			485,010
Presented on balance sheet				
Deferred income tax assets	\$ 691,054			596,749
Deferred income tax liabilities	(82,316)			(111,739)
	\$ 608,738			485,010

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	2023			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Accounts receivables	\$ 3,654	2,913	-	6,567
Financial assets at fair value through profit or loss	14,103	(7,277)	(22,759)	(15,933)
Financial assets at fair value through other comprehensive income	31,218	(24)	(10,180)	21,014
Investment property	2,964	-	-	2,964
Property and equipment	134	-	-	134
Accounts payable	243	(209)	-	34
Net defined benefit assets	46,116	(1,623)	1,031	45,524
Land value increment tax	(63,129)	559	-	(62,570)
Deferred income tax assets from exchange gain or loss	4,562	7,175	-	11,737
Loss carryforward	832,705	(233,438)	-	599,267
Deferred income tax expenses		(231,924)	(31,908)	
Deferred income tax assets, net	\$ 872,570			608,738
Presented on balance sheet				
Deferred income tax assets	\$ 952,586			691,054
Deferred income tax liabilities	(80,016)			(82,316)
	\$ 872,570			608,738

(vi) Unrecognized deferred income tax assets

As of December 31, 2024 and 2023, since it was improbable that the future taxable profit would be available against the unused deferred income tax assets that could be utilized, deferred income tax assets, amounting to \$47,341 thousand and \$46,827 thousand, respectively, were unrecognized.

(vii) Examination and approval

The tax authority has examined and approved the Company's income tax returns for the years through 2022.

(viii) The Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income tax over a period of ten years for local reporting purposes. The unused losses carryforward and its expiry date are as follows:

Year of loss	Total amount can be deducted	Unused tax loss	Expiry year
2022 (assessed)	\$ 4,120,256	\$ 2,666,491	2032

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(w) Equity

(i) Capital stock

As of December 31, 2024 and 2023, the authorized capital has amounted to \$2,800,000 thousand, with a par value of \$10 (dollars) per share, and the issued capital has amounted to \$2,535,930 thousand. All of the 253,593 thousand issued shares were ordinary shares.

(ii) Capital surplus

As of December 31, 2024 and 2023, the details of capital surplus of the Company were as follows:

	December 31, 2024	December 31, 2023
From Merger	\$ 169,907	169,907
Donations	1,886	1,886
Gain from asset disposition	702	702
Total	<u>\$ 172,495</u>	<u>172,495</u>

Capital surplus-from merger, generated from the excess of issuance price over the par value of capital stock when one company issues stocks to acquire equity shares or net assets from another company, was classified the income derived from the issuance of new shares at a premium under the Article 241 of the Company Act.

Capital surplus-donations, pursuant to Article 241 of the Company Act and relevant regulations, is the capital surplus accumulated from the donations related to stock transactions, which was recognized when a company receives its issued stocks from shareholders, or when shareholders relinquish their rights in shares or donate assets in proportion to shareholding.

Capital surplus gain on disposal of assets, pursuant to Article 238 of the Company Act before the amendment and relevant regulations, was transferred to capital surplus. After the amendment to the Company Act, capital surplus gain on disposal of assets ceased to exist in the Company Act. According to the Ching Shang No. 09102057680, in terms of capital surplus gain on disposal of assets before 2009, a company could decide to either keep it as capital surplus or transfer it into retained earnings, as long as the decision was approved by all shareholders or the latest shareholders' meeting. Additionally, the entire capital surplus gain on disposal of assets should be treated at once using the same method, and the Company resolved to retain it as capital surplus. The capital surplus shall be first used to offset deficit, and then the realized capital surplus may either be transferred to capital or be distributed as dividends. The realized capital surplus mentioned above included the income derived from the issuance of new shares at a premium and the income from endowments received. According to the Ching Shang No. 09102057680, capital surplus gain on disposal of assets shall only be used to offset deficit, instead of being used to increase capital.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(iii) Retained earnings and distribution of earnings

1) Legal reserve

Pursuant to the Company's Articles of Incorporation, the Insurance Act, and the Company Act, annual profit after income tax shall be first used to offset deficit, if any, and 20% of the remainder must be set aside until such remainder equals the amount of paid in capital. According to the revised Company Act, if the Company incurs no loss, it may, pursuant to the resolution of the shareholders' meeting, distribute its legal reserve by issuing new shares as stock dividends or by distributing cash dividends. However, the distribution is limited to the portion of legal reserve in excess of 25% of paid-in capital. In addition, in accordance with Jin-guan-Bao-Tsai No. 10202501991 issued by the Financial Supervisory Commission (FSC) on February 8, 2013, if an insurance enterprise without deficit intends to distribute its legal reserve provided in accordance with article 145-1 of the Insurance Act and its capital surplus as cash dividends proportionately based on the percentage of the shares held by its shareholders, it should fulfill relevant qualifying criteria and apply for approval from the authorities prior to the shareholders' meeting.

Besides, based on Jing-Shang-Zi No. 10802432410, the company which uses the net profit after tax in the current period as the basis of its calculation should use the net profit after tax, plus, current year amount of the items, other than net profit after tax, calculated in the unappropriated earning as the basis for the legal reserve since the company has processed the surplus distribution of the 2019 financial statements. Nevertheless, the company can extend the surplus distribution in the financial statements in 2020. No retrospective adjustment is required for the legal reserve provided by the company in the past years.

2) Special earnings reserve

As of December 31, 2024 and 2023, the special earnings reserve was as follows:

	December 31, 2024	December 31, 2023
Special catastrophe reserve	\$ 433,644	284,201
Special risk-volatility reserve	1,883,384	2,123,737
Compulsory earthquake insurance	611,609	593,820
Nuclear insurance	54,621	50,568
Special earnings reserve provided as the equity deduction items	42,714	650,688
Special earnings reserve provided as travel insurance	15,234	8,693
	<u>\$ 3,041,206</u>	<u>3,711,707</u>

Special catastrophe reserves and special risk-volatility reserves that are newly provided each year in accordance with the "Guidelines for Insurance Enterprises Handling All Statutory Reserves" shall be recognized net of tax in special earnings reserves under equity at the end of the year. The offset or reversal amount of special catastrophe reserve and special risk-volatility reserve, net of taxes determined in accordance with IAS 12,

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MSIG MINGTAI INSURANCE CO., LTD.

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shall be offset with special catastrophe reserve or special risk-volatility reserve recognized under equity.

According to the “Guidelines for Insurance Enterprises Handling All Statutory Reserves”, Jin-Guan-Bao-Chan No.10102531691 “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, Jin-Guan-Bao-Tsai No. 10102517091 “Directions for Handling All Statutory Reserves for Non-Life Insurance Enterprises Engaging in Nuclear Insurance”, and Jin-Guan-Bao-Tsai No.10102515061 “Directions for Enhancing Non-life Insurers’ Reserves for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon Flood Insurance)”, special reserves remaining under liabilities as of December 31, 2012 (except for those provided for compulsory automobile liability insurance, nuclear insurance, and compulsory residential earthquake insurance) shall be allocated to special reserves provided for commercial earthquake insurance and typhoon flood insurance to fulfill the “full load levels” when the Company adopts IFRSs for the first time. The remaining amount recognized net of tax in special earnings reserve under equity amounted to \$1,484,051 thousand. For the years ended December 31, 2024 and 2023, the Company increased (decreased) its special reserves by \$(69,068) thousand and \$420,758 thousand, respectively, net of tax, recognized as special earnings reserve under equity.

In accordance with Jin-Guan-Bao-Tsai No.11004920441, when distributing earnings, the insurers shall provide a special reserve equal to the amount incurred under the deduction of other equity (including the exchange differences on translation of foreign financial statements, unrealized gains and losses from financial assets measured at FVOCI, gains and losses on hedging instruments, revaluation increment cumulative amount) from the net profit after tax, plus, items other than net profit after tax, for the current year included in the unappropriated earning. If the unappropriated earning is still insufficient in the current year, the Company shall appropriate the insufficiency from the previous year. The accumulated net amount of the deduction of other equity from the previous year shall be set aside a special reserve and prohibited to use in distribution of earnings based on the authority’s letter. If there was reversal for the deduction of other equity, the part of reversal may be used to reverse the special reserve, and the reversal of special reverse can be perform to distribution of earnings.

In accordance with Jin-Guan-Bao-Tsai No.10904939031, issued by the FSC on October 29, 2020, in order to improve the financial structure of the insurance industry, the insurance companies shall, at the end of each business year, record 10% of the total premium income from the sale of accident, death and disability benefits under individual travel accident insurance based on the amount of insurance and the number of days of insurance, less 20% of the nominal tax rate, in accordance with the "Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance", the remaining balance is credited to the special earning reserve account undershareholders' equity.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

3) Distribution of earnings

The Company's Articles of Incorporation stipulate that at least 20% of annual net income, after paying taxes and deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, may be distributed as dividends to shareholders via a resolution at a shareholders' meeting.

Pursuant to the resolution of the annual shareholders' meeting held in May 7, 2024 and May 12, 2023, the approved distribution of cash dividends for 2023 and 2022 amounting to \$1,229,498 thousand and \$2,648,040 thousand, respectively, were distributed to shareholders in June 2024 and June 2023.

The undistributed retained earnings of \$867,447 thousand for 2024 has yet to be resolved and approved during the meetings of the board and shareholders.

(iv) Other equity

	Investments measured at FVOCI	Remeasure- ments of defined benefit plans	FVOCI measured using the "overlay method"	Total
Balance as of January 1, 2024	\$ (54,475)	(142,441)	154,202	(42,714)
Unrealized gain (loss) on financial assets measured at FVOCI	(24,130)	-	-	(24,130)
Gain (loss) on reclassification using overlay approach	-	-	182,541	182,541
Remeasurements of defined benefit plans	-	91,616	-	91,616
Balance as of December 31, 2024	<u><u>\$ (78,605)</u></u>	<u><u>(50,825)</u></u>	<u><u>336,743</u></u>	<u><u>207,313</u></u>
Balance as of January 1, 2023	\$ (168,833)	(138,315)	(343,540)	(650,688)
Unrealized gain (loss) on financial assets measured at FVOCI	165,049	-	-	165,049
Disposal of equity instrument measured at FVOCI	(50,691)	-	-	(50,691)
Gain (loss) on reclassification using overlay approach	-	-	497,742	497,742
Remeasurements of defined benefit plans	-	(4,126)	-	(4,126)
Balance as of December 31, 2023	<u><u>\$ (54,475)</u></u>	<u><u>(142,441)</u></u>	<u><u>154,202</u></u>	<u><u>(42,714)</u></u>

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(x) Earnings per share of common stock

(i) Basic earnings per share

The calculations of basic earnings per share were as follows:

	2024	2023
Net income	\$ <u>952,759</u>	<u>1,258,713</u>
Weighted-average number of shares outstanding (thousand)	<u>253,593</u>	<u>253,593</u>
Basic earnings per share (New Taiwan dollars)	<u>3.76</u>	<u>4.96</u>

(ii) Diluted earnings per share

	2024	2023
Net income	\$ <u>952,759</u>	<u>1,258,713</u>
Weighted-average number of shares outstanding (thousand)	<u>254,092</u>	<u>254,030</u>
Diluted earnings per share (New Taiwan dollars)	<u>3.75</u>	<u>4.95</u>

The calculations of the weighted-average outstanding shares were as follows:

	2024	2023
Weighted-average number of outstanding shares (basic)	253,593	253,593
Effects of dilutive potential stock-employee remuneration	499	437
Weighted-average number of outstanding shares (diluted)	<u>254,092</u>	<u>254,030</u>

(y) Fair value hierarchy

(i) Fair value and carrying amount

The Company does not disclose the fair value for short-term financial instruments, such as cash and cash equivalents, accounts receivable/payable, claims and payments recoverable from reinsurers, due from (to) other reinsurers, and refundable/guarantee deposits. Since these financial instruments have relatively shorter maturity date, the carrying amounts can be fairly presented as fair values. Besides, disclosure of fair value information for lease liabilities is not required. Other than the items explained above, the fair values were summarized as follows:

	December 31, 2024		December 31, 2023	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:				
Financial assets at fair value through profit or loss	\$ 5,617,617	5,617,617	4,427,000	4,427,000
Financial assets at fair value through other comprehensive income	6,709,844	6,709,844	5,210,574	5,210,574
Non-financial assets:				
Investment property	217,270	1,145,692	217,402	892,491
Assets held for sale	-	-	113,038	263,680
Financial liabilities:				
Financial liabilities at fair value through profit or loss	34,813	34,813	-	-

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) Valuation techniques and assumptions used in fair value determination

1) Equity investments and debt securities

The fair values of financial instruments are based on available quoted market prices. If the quoted market prices are not available, the fair value is determined based on certain valuation techniques. The estimations and assumptions of valuation techniques adopted by the Company are identical to those adopted by other market participants when pricing the financial instruments. The discount rate is based on the prevailing rate of return for financial instruments having substantially the same terms and characteristics.

2) Investment property

The Company's investment property is measured at costs, and the fair value of investment property is based on a valuation by an independent evaluator who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The value of investment properties takes into consideration the appraisal value based on a market comparison approach, an income approach, a cost approach, and a land development analysis approach of cost approach.

Besides, the fair value of the investment property for the annual first three quarters are based on the appraised fair value of the previous year, multiplied by the difference in the announced land value for the recent year.

(iii) Credit risk value adjustment

Credit risk value adjustment can be divided as credit value adjustment and debit value adjustment. The definitions are as follows:

CVA is an adjustment to the measurement of derivative assets traded in over-the-counter exchange (OTC) to reflect the credit risk of the derivative counterparty, ensuring they are adequately compensated for the credit risk that they bear.

DVA is an adjustment to the measurement of derivative liabilities traded in OTC to reflect the possibility that the counterparty would be expected for a delay of payment, or would not be able to collect all the market value of the derivatives.

The Company calculates the CVA by considering the counterparty's probability of default (PD) (under the premise that the Company will not default) and loss given default (LGD), by multiplying the counterparty's exposure at default (EAD). On the contrary, the Company calculates the DVA by considering its PD, LGD and multiplies it by EAD.

The Company uses the possibility of default corresponding to the credit rank published by the outside financial data company as the PD, setting the LGD at 60% by referring to academic reports and experiences from foreign financial institutes, and calculating the EAD using Mark to Market value. The Company considers the credit risk valuation adjustment when calculating the fair value of its financial instruments in order to reflect its credit quality and its counterparties' credit risks.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(iv) Fair value hierarchy

1) Fair value hierarchy and definitions

The Company uses observable inputs, as much as possible, when evaluating its assets and liabilities. The level of fair value is categorized by the inputs used in valuation:

- a) Fair value of financial instrument classified in Level 1 is based on the quoted price for an identical financial instrument in an active market. The definition of active market includes all of the following conditions: a) the products traded in the market are homogeneous, b) willing parties are available anytime in the market, and c) price information is available for the public.
- b) Fair value of financial instrument classified in Level 2 is based on inputs other than quoted price in an active market including observable input parameters obtained either directly (i.e. as prices) or indirectly (i.e. derived from prices) in active markets. Examples of observable inputs are as follows:
 - i) The quoted price for a similar financial instrument in an active market means the market transaction price for a similar financial instrument based on its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of an identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. The reasons also include the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
 - ii) The quoted market price of an identical or similar financial instrument in an inactive market.
 - iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used which are based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.
 - iv) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.
- c) Input for a fair value measurement for a financial instrument classified in Level 3 is not based on data obtainable from the market. An unobservable input, such as volatility for a share option derived from the share's historical price, does not generally represent current market expectations about future volatility.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

2) Level information for financial instruments measured at fair value

		December 31, 2024		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities		Total		
<u>Recurring fair value valuation</u>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss				
Corporate bonds	\$	217,278	217,278	-
Financial institution bonds		145,372	145,372	-
Listed (over the counter) stocks		2,233,422	2,233,422	-
Preferred stocks		710,559	710,559	-
Real estate investment trusts		106,610	106,610	-
Beneficiary certificates		1,385,174	1,385,174	-
Exchange traded fund-equity ETF and bond ETF		819,202	819,202	-
Financial assets measured at FVOCI				
Government bonds		899,073	-	899,073
Corporate bonds		4,558,224	2,039,664	2,518,560
Financial institution bonds		1,252,547	707,569	544,978
Other assets				
Refundable deposits-government bonds		459,632	-	459,632
<u>Derivative financial instruments</u>				
Liabilities:				
Financial liabilities at fair value through profit or loss	\$	34,813	-	34,813

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

		December 31, 2023		
		Quoted prices in active markets for identical assets (Level 1) Significant other observable inputs (Level 2) Significant unobservable inputs (Level 3)		
Assets and liabilities		Total		
<u>Recurring fair value valuation</u>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss				
Corporate bonds	\$	218,198	218,198	-
Financial institution bonds		144,738	144,738	-
Listed (over the counter) stocks		1,950,339	1,950,339	-
Preferred stocks		685,902	685,902	-
Real estate investment trusts		38,556	38,556	-
Beneficiary certificates		830,752	830,752	-
Exchange traded fund-equity ETF and bond ETF		504,144	504,144	-
Financial assets measured at FVOCI				
Government bonds		793,029	-	793,029
Corporate bonds		3,482,661	1,630,885	1,851,776
Financial institution bonds		934,884	440,606	494,278
Other assets				
Refundable deposits-government bonds		390,528	-	390,528
<u>Derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss	\$	54,371	-	54,371

The Company determines whether to transfer its financial instruments between levels on the reporting date. There was no transfer between Level 1 and Level 2 for the years ended December 31, 2024 and 2023, the Company had no financial asset or liability at fair value through profit or loss classified in Level 3.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

3) Assets/liabilities not measured at fair value:

The Company does not disclose the fair value for its financial instruments not measured at fair value, such as cash and cash equivalents, accounts receivable/payable, claims and payments recoverable from reinsurers, due from (to) other reinsurers and refundable/guarantee deposits. Since these financial instruments have relatively shorter maturity date, the carrying amounts can be considered as fair values. The level information for the financial instruments and non-financial instruments of financial instruments not at fair value are as follows:

<u>Assets and liabilities</u>	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
December 31, 2024				
<u>Non-financial Assets:</u>				
Assets:				
Investment property	\$ 1,145,692	-	-	1,145,692
December 31, 2023				
<u>Non-financial Assets:</u>				
Assets:				
Investment property	\$ 892,491	-	-	892,491
Assets held for sale	263,680	-	263,680	-

For more information on the valuation technique and inputs for the instruments property and assets held for sale not measured at fair value, please refer to note 6(e) and 6(f).

(v) Offset of financial assets against financial liabilities

The Company entered into enforceable master netting arrangements and similar agreements with its counterparties; however, the Company did not meet the conditions to offset its financial assets and financial liabilities which are stated in IFRSs. The enforceable master netting arrangements and similar agreements mentioned above allow the Company to offset its financial assets and financial liabilities and settle the transaction at net amount provided both parties agreed to settle it using the net basis. Otherwise, it will need to be settled at gross amount. Nevertheless, in the event of default of one party, the other party will have the enforceable right to offset the transaction using the net basis.

In addition, the Company is offsetting its financial instruments in accordance with paragraph 42 of IAS 32 endorsed by FSC, in which its financial assets and financial liabilities are presented as net amount in the balance sheet.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The information is disclosed as follows:

Financial assets (liabilities) eligible for set-off						
	Total gross amounts of recognized financial assets (liabilities)	Total amounts of recognized offsetting financial assets (liabilities) in balance sheet	Net amounts of recognized financial assets (liabilities) in balance sheet	The related amount not set off in balance sheet(d)		
	(a)	(b)	(c)=(a)-(b)	Financial instrument	cash collateral received	net amount (e)=(c)-(d)
December 31, 2024						
Due from reinsurers	\$ 864,512	26,375	838,137	-	-	838,137
Due to reinsurers	(3,444,243)	(495,901)	(2,948,342)	-	-	(2,948,342)
Derivative financial liabilities	(34,813)	-	(34,813)	-	-	(34,813)
December 31, 2023						
Due from reinsurers	293,769	16,957	276,812	-	-	276,812
Derivative financial assets	54,371	-	54,371	-	-	54,371
Due to reinsurers	(2,210,306)	(396,131)	(1,814,175)	-	-	(1,814,175)

(z) Management of financial risk

The Company is exposed to the following risks due to the use of financial instrument:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

Below lists the financial risk information how they arise, its policies and processes for managing risk, and the methods used to measure the risk.

(i) Credit risk

The Company's major potential credit risk arises from cash and cash equivalents, premium receivable, due from reinsurers, and equity or bond financial investments. The Company performs strict credit assessment, sets an upper limitation on each investment, and establishes a transaction policy to manage the credit risk of the invested-in securities and counter-parties. In order to reduce credit risk, the Company periodically conducts a credit rating assessment with respect to each major reinsurer. Owing to the profitability and good credit rating of the major reinsurers and counter-parties, the Company has not experienced any material credit risk loss.

- 1) The Company regularly assesses financial assets for impairment at the reporting date. Please refer to note 5(a) for the impairment assessment.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

2) Analysis of credit risk quality

The Company's debt instruments measured at FVOCI are financial assets with low credit risk, hence, the allowance on these assets were measured using a 12-month expected credit loss method (please refer to note 4(f) for information on the method mentioned above). The analysis of credit risk quality is presented below.

a) Debt instruments measured at FVOCI

December 31, 2024				
	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss - credit loss	Total
Low credit risk (Note1)	\$ 7,169,476	-	-	7,169,476
Book value (Note2)	<u>\$ 7,169,476</u>	<u>-</u>	<u>-</u>	<u>7,169,476</u>

Note1: All debt instruments' credit risk rating are investment grade.

Note2: The balances above included refundable deposits.

December 31, 2023				
	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss - credit loss	Total
Low credit risk (Note1)	\$ 5,601,102	-	-	5,601,102
Book value (Note2)	<u>\$ 5,601,102</u>	<u>-</u>	<u>-</u>	<u>5,601,102</u>

Note1: All debt instruments' credit risk rating are investment grade.

Note2: The balances above included refundable deposits.

For the years ended December 31, 2024 and 2023, the movement in allowance was mainly due to the acquisition and principal repayment upon maturity of debt instruments measured at FVOCI, resulting in an increase in investments of \$1,393,319 thousand and an increase in investments of \$1,689,003 thousand, respectively, which did not have a material impact on the movement in allowance.

b) The maximum credit exposure of the Company's bond investments by the location of the issuer is as follows:

	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Asia	\$ 5,674,407	79	4,686,574	84
Americas	1,226,741	17	694,476	12
Oceania	268,328	4	220,052	4
Total(Note)	<u>\$ 7,169,476</u>	<u>100</u>	<u>5,601,102</u>	<u>100</u>

Note: The balances above included refundable deposits.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

3) Maximum credit risk exposure of financial assets

Book value best represents the Company's maximum exposure to credit risk for its on-balance-sheet financial instruments, before taking into account any collateral held or other credit risk mitigation. In addition, the Company had no exposure to credit risk for its off-balance-sheet financial instruments.

4) As of December 31, 2024 and 2023, the Company had no overdue financial assets but had an impaired amount.

(ii) Liquidity risk

1) Liquidity risk is the risk that the Company does not have sufficient financial resources available in time to meet its obligations as they fall due although it's solvent. The Company focuses on ensuring that the cash flow demands can be met where required. It is our policy to maintain adequate liquidity of the Company's financial resources as a whole at all times.

Under normal operating activities, the Company manages liquidity risk by matching the assets and liabilities according to the maturity pattern.

2) Maturity analysis for non-derivative financial liabilities

The following table below illustrates an analysis on the cash flow of the Company's non-derivative financial liabilities based on the remaining periods between the reporting date and the repayment date and the undiscounted cash flows of the financial liabilities, including interest. Therefore, partial accounts illustrated below may not match with the corresponding accounts on the balance sheet. The expected cash flow of these financial instruments.

December 31, 2024	<12 months	1~5 years	>5 years	Total
Estimated cash flow for financial liabilities				
Accounts payable	3,985,458	-	688	3,986,146
Lease liabilities	114,695	409,799	143,069	667,563
Other liabilities — guarantee deposits	1,881	114	-	1,995

December 31, 2023	<12 months	1~5 years	>5 years	Total
Estimated cash flow for financial liabilities				
Accounts payable	3,125,156	-	704	3,125,860
Lease liabilities	95,705	362,592	175,500	633,797
Other liabilities — guarantee deposits	1,977	444	-	2,421

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

3) Maturity analysis for derivative financial liabilities

The net settlement of derivative instruments held by the Company includes foreign exchange derivatives.

December 31, 2024	<12 months	1~5 years	>5 years	Total
Derivative financial liabilities at fair value through profit or loss:				
— foreign exchange derivatives	34,813	-	-	34,813

December 31, 2023	<12 months	1~5 years	>5 years	Total
Derivative financial liabilities at fair value through profit or loss:				
— foreign exchange derivatives	-	-	-	-

(iii) Market risk

The Company's exposure to market risk arising principally from adverse changes and volatility in the financial market may cause the risk of change in the fair value and cash flow of all the financial instruments held. The primary categories of market risk include interest rate risk, currency risk, and exchange rate risk.

1) Objectives, policies and processes of market risk management arising from financial instruments

The objective of market risk: According to the Company's risk management policy, the Company should maintain its liquidity through effectively controlling the level of exposure to market risk, and elevate the quality of market risk management in order to improve its operation, the sound finance of the Company, the efficiency of capital usage, and profitability.

The policies of market risk management: The Company manages risk through stipulating risk management standards, establishing a market risk management manual, and stipulating the maximum risk limits according to the authority's regulation of capital adequacy, and domestic and foreign financial market conditions. The Company supervises, prevents, and controls risks through the function of the risk management committee of the board to ensure effective risk management.

The procedures of market risk management: The procedures of market risk management include identifying, assessing, responding to, monitoring, reporting, and communicating risk. The front office and back office risk management is performed by the finance department and the risk management department, respectively, and the risk management department is responsible for reporting the monitoring results to the risk management committee of the board.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

2) The measurement of market risk

The Company uses the value at risk to measure the market risk of each financial instrument, and has developed a “market risk limitation chart” to supervise the change in the value at risk of the financial instrument.

The Company applies the parametric method, using a 250-day trading year, 99.5 percent confidence interval, and one-day holding period, to determine and monitor the daily value at risk of its investment portfolio.

The value at risk of the Company’s financial instruments were as follows:

2024				
	Period end	Average	Highest	Lowest
Domestic stock – traded by fund managers	\$ 69,563	83,918	114,022	46,415
Domestic fund	18,844	20,494	24,114	17,032
Domestic bond	9,345	10,287	16,330	4,579
Foreign stock	24,125	28,390	44,004	23,514
Foreign fund (REITs included)	6,943	7,400	9,489	5,458
Foreign bond	24,036	29,206	31,783	24,036
Risk value total	\$ 152,856	179,695	239,742	121,034

2023				
	Period end	Average	Highest	Lowest
Domestic stock – traded by fund managers	\$ 45,027	72,337	110,130	32,713
Domestic fund	20,187	26,123	34,399	20,187
Domestic bond	6,909	6,831	16,006	2,639
Foreign stock	27,861	26,670	43,749	20,979
Foreign fund (REITs included)	5,449	14,357	25,648	5,449
Foreign bond	28,574	25,924	37,828	14,352
Risk value total	\$ 134,007	172,242	267,760	96,319

3) Interest sensitivity analysis

Since there are inherent limitations on the calculation of Value at Risk, the Company supplements the calculation with other market risk management techniques, including sensitivity analysis and stress testing.

Furthermore, the market risk of debt instruments is mainly due to the change in market interest rate which results in the change in future cash flow and fair value. Interest risk is managed by supervising the net interest income goal, bond duration, and the life product interest rate.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The table below states the Company's view of changes which are reasonably possible in interest rates of the abovementioned financial instruments would have increased or decreased the net interest income and the equity. This analysis assumes that all other variables remain constant. Net interest income sensitivity represents a certain interest rate change results in a change in net interest income from financial assets and liabilities held by the Company at the reporting date which interest repricing can occur over a one-year period. Equity sensitivity represents a certain interest rate change results in a change in fair value recorded under other comprehensive income held by the Company at the reporting date, in which, investment in debt securities with fixed interest rate repricing can occur.

Change in interest rate	Net interest income sensitivity		Equity sensitivity	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Major yield curve – up 100BPS	-	-	(405,037)	(288,667)
Major yield curve – down 100BPS	-	-	447,564	314,046

The above sensitivity analysis is based on the assumption that the assets and liabilities have a static risk structure of interest rates. The analysis only takes into consideration changes in interest rates over a one-year period to reflect impacts on profit or loss and equity calculated on an annualized basis when the Company reprices its assets and liabilities. The assumptions are as follows:

- a) All of the repriced or matured assets and liabilities within the one-year period are assumed to be repriced or matured at the beginning of the relevant periods.
- b) The interest rates parallel shifts in yield curves.
- c) The portfolio of assets and liabilities has no other changes.

Based on the above assumptions, the Company's actual effects on the net interest income/ equity due to the increase or decrease in interest rates may differ from the results of this sensitivity analysis.

4) Weighted Price Index sensitivity analysis

The table below shows the effects on profits before tax and on equity if the Weighted Price Index of the Taiwan Stock Exchange increases or decreases by 10% and the Company assumes all other variables remain constant.

(Continued)

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Changes in the Weighted Price Index of the Taiwan Stock Exchange	Effects on profit before tax		Effects on equity	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Increase by 10%	-	-	199,165	173,152
Decrease by 10%	-	-	(199,165)	(173,152)

5) Foreign exchange risk

- a) The carrying amounts of the Company's financial instruments containing foreign currency assets and liabilities at the reporting date are listed as below by currency.

		December 31, 2024		December 31, 2023	
		Exchange rate	TWD	Exchange rate	TWD
Financial assets:					
Monetary items:					
USD	\$	32.79	3,605,964	30.71	3,112,801
JPN		0.21	15,969	0.22	9,467
HKD		4.22	2,179	3.93	2,023
			<u>\$ 3,624,112</u>		<u>3,124,291</u>
Non- monetary items:					
USD	\$	32.79	1,201,602	30.71	1,134,695
CAD		22.82	41,504	23.20	18,848
			<u>\$ 1,243,106</u>		<u>1,153,543</u>
Derivative financial instruments:					
USD	\$	-	-	30.71	54,371
Financial liabilities:					
Monetary items:					
USD	\$	32.79	69,574	30.71	38,347
Derivative financial instruments:					
USD	\$	32.79	34,813	-	-

b) Foreign exchange sensitivity analysis

The table below shows an analysis to assess the impact of 3% fall in the exchange rates of foreign currencies adjusted to incorporate the impacts of correlations of these currencies to New Taiwan dollar. If these currencies appreciate 3%, the effects on profits before tax and on equities will be opposite with the same amount.

(Continued)

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Currency	Changes in Exchange rate	Effects on profits before tax		Effects on equity	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
USD	-3%	(105,607)	(93,222)	(36,048)	(34,041)
JPN	-3%	(479)	(284)	-	-
HKD	-3%	(65)	(61)	-	-
CAD	-3%	(46)	(359)	(1,245)	(565)
CNY	-3%	-	-	-	-

The above sensitivity analysis is based on the static risk structure of foreign exchange at the reporting date. The assumptions are as below.

- i) Foreign exchange sensitivities are the exchange gains and losses that arise from 3% baseline movement of each foreign currency to New Taiwan dollar.
- ii) Calculating foreign exchange gaps includes foreign exchange spot gaps and forward foreign exchanges gaps.

Based on the above assumptions, the Company's actual effects on the foreign exchange net gain/ loss due to the movement in foreign exchange may differ from the results of this sensitivity analysis.

(iv) Operational risk

Operational risk is the potential risk of loss on the Company's financial instruments arising from inappropriate processes, systems, or personnel arrangement, or the impact of external events. The goal of the Company's operational risk management is to set up and effectively implement sound risk management mechanisms; therefore, the Company's operation and management goals will be achieved by lowering the operational risk.

The Company sets up operation manual and internal control systems for each of its business and operating activities, the related units shall comply with them. As of natural or artificial calamity, significant contagious disease, information service breakdown, the company has set up related emergency response and operation plan to ensure that the company can continue its operation of each business when significant accident happens.

(aa) Capital management

In accordance with the minimum capital regulated by the Insurance Bureau of the FSC, the Company's approaches to capital management are to monitor solvency adequacy, to guard against risks that may be encountered during operations, to safeguard the interests of policy holders, and to protect the interests of shareholders and stakeholders. The Company's capital management is also subject to the relevant R.O.C. regulations, for example, the deposit of statutory deposits in the Central Bank of the Republic of China and the provision of legal reserve and special earnings reserve.

The Company monitors the results of semi-annual and annual capital adequacy reports and considers annual forecast results of the dynamic capital adequacy to ensure it has sufficient solvency.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

According to the “Regulations Governing Capital Adequacy of Insurance Companies,” the capital adequacy ratio equals to adjusted net capital divided by risk-based capital, and the net worth ratio equals to the owner's equity divided by total assets excluding separate accounts for investment-linked insurance specified in the financial report audited by a certified public accountant. The Company uses the lower grade of capital adequacy ratio and net worth ratio as its capital grade. When an insurance company indicates its capital grade is inadequate, significantly inadequate or seriously inadequate, the insurance company shall not buy back its stock shares and distribute its net income of the year for which the capital grade is reported. Also, the competent authority may take necessary supervisory measures in accordance with paragraph 6, article 143 and section 1, paragraph 3, article 149 of the Insurance Law. The Company's capital adequacy ratios were above 200% in the past two years. The Company's net worth ratios were both above 3% in the last two semi-annual period, which achieved the minimum rate required by the Administration.

(ab) Nature and extent of risks arising from insurance contracts

(i) Objectives, policies, processes and methods for managing risks arising from insurance contracts

1) Objectives and policies of risk management

Risk management of the Company as a whole is focused on developing a culture of risk management. In order to effectively integrate the risk management, the Company uses a top-down policy under which the Board of Directors, the risk management committee, and high-level managers build sound policies of risk management and a bottom-up policy under which every business department is responsible for reporting to higher management to make sure all staff are aware of the risks that the Company faces.

The objective of implementing enterprise risk management while the Company pursues its operating goals is to reduce the fluctuations in operation and profitability, to decrease the uncertainty affecting the Company, and to ensure the achievement of operating goals, stable operation, sustainable development, and the realization of the Company's vision for the future through risk management activities.

2) The organization and responsibilities of risk management

a) Board of Directors

The Board of Directors is the highest monitoring organization of risk management. The Board of Directors leads in building the culture of risk management, and approves and implements the policy on risk management, the organization of risk management, the risk appetite, and other important issues. The Board of Directors makes sure the risk management is effective and takes final responsibility for risk management as a whole.

b) Risk management committee

The risk management committee is responsible for setting the risk management policy and rules, setting and monitoring each key risk indicator and risk-based limit, discussing and handling the related management rules and key risk indicator violations, and coordinating and deciding important issues.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

c) Chief risk officer

The Chief Risk Officer has the rights to obtain any business information that may potentially affect the risk profile of the Company and is responsible for overall risk management of the Company, involves in the discussion for important decision making, and provides insight relating to risk management on timely basis.

d) Risk management department

The risk management department comprises the secretariat of the risk management committee. The risk management department is responsible for setting policy and rules and implementing them; setting and monitoring each key risk indicator and risk-based limit; executing decisions of the Board of Directors and conveying their orders; managing and monitoring risk management as a whole; compiling and communicating risk management information; and providing an opinion on risk management.

e) Sales departments

Sales departments are responsible for identifying, evaluating, responding to, and monitoring the risks arising in those departments. They need to manage and report on the risks in daily operations, and confirm the effectiveness of the response. Sales departments should periodically communicate the risk management-related information and assist in collecting risk information for the risk management department.

f) Internal audit department

Internal audit department is responsible in auditing the status of implementation of risk management of each unit according to the current relevant laws and regulations.

3) Procedures and methodologies for insurance risk management

Insurance risk means the transfer of risk from the policyholder after the premium is received by agreeing to compensate the policyholder for claims or related expenses if a specified uncertain future event adversely affects the policyholder. Effective management systems the Company built for different insurance risks are as follows:

- a) Risk from product design and pricing: In addition to controlling risk from product design and pricing by adopting risk-transfer plans, considering the safety and appropriateness of the actuarial assumptions, and tracking after-sales experience, the Company manages the risk by applying profit testing, analysis of sensitivity, and loss distribution models to measure and control the risk arising from improper product design, inconsistency between contract terms and the information used in pricing, and unexpected changes.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

- b) Risk from insurance underwriting: In order to reduce unexpected risk of loss resulting from business solicitation, insurance underwriting, and other operating processes, the Company builds a proper insurance underwriting system and procedures, establishes the insurance underwriting handbook and policy, and sets indicators for insurance underwriting risk management.
- c) Risk from reinsurance: The Company considers its capacity for taking the retained risk and establishes upper limitations for each risk unit and each insured event accordingly and tries to transfer the over-limit risk by reinsurance. Also, in order to reduce the risk of un-recoverable premiums, claims, and other expenses because the reinsurers cannot fulfill the obligation of the reinsurance contracts, the Company periodically evaluates the credit ratings of the reinsurers.
- d) Risk from natural disasters: The Company identifies natural disasters that might cause material losses to the Company based on the characteristics of the products, and evaluates the greatest possible loss by applying risk models and scenario analysis, and also takes both the cumulative effects and the disaster risk into consideration.
- e) Risk from claims: The Company establishes a proper internal claim-handling process to reduce the risk resulting from inappropriate processing or mistakes in handling claims.
- f) Reserve-related risk: The Company uses the expected costs method to analyze the adequacy of the reserve to reduce the risk of unexecuted contract obligations resulting from an underestimated reserve. Also, the Company monitors the adequacy of the reserve by using the cash-flow method quarterly and provides additional premium deficiency reserve or liability adequacy reserve to prepare for the risk of reserve liability deficiency.

4) Assets and liabilities management method

When monitoring the risk of mismatched assets and liabilities, the Company mainly considers the market risk resulting from a change in value of assets to cover liabilities due to a change in the market price of assets, and the liquidity risk in the form of a shortage of cash or current assets for claims.

5) Capital management

The Company has set up a process for capital adequacy evaluation and periodically evaluates the risk-based capital ratio based on the regulations.

(ii) Credit risk, liquidity risk, and market risk

1) Credit risk

Credit risk of an insurance contract results from the reinsurer's not being able to fulfill the obligations and thus making the Company suffer the risk of financial loss. If the Company has an issue with reinsurers, it might cause impairment of the reinsurance assets.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.**Notes to the Financial Statements**

In order to monitor and control credit risk, the Company focuses on the credit risk of each investment target and the counterparty of the transactions, establishes clear transaction management policies for every credit level, and continuously evaluates the ratings of reinsurers and the transactions with well-known domestic and international reinsurers to distribute the credit risk. Therefore, the credit risk of financial assets held by the Company is not notably concentrated.

2) Liquidity risk

Most of the insurance contracts that the Company has assumed are one-year policies. The liquidity risk of the insurance contracts mainly comes from the possibility that the assets of the Company are insufficient to timely pay a large amount of claims when significant claims occur. After evaluation, the capital and operating funds of the Company are sufficient to pay all contract obligations, and there is no liquidity risk that the Company cannot raise enough money to fulfill the contract obligations.

3) Market risk

Based on the “Guidelines for Insurance Enterprises Handling All Statutory Reserves”, the risk factors of the insurance contracts that the Company has assumed include the reinsurance ratio, loss ratio, and expense ratio. Except for the unearned premium reserve for long-term fire insurance, reserves are not valued on a discounted basis. Therefore, the fluctuation of market interest rates will have no impact on the various types of reserve of the Company.

(iii) Insurance risk information

The main factors affecting the risk of the Company include the reinsurance ratio, loss ratio, and expense ratio. Of these, the expense ratio has no significant fluctuations because the commission ratio and sales and acquisition expenses are not prone to big fluctuations, and the reinsurance ratio will not have major changes after the reinsurance framework is set up. Therefore, the sensitivity test only focuses on the loss ratio.

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

1) Sensitivity of insurance risk

		2024	
Unit: Thousands		Effects on profit when expected loss ratio increases (decreases) by 5%	
Insurance contract type	Direct premiums written	Before ceding reinsurance	After ceding reinsurance
Automobile insurance	\$ 8,055,124	388,007	339,157
Residential fire insurance	293,817	14,824	14,824
Commercial fire insurance	3,850,043	174,804	101,054
Engineering insurance	1,216,652	48,069	23,813
Marine cargo insurance	762,111	38,000	20,900
Fishing vessel insurance	284,460	14,274	9,634
Liability insurance	1,295,685	60,545	29,267
Surety insurance	14,712	730	621
Other property insurance	1,098,136	39,170	13,157
Personal accident insurance	450,450	22,788	22,788
Health insurance	68,940	3,624	3,623
Compulsory automobile liability insurance	-	N/A	N/A
		2023	
Unit: Thousands		Effects on profit when expected loss ratio increases (decreases) by 5%	
Insurance contract type	Direct premiums written	Before ceding reinsurance	After ceding reinsurance
Automobile insurance	\$ 7,457,417	358,531	311,871
Residential fire insurance	287,741	14,703	14,703
Commercial fire insurance	3,220,058	125,408	54,873
Engineering insurance	865,504	27,598	14,493
Marine cargo insurance	682,427	33,974	17,800
Fishing vessel insurance	295,309	13,809	11,165
Liability insurance	1,095,419	50,164	18,072
Surety insurance	13,791	702	562
Other property insurance	1,074,810	35,172	10,476
Personal accident insurance	434,767	22,462	22,462
Health insurance	53,681	3,494	3,493
Compulsory automobile liability insurance	-	N/A	N/A

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

2) Descriptions of insurance risk concentrations

Insurance contracts that the Company has underwritten are spread over all types of insurance and not concentrated in a single type. The percentages of premiums of all types of insurance are as follows:

Insurance Type	2024			
	Direct premiums written		Retained earned premiums	
	Amount	%	Amount	%
Fire insurance	\$ 4,574,222	23 %	991,264	8 %
Marine insurance	1,140,821	6 %	542,659	5 %
Liability insurance	10,844,541	55 %	8,522,724	71 %
Surety insurance	14,712	- %	14,611	- %
Other property insurance	1,093,230	6 %	207,453	2 %
Personal accident insurance	700,485	3 %	657,253	5 %
Health insurance	98,966	1 %	98,719	1 %
Compulsory automobile liability insurance	1,131,369	6 %	975,552	8 %
Total	<u>\$ 19,598,346</u>	<u>100 %</u>	<u>12,010,235</u>	<u>100 %</u>

Insurance Type	2023			
	Direct premiums written		Retained earned premiums	
	Amount	%	Amount	%
Fire insurance	\$ 3,937,556	22 %	1,130,845	10 %
Marine insurance	1,054,444	6 %	557,597	5 %
Liability insurance	9,662,864	55 %	7,797,854	70 %
Surety insurance	13,791	- %	13,721	- %
Other property insurance	1,071,265	6 %	155,785	1 %
Personal accident insurance	667,508	5 %	605,556	5 %
Health insurance	87,058	- %	85,954	1 %
Compulsory automobile liability insurance	1,086,406	6 %	940,688	8 %
Total	<u>\$ 17,580,892</u>	<u>100 %</u>	<u>11,288,000</u>	<u>100 %</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

3) Trends in claims development

Trends in retained claims development:

As of December 31, 2024 and 2023, the trends in the previous year's accumulated claims development of the Company were as follows:

Accident year	December 31, 2024								Cumulative claims	Recognized amount on the balance sheet
	Estimate of cumulative claims (accounting year)							December 31, 2024		
	2017	2018	2019	2020	2021	2022	2023			
Before 2011	17,387,438	17,369,891	17,371,935	17,368,659	17,371,479	17,368,372	17,368,766	17,367,130	17,363,483	3,647
2012	3,036,007	3,039,278	3,037,411	3,040,270	3,040,386	3,039,669	3,039,650	3,039,636	3,037,435	2,200
2013	3,232,534	3,241,823	3,240,098	3,239,803	3,238,613	3,237,891	3,237,690	3,240,008	3,236,536	3,472
2014	3,177,531	3,187,955	3,184,090	3,172,049	3,171,017	3,170,765	3,168,139	3,168,045	3,152,041	16,004
2015	3,625,044	3,589,716	3,575,504	3,574,037	3,571,813	3,567,570	3,567,428	3,567,435	3,567,328	107
2016	4,309,656	4,267,367	4,217,429	4,219,856	4,210,828	4,208,206	4,207,688	4,205,097	4,202,955	2,142
2017	4,087,163	3,941,408	3,852,576	3,847,703	3,845,541	3,844,477	3,853,740	3,855,598	3,854,764	834
2018		4,175,215	4,072,504	4,025,650	4,006,313	4,014,294	4,016,244	4,013,595	4,006,906	6,689
2019			4,342,954	4,488,900	4,451,447	4,451,308	4,449,785	4,452,670	4,440,525	12,145
2020				4,440,763	4,669,306	4,662,688	4,662,097	4,655,565	4,624,314	31,251
2021					4,734,383	4,722,170	4,732,424	4,735,302	4,645,202	90,100
2022						10,119,443	10,087,229	10,185,929	9,953,125	232,805
2023							5,590,110	5,698,824	5,140,302	558,522
2024								6,501,735	3,442,238	3,059,497
								78,686,569	74,667,154	4,019,415

Compulsory automobile insurance claims reserve	\$	497,973
Nuclear insurance claims reserve		1,727
Compulsory earthquake insurance claims reserve		367
Unallocated loss adjustment expenses reserve		144,520
Claims reserve	\$	<u>4,664,002</u>

Accident year	December 31, 2023								Cumulative claims	Recognized amount on the balance sheet
	Estimate of cumulative claims (accounting year)							December 31, 2023		
	2016	2017	2018	2019	2020	2021	2022			
Before 2011	17,405,220	17,387,438	17,369,891	17,371,935	17,368,659	17,371,479	17,368,372	17,368,766	17,363,974	4,792
2012	3,037,935	3,036,007	3,039,278	3,037,411	3,040,270	3,040,386	3,039,669	3,039,650	3,037,450	2,201
2013	3,236,057	3,232,534	3,241,823	3,240,098	3,239,803	3,238,613	3,237,891	3,237,690	3,235,508	2,182
2014	3,190,581	3,177,531	3,187,955	3,184,090	3,172,049	3,171,017	3,170,765	3,168,139	3,151,947	16,192
2015	3,663,870	3,625,044	3,589,716	3,575,504	3,574,037	3,571,813	3,567,570	3,567,428	3,567,325	103
2016	4,477,463	4,309,656	4,267,367	4,217,429	4,219,856	4,210,828	4,208,206	4,207,688	4,203,211	4,476
2017		4,087,163	3,941,408	3,852,576	3,847,703	3,845,541	3,844,477	3,853,740	3,854,019	(279)
2018			4,175,215	4,072,504	4,025,650	4,006,313	4,014,294	4,016,244	4,002,106	14,138
2019				4,342,954	4,488,900	4,451,447	4,451,308	4,449,785	4,437,295	12,490
2020					4,440,763	4,669,306	4,662,688	4,662,097	4,606,558	55,539
2021						4,734,383	4,722,170	4,732,424	4,579,018	153,406
2022							10,119,443	10,087,229	9,637,715	449,514
2023								5,590,110	3,626,614	1,963,496
								71,980,990	69,302,740	2,678,250

Compulsory automobile insurance claims reserve	\$	466,736
Nuclear insurance claims reserve		1,195
Unallocated loss adjustment expenses reserve		97,520
Claims reserve	\$	<u>3,243,701</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

The Company recognizes the claims reserve based on expected future claims, including both reported and unreported claims. Because the recognition of this kind of reserve involves many uncertainties, estimations, and judgments, it contains high complexity. Any changes in estimations and judgments are regarded as changes in accounting estimates, and the effect of the changes will be booked in the net income of the current period. Some claims might have a delay in reporting to the Company. In addition, estimating the expected possible claims of unreported claims might involve previous claim experience and subjective judgments. Therefore, the claims reserve recognized at the reporting date may not be the same as the final claim payments. Claims reserve recognized is estimated based on the currently available information. However, the final result may depart from the initial estimation due to the subsequent development of claims.

The above table shows the trends in claim development. The “accident year” indicates the year that the claims occurred, and the estimate of cumulative claims shows both paid and unpaid claims for each year. The data show that the Company’s estimates of total claims for each accident year develop over time.

(ac) Investing and financing activities not affecting current cash flow

The Company’s investing and financing activities which did not affect the current cash flow in the years ended December 31, 2024 and 2023, were as follows:

- (i) For the acquisition of right-of-use assets through leasehold, please refer to notes 6(i) and 6(u).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes			December 31, 2024
			Addition of lease liabilities	Interest recognized of lease liabilities	Disposal of lease liabilities	
Lease liabilities	\$ 633,797	(117,796)	140,371	11,191	-	667,563
Guarantee deposits	2,421	(426)	-	-	-	1,995
	<u>\$ 636,218</u>	<u>(118,222)</u>	<u>140,371</u>	<u>11,191</u>	<u>-</u>	<u>669,558</u>

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Addition of lease liabilities	Interest recognized of lease liabilities	Disposal of lease liabilities	
Lease liabilities	\$ 428,944	(81,943)	279,079	8,513	(796)	633,797
Guarantee deposits	2,735	(314)	-	-	-	2,421
	<u>\$ 431,679</u>	<u>(82,257)</u>	<u>279,079</u>	<u>8,513</u>	<u>(796)</u>	<u>636,218</u>

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(7) Related-party transactions:

(a) Parent company

Mitsui Sumitomo Insurance Company Ltd. (“MSI”) is the parent company and the ultimate controlling party of the Company. It owns 100 percent of all shares outstanding of the Company.

(b) List of associates and relations thereof

Related parties that have transaction with the Company during the financial reporting period:

<u>Related party</u>	<u>Relationship with the Company</u>
Mitsui Sumitomo Insurance Co., Ltd. (MSI)	Parent company
AIOI Nissay Dowa Insurance Co., Ltd. (AIOI)	Other related party
MSIG Insurance (Singapore) Pte. Ltd. (MSIG (S))	Other related party
MSIG Insurance (Hong Kong) Ltd. (MSIG HK)	Other related party
MS Frontier Reinsurance Limited (MSRE (S))	Other related party
MSIG Insurance Europe AG (MSIG Europe)	Other related party
MS Amlin Marine N.V. (MS Amlin)	Other related party
MS First Capital Insurance Ltd.(MSFC)	Other related party
Mitsui Sumitomo Insurance Co., Ltd. Korea Branch (MSI (KR))	Other related party
MS Amlin AG (Bermuda branch) (MS Amlin)	Other related party
Mitsui Sumitomo Insurance (China) Co., Ltd.	Other related party
Key management personnel	Key management personnel
Other	Other related parties disclosed in accordance with IAS 24

(c) Significant transactions with related parties

(i) Reinsurance ceded

1) Premiums paid on reinsurance ceded

	<u>2024</u>	<u>2023</u>
Parent company-MSI	\$ 327,889	291,836
Other related parties	<u>79,328</u>	<u>68,520</u>
	<u>\$ 407,217</u>	<u>360,356</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.**Notes to the Financial Statements**

2) Commission income on reinsurance ceded

	2024	2023
Parent company-MSI	\$ 86,790	81,036
Other related party-MSFC	11,082	8,161
Other related parties	<u>8,074</u>	<u>8,395</u>
	<u>\$ 105,946</u>	<u>97,592</u>

3) Claims recovered from reinsurers

	2024	2023
Parent company-MSI	\$ 64,686	65,541
Other related parties	<u>17,192</u>	<u>16,316</u>
	<u>\$ 81,878</u>	<u>81,857</u>

4) Claims recoverable from reinsurers

	December 31, 2024	December 31, 2023
Parent company-MSI	\$ 8,294	20,645
Other related party-MSFC	1,363	1,554
Other related parties	<u>661</u>	<u>1,223</u>
	<u>\$ 10,318</u>	<u>23,422</u>

5) Due from other insurers

	December 31, 2024	December 31, 2023
Parent company-MSI	\$ 24,855	32,446
Other related party -MSFC	1,256	5,576
Other related parties	<u>72</u>	<u>133</u>
	<u>\$ 26,183</u>	<u>38,155</u>

6) Due to other insurers

	December 31, 2024	December 31, 2023
Parent company-MSI	\$ 116,951	126,119
Other related parties	<u>15,272</u>	<u>7,262</u>
	<u>\$ 132,223</u>	<u>133,381</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) Reinsurance assumed

1) Premiums received on reinsurance assumed

	2024	2023
Other related party-MSI (KR)	\$ <u>893</u>	<u>1,323</u>

2) Commission expenses on reinsurance assumed

	2024	2023
Other related party-MSI (KR)	\$ <u>178</u>	<u>265</u>

3) Claims paid to reinsurers

	2024	2023
Other related party-MSI (KR)	\$ <u>24</u>	<u>114</u>

The Company's reinsurance revenues included transactions with MS First Capital Insurance Ltd., an associate of the Company, via an insurance agency company since 2018. For the years ended December 31, 2024 and 2023, the transactions with this related associate include reinsurance expense ceded of \$153,328 thousand and \$111,537 thousand, commission income on reinsurance ceded of \$4,631 thousand and \$(2,547) thousand, and claims recovered from reinsurers of \$95,499 thousand and \$1,545 thousand, respectively.

(iii) Group support service cost

	Transaction amount		Accrued expense	
	2024	2023	2024	2023
Parent company-MSI	\$ <u>3,466</u>	<u>838</u>	<u>5,250</u>	<u>5,250</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2024	2023
Short-term employee benefits	\$ 37,562	46,367
Post-employment benefits	<u>243</u>	<u>215</u>
	\$ <u>37,805</u>	<u>46,582</u>

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(8) Pledged assets:

The details of pledged assets and guarantees were as follows:

<u>Pledged assets</u>	<u>Pledge target</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Government bond (Other assets – refundable deposits)	Operating guarantee deposits and legal deposits	\$ 459,632	390,528
Time deposit (Other assets – refundable deposits)	Performance deposits, legal deposits and other deposits	3,350	7,756
		<u>\$ 462,982</u>	<u>398,284</u>

(9) Commitments and contingencies

(a) Major unrecognized contract commitments

- (i) The Company had signed contracts with vendors to upgrade its computer software and hardware, back-up system, and operating system and building construction and repair. The commitments not yet paid amounted to \$215,291 thousand, \$187,231 thousand, as of December 31, 2024 and 2023, respectively. The remaining amount will be paid according to the schedules of the contracts.

(b) Contingent liabilities

- (i) As of December 31, 2024, the Company had outstanding lawsuits regarding its insurance business, with claims for a total of 13 lawsuits amounting to \$107,119 thousand, of which \$76,965 thousand was reinsured, and the remainder has been provided as claim reserve. These cases are still in the trial phase.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.
Notes to the Financial Statements

(12) Others:

(a) Employee expenses, depreciation expenses, and amortization expenses were as follows:

Items	2024			2023		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee expenses:						
Salaries and wages	6,109	1,103,278	1,109,387	-	1,335,548	1,335,548
Labor and health insurance	-	115,640	115,640	-	106,197	106,197
Pension expense	-	42,542	42,542	-	42,183	42,183
Remuneration of directors	-	7,589	7,589	-	7,753	7,753
Others	245	64,074	64,319	197	51,912	52,109
Depreciation expenses	132	173,103	173,235	684	138,671	139,355
Amortization expenses	-	40,149	40,149	-	52,391	52,391

For the years ended December 31, 2024 and 2023, there were 1,314 and 1,296 employees, respectively, and there were 6 directors who were not employees.

For the years ended December 31, 2024 and 2023, the total numbers of employees and employee expenses were as follows:

	2024	2023
Number of employees	<u>1,314</u>	<u>1,296</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,018</u>	<u>1,191</u>
The average salaries and wages	<u>\$ 848</u>	<u>1,035</u>
The adjustment rate of average employee salaries	<u>(18.07)%</u>	<u>25.76 %</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company's compensation policy (for directors, managerial officers and employees) is as follows:

The Company established the compensation standards with reference to its operating performance, financial position, organizational structure and the general pay level in the industry. Salary adjustment shall be implemented based on movements in average salary, the overall economy, business fluctuations, and regulatory requirements. Every employee's salary shall be decided according to educational background, expertise, skills, and seniority. Bonus shall be determined based on both the Company's operating performance and the employee's personal performance.

(i) Directors

Director compensation shall demonstrate reasonable correlation among individual performance, the Company's operating performance, and future risks.

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MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(ii) Managerial officers

In order to reflect managerial officers' services and contributions, and to prevent managerial officers from pursuing compensation by exceeding risk appetite, compensation shall be determined to show a reasonable correlation among the Company's operating performance, financial position, future risks, and future risks.

(iii) Employees

To attain sustainable development, the Company values talent cultivation and career development, with a focus on internationality and expertise. To encourage and appreciate employees' contributions, and to provide a path to fair promotion, the Company established a system for annual performance appraisal, personnel evaluation, and year-end bonus. Additionally, pay adjustment shall be performed based on the Company's overall operating performance to reflect individual performance.

(b) Information on outsourced fund management

As of December 31, 2024 and 2023, the portfolios and fund limits of investment portfolios entrusted to securities investment trust enterprises or securities investment consulting enterprises were as follows:

Fund manager	Portfolios entrusted	December 31, 2024	December 31, 2023
		Fund limit	Fund limit
Prudential Financial Securities Investment Trust Enterprise	Securities	\$ 4,120,000	2,600,000
Nomura Securities Investment & Trust Co., Ltd.	"	770,000	770,000
Allianz Global Investment	"	590,000	710,000
Taishin Securities Investment Trust Co., Ltd.	"	600,000	630,000
Fuh Hwa Securities Investment Trust Co., Ltd.	"	300,000	320,000
Capital Investment Trust Co., Ltd.	"	670,000	540,000
Manulife Investment Trust Co., Ltd.	"	2,850,000	2,830,000
		\$ 9,900,000	8,400,000

As of December 31, 2024 and 2023, the details of the above portfolios entrusted were as follows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents – cash in bank	\$ 1,256,776	2,460,902
Financial assets at fair value through profit or loss – stocks (Includes preferred stock)	2,943,981	2,636,241
Financial assets at fair value through profit or loss – bonds	362,650	362,936
Financial assets at fair value through profit or loss – REITS	106,610	38,556
Financial assets at fair value through profit or loss – Beneficiary certificates	668,390	-
Financial assets measured at FVOCI – bonds	5,175,756	3,580,057
	\$ 10,514,163	9,078,692

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(c) Retained earned premiums for compulsory/voluntary insurance

2024						
	Direct premium written (1)	Reinsurance premiums assumed (2)	Reinsurance premiums ceded (3)	Retained premiums (4)=(1)+(2)-(3)	Net movement of unearned premium reserve (5)	Retained earned premiums (6)=(4)-(5)
Voluntary	\$ 18,466,977	319,117	7,751,411	11,034,683	405,052	10,629,631
Compulsory	1,131,369	331,674	487,491	975,552	14,073	961,479
Total	\$ 19,598,346	650,791	8,238,902	12,010,235	419,125	11,591,110

2023						
	Direct premium written (1)	Reinsurance premiums assumed (2)	Reinsurance premiums ceded (3)	Retained premiums (4)=(1)+(2)-(3)	Net movement of unearned premium reserve (5)	Retained earned premiums (6)=(4)-(5)
Voluntary	\$ 16,494,486	330,733	6,477,907	10,347,312	431,423	9,915,889
Compulsory	1,086,406	321,225	466,943	940,688	9,521	931,167
Total	\$ 17,580,892	651,958	6,944,850	11,288,000	440,944	10,847,056

(d) Net claims for compulsory/voluntary insurance

2024				
	Direct claims (1)	Reinsurance claims (2)	Claims recovered from reinsurance (3)	Net claims (4)=(1)+(2)-(3)
Voluntary	\$ 8,692,865	64,915	3,352,897	5,404,883
Compulsory	742,289	304,035	444,783	601,541
Total	\$ 9,435,154	368,950	3,797,680	6,006,424

2023				
	Direct claims (1)	Reinsurance claims (2)	Claims recovered from reinsurance (3)	Net claims (4)=(1)+(2)-(3)
Voluntary	\$ 7,541,709	43,703	1,772,778	5,812,634
Compulsory	680,285	301,983	401,662	580,606
Total	\$ 8,221,994	345,686	2,174,440	6,393,240

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.
Notes to the Financial Statements

(e) Retention limit for each insured unit

Item	2024	2023
Residential fire insurance	\$ 120,000	120,000
Long-term residential fire insurance	120,000	120,000
Commercial fire insurance	600,000	600,000
Commercial earthquake insurance	600,000	600,000
Typhoon flood insurance	600,000	600,000
Compulsory earthquake insurance	596,000	1,500
Inland marine insurance	220,000	220,000
Marine cargo insurance	220,000	220,000
Marine hull insurance	236,000	236,000
Fishing vessel insurance	236,000	236,000
Aviation insurance	120,000	120,000
Motor vehicle physical damage insurance	35,000	35,000
Commercial automobile insurance hull damage	35,000	35,000
Motor vehicle third-party liability insurance	505,000	505,000
Commercial automobile liability insurance	505,000	505,000
Compulsory non-commercial automobile liability insurance	1,000	1,000
Compulsory commercial automobile liability insurance	1,000	1,000
Compulsory motorcycle liability insurance	950	950
General liability insurance	600,000	600,000
Professional liability insurance	600,000	600,000
Engineering insurance	600,000	600,000
Nuclear energy insurance	160,000	155,000
Surety insurance	200,000	200,000
Credit insurance	200,000	200,000
Other property insurance	200,000	200,000
Personal accident insurance	80,000	80,000
Health insurance	30,000	30,000
Personal comprehensive insurance	200,000	200,000

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.
Notes to the Financial Statements

(f) Liability reserves for compulsory automobile/motorcycle liability insurance (Retention)

2024				
Compulsory automobile liability insurance	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 225,868	231,483	225,868	231,483
Claim reserves	330,939	355,785	330,939	355,785
Special reserves	1,554,587	31,147	10,344	1,575,390
Total	\$ 2,111,394	618,415	567,151	2,162,658
Compulsory motorcycle liability insurance	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 127,429	134,361	127,429	134,361
Claim reserves	135,573	141,330	135,573	141,330
Special reserves	1,196,670	60,218	-	1,256,888
Total	\$ 1,459,672	335,909	263,002	1,532,579
Compulsory mini electric two-wheel vehicles insurance	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 2,671	4,197	2,671	4,197
Claim reserves	224	858	224	858
Special reserves	836	1,327	46	2,117
Total	\$ 3,731	6,382	2,941	7,172
2023				
Compulsory automobile liability insurance	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 222,878	225,868	222,878	225,868
Claim reserves	347,382	330,939	347,382	330,939
Special reserves	1,465,777	88,810	-	1,554,587
Total	\$ 2,036,037	645,617	570,260	2,111,394
Compulsory motorcycle liability insurance	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 123,422	127,429	123,422	127,429
Claim reserves	131,724	135,573	131,724	135,573
Special reserves	1,161,697	39,906	4,933	1,196,670
Total	\$ 1,416,843	302,908	260,079	1,459,672

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

Compulsory mini electric two-wheel vehicles insurance	2023			
	Beginning balance	Increase	Decrease	Ending balance
Unearned premium reserves	\$ 147	2,671	147	2,671
Claim reserves	1	224	1	224
Special reserves	77	759	-	836
Total	\$ 225	3,654	148	3,731

Note: The amount for each of the reserves mentioned above is presented net of their corresponding reinsurance contract assets.

- (g) The contents and transaction details of unqualified reinsurance contracts that the Company engaged were as follows:

December 31, 2024	
Object	Description
GENCON INSURANCE COMPANY OF VERMONT	Accident facultative reinsurance contracts
Trust Re, Labuan Branch	Engineering insurance contracts
Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE.	Fire facultative reinsurance contracts
Asia Capital Reinsurance Group, HK Branch	Marine insurance, Engineering facultative reinsurance contracts
December 31, 2023	
Object	Description
GENCON INSURANCE COMPANY OF VERMONT	Accident facultative reinsurance contracts
Trust Re, Labuan Branch	Marine insurance contracts, Engineering insurance contracts
Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE.	Fire facultative reinsurance contracts
Asia Capital Reinsurance Group Pte Ltd.	Marine insurance contracts, Fire insurance contracts
Asia Capital Reinsurance Group, HK Branch	Marine insurance, Engineering facultative reinsurance contracts
Reinsurance expense ceded	2024 \$ 17,986
Commission on reinsurance ceded	2023 976
	18,387 1,006

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

As of December 31, 2024 and 2023, the amounts of the additional unqualified reinsurance reserve recorded in the supervisory report were as follows:

	December 31, 2024	December 31, 2023
Unearned premium reserves (ceded)	\$ 4,773	4,989
Reserve for claims reported but not paid (ceded)	10,628	952
Claims recoverable from reinsurers (aged less than 9 months)	<u>400</u>	<u>31</u>
Total	<u>\$ 15,801</u>	<u>5,972</u>

- (h) Segregation requirement for the specific assets of compulsory automobile liability insurance, and information about assets and liabilities and revenue and profit
- (i) The Company operates a compulsory automobile liability insurance business and set up separate accounting books to record the business and financial status of this insurance in accordance with the “Compulsory Automobile Liability Insurance Act”. As of December 31, 2024 and 2023, the assets and liabilities that the Company had for the operation of this insurance business were as follows:

	December 31, 2024	December 31, 2023
<u>Assets</u>		
Cash and cash equivalents	\$ 2,905,380	2,760,475
Notes receivable	12,205	12,801
Premium receivable	14,554	12,912
Claims recoverable from reinsurers	82,636	77,360
Due from other insurers	55,147	53,798
Financial assets at fair value through other comprehensive income	758,208	782,377
Unearned premium reserve (ceded)	274,916	263,133
Claims reserve (ceded)	342,488	313,083
Suspense accounts	<u>180</u>	<u>2,278</u>
Total	<u>\$ 4,445,714</u>	<u>4,278,217</u>
<u>Liabilities</u>		
Claims payable	\$ 38,661	43,046
Due to other insurers	87,240	84,158
Unearned premium reserve	644,957	619,101
Claims reserve	840,461	779,819
Special reserve	<u>2,834,395</u>	<u>2,752,093</u>
Total	<u>\$ 4,445,714</u>	<u>4,278,217</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

In accordance with Article 5 of the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”, the Company makes time deposits in financial institutions or invests in domestic securities approved by the authority in an amount equal to the special reserves provided for compulsory automobile liability insurance. As of December 31, 2024 and 2023, the above-mentioned time deposits were \$2,076,250 thousand, \$1,969,750 thousand and the government bonds were \$758,208 thousand, \$782,377 thousand, respectively. Furthermore, in accordance with Article 6 of the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”, funds held for this insurance (including all kinds of reserves, accounts payable, and suspense accounts, except for the above-mentioned special reserve set aside as prescribed above) should be deposited in financial institutions as demand deposits and time deposits or used to purchase domestic securities approved by the authority. As of December 31, 2024 and 2023, the fund allocation of compulsory automobile liability insurance except for special reserves amounted to \$376,630 thousand, \$680,225 thousand, respectively, in demand deposits and \$452,500 thousand, \$110,500 thousand, respectively, in time deposits in financial institutions for the purpose of covering compulsory automobile surrender premiums, insurance claims and benefits, and related expenses.

(ii) Information about revenue and cost for this insurance business were as follows:

	<u>2024</u>	<u>2023</u>
Operating revenues		
Premium income (including reinsurance premium assumed)	\$ 1,144,158	1,099,453
Less: Reinsurance premium ceded	487,491	466,943
Unearned premium reserve movement, net	<u>14,073</u>	<u>9,521</u>
Retained earned premium	642,594	622,989
Interest income	<u>45,932</u>	<u>40,569</u>
	<u>\$ 688,526</u>	<u>663,558</u>
	<u>2024</u>	<u>2023</u>
Operating costs		
Claims (including reinsurance claims)	\$ 1,046,324	982,268
Less: Claims recovered from reinsurers	<u>444,783</u>	<u>401,662</u>
Net claims	601,541	580,606
Claims reserve movement, net	31,237	(12,371)
Special reserve movement, net	<u>82,302</u>	<u>124,542</u>
	<u>\$ 715,080</u>	<u>692,777</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

(i) Liquidity analysis of assets and liabilities

As of December 31, 2024 and 2023, the liquidity analysis of assets and liabilities were as follows:

	December 31, 2024		
	Expected to be received and paid within twelve months	Expected to be received and paid after more than twelve months	Total
Assets			
Cash and cash equivalents	\$ 9,640,639	-	9,640,639
Accounts receivable	2,320,852	-	2,320,852
Current tax assets	35,008	-	35,008
Financial assets at fair value through profit or loss	5,254,967	362,650	5,617,617
Financial assets at fair value through other comprehensive income	649,017	6,060,827	6,709,844
Investment property	-	217,270	217,270
Reinsurance contract assets	11,464,339	1,622,888	13,087,227
Property and equipment	-	548,980	548,980
Right-of-use assets	-	636,426	636,426
Intangible assets	-	110,961	110,961
Other assets	34,832	751,182	786,014
Net defined benefit assets	-	156,801	156,801
	<u>\$ 29,399,654</u>	<u>10,467,985</u>	<u>39,867,639</u>
Liabilities			
Accounts payable	\$ 3,985,458	688	3,986,146
Current tax liabilities	32,303	-	32,303
Financial liabilities at fair value through profit or loss	34,813	-	34,813
Lease liabilities	114,695	552,868	667,563
Insurance reserves	23,619,207	2,400,795	26,020,002
Other liabilities	1,881	114,281	116,162
	<u>\$ 27,788,357</u>	<u>3,068,632</u>	<u>30,856,989</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.

Notes to the Financial Statements

	December 31, 2023		
	Expected to be received and paid within twelve months	Expected to be received and paid after more than twelve months	Total
Assets			
Cash and cash equivalents	\$ 10,345,363	-	10,345,363
Accounts receivable	2,146,776	-	2,146,776
Other assets classified as held for sale	113,038	-	113,038
Current tax assets	38,222	-	38,222
Financial assets at fair value through profit or loss	4,064,064	362,936	4,427,000
Financial assets at fair value through other comprehensive income	427,862	4,782,712	5,210,574
Investment property	-	217,402	217,402
Reinsurance contract assets	7,311,315	626,436	7,937,751
Property and equipment	-	573,057	573,057
Right-of-use assets	-	611,161	611,161
Intangible assets	-	92,167	92,167
Other assets	30,245	699,108	729,353
Net defined benefit assets	-	31,966	31,966
	<u>\$ 24,476,885</u>	<u>7,996,945</u>	<u>32,473,830</u>
Liabilities			
Accounts payable	\$ 3,125,156	704	3,125,860
Lease liabilities	95,705	538,092	633,797
Insurance reserves	18,281,705	1,313,202	19,594,907
Other liabilities	89,387	116,245	205,632
	<u>\$ 21,591,953</u>	<u>1,968,243</u>	<u>23,560,196</u>

(Continued)

MSIG MINGTAI INSURANCE CO., LTD.
Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The report for the year ended December 31, 2024 was compiled according to the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and should disclose the following significant transactions:

- (i) Expenditures in excess of \$100,000 thousand or 20% of the Company’s share capital for investments in real estate: None
- (ii) Disposals of real estate with a value in excess of \$100,000 thousand or 20% of the Company’s share capital:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	1st floor to 12th Floor, No.222, Minquan Rd, North Dist, Taichung City	2024.01.19	1995.01.28	100,843	236,000	Fully received	130,123	Kung Hsue She Musical Co., Ltd,	Non-related party	To realize capital gain	Property valuation report	None

- (iii) Related-party transactions in excess of \$100,000 thousand or 20% of the Company’s share capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counterparty	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Accounts or notes receivable (payable)		Note
			Revenue (Expense)	Amount	Percentage of total premium	Credit period	Unit price	Credit period	Balance	Percentage of total accounts or notes receivable (payable)	
The Company	Mitsui Sumitomo Insurance Co., Ltd.	Parent company	Premiums paid on reinsurance ceded	327,889	4 %	-	-	-	(116,951)	4%	

- (iv) Accounts receivable from related parties in excess of \$100,000 thousand or 20% of the Company’s share capital: None
- (v) Derivative business transactions: please see note 6(d).

- (b) Information related to long-term investments: None
- (c) Investments in Mainland China: None
- (d) Major shareholders: Note applicable to the Company.

(14) Segment information:

(a) General information

The Company complies with the Insurance Act, and it engages in non-life insurance business. The Company only provides insurance products, and the operating decision makers decide how to allocate the resources of the Company as a whole. Therefore, according to IFRS 8, the whole Company is a single operating segment.

(b) Information about the segment’s income or loss, assets, liabilities, measurement basis and reconciliation

The Company is a single operating segment. The segment’s income or loss, and assets and liabilities are in conformity with the financial statements. Please refer to the statement of financial position and the statement of comprehensive income.

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MSIG MINGTAI INSURANCE CO., LTD.
Notes to the Financial Statements

(c) Enterprise-wide information

(i) Information about products and services

Information about the Company's revenue from external customers was as follows:

	2024	2023
Fire insurance	\$ 4,574,222	3,937,556
Marine insurance	1,140,821	1,054,444
Liability insurance	10,844,541	9,662,864
Surety insurance	14,712	13,791
Other property insurance	1,093,230	1,071,265
Personal accident insurance	700,485	667,508
Health insurance	98,966	87,058
Compulsory automobile liability insurance	<u>1,131,369</u>	<u>1,086,406</u>
	<u>\$ 19,598,346</u>	<u>17,580,892</u>

(ii) Regional information

All the written premium income of the Company was from insurers in Taiwan. In addition, all non-current assets of the Company (other than financial assets, deferred income tax assets, the plan assets of pension funds and the contractual rights of the insurance contracts) were also located in Taiwan.

(iii) Important customer information

No single customer accounted for has more than 10% of the Company's income.