

Chung Kuo Insurance Company, Limited
Risk Management Information

| Item | Information |
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| Risk Management Department | <p>The risk management framework consists of the risk assumption unit, risk control unit and internal audit unit dedicated to the various job responsibilities related to risk management. The dedicated Risk Management Department that exercises its power independently of the business unit is responsible for controlling, measuring and assessing the Company's routine risk.</p> <p>The Risk Management Committee subordinated to the Board of Directors is responsible for the Company's entire risk management. The Board of Directors shall ensure the validity of risk management and be responsible for the entire risk management ultimately.</p> |
| Risk Management Policies and Frameworks | <p>In order to fulfill the risk management philosophy and integrate the risk management mechanism to the Company's routine operating activities, and in consideration of the corporate culture, operating environment, ability to manage risk and related laws and regulations, the Company sets the risk management policy as the basis for performance of the routine risk control operations.</p> <p>The risk management policy covers the risk management strategies, risk management objectives, risk management organization and functions, major types of risk, risk appetite, risk assessment, feedback and control, and documentation to establish adequate risk management mechanism, ensure the capital adequacy and solvency, and well-found insurance business operating.</p> |

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| Risk Management Mechanism | Market Risk | The market risk management mechanism includes periodical evaluation on various investment asset positions involving market risk based on such risk factors as market interest rate, currency exchange rate and fluctuation in price of equity, establishment of procurement principles, limit of investment positions, limit of concentration and stop-loss mechanism by risk characteristics involved in the financial instruments and evaluation on the probable maximum loss of investment positions within specific time limit incurred under the level of confidence based on Value at Risk (VaR) method. |
| | Credit Risk | The credit risk management mechanism includes careful evaluation whether trading counterparts, issuers, guarantee organizations and re-insurer meet the specific credit rating before transactions, validity of transaction, limit management of credit rating, and post-transaction credit control, and also sets the limit of concentration with respect to the transaction with the same person, same related party, same affiliate and business group based on the same trading value to avoid over concentration of risk. |
| | Liquidity Risk | The liquidity risk management mechanism includes set-up of a funding unit independent of the trading unit dedicated to managing daily cash and continuous cash flow, controlling various business units' net cash flow, evaluating and controlling short-term cash flow needs, respond to the future funding, and draft response plans against extraordinary or urgent situations to deal with significant liquidity risk. |
| | Operating Risk | The operating risk management mechanism includes enactment of internal control system, compliance system, compliance manual, internal operating manual and authorizations governing the job-division system to mitigate the possibility of operating risk or reduce the loss thereof; collection, recording and analysis of the direct or indirect loss of data resulting from the failure or error in the internal processes, people and system, or from external |

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| | | events; establishment of operating risk loss database, and performance of periodic risk and control self-assessment, identification of potential operating risk, and development of the adequate procedure for managing operating risk. |
| Risk Management Mechanism | Insurance Risk | The insurance risk management mechanism includes enactment of the guidelines governing underwriting and claim with respect to the risk over product design and pricing, underwriting, re-insurance, catastrophe, claim and reserve fund, according to the various risk characteristics, experience of loss and corporate policy & objective, in order to maintain the business quality and reduce potential risk effectively, and set up the re-insurance risk management plan, and set the maximum limit of deductible per unit with respect to each type of risk and control the risk over deductibles, in consideration of the Company's risk tolerance, the probable maximum loss per type of risk and potentially accumulated risk limit. |
| | Assets and Liabilities Allocation Risk | The asset and liability allocation risk management mechanism includes the adequate allocation of assets when investing the fund in various asset portfolio, in consideration of the allowance for reserves and payments such as insurance claims to ensure that the cash flow of assets may cover the need for cash flow of liabilities, and to form, execute, control and amend the strategies related to assets and liabilities to achieve the financial objectives contemplated by the Company, insofar as it is tolerable. |
| | Other Risk | Other risk management mechanism includes response to the Company's business objectives, exposure and changes of external environment, and establishment of adequate risk control procedure per the risk characteristics and effect to the Company, and management of reasonable foreseeable and critical risk. |