

## 5. Methodology and assumption for valuation of insurance contract liabilities

Insurance contract liabilities consist of long term insurance policy reserves, loss reserves, claims payable and premium reserves.

### a. Long term insurance policy reserves

At the end of the reporting period, the Company compares the amounts of gross premium valuation reserves with unearned premium reserves, and if gross premium valuation reserves are higher than unearned premium reserves, the Company will recognise such difference and gross premium valuation reserves are presented in the financial statements.

#### (1) Unearned premium reserves

|                                |  |
|--------------------------------|--|
| Life reinsurance - Treaty      | - Monthly average basis<br>(the one-twenty fourth basis)               |
| Life reinsurance - Facultative | - Daily average basis<br>(the one-three hundred and sixty fifth basis) |

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as direct insurance, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

#### (2) Gross premium valuation reserves

Gross premium valuation reserves are life policy reserves, calculated using an actuarial method in accordance with the OIC notifications. The main assumptions applied relate to lapse or surrender rate, selling and administrative expenses, mortality, morbidity, discount rate and non-guaranteed dividend payment rate.

### b. Loss reserves

Loss reserves are provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of estimated claim will not exceed the sum-insured under the relevant policy.

Loss reserves are calculated using an actuarial method based on the best estimate of claims expected to be paid to the insured in respect of losses incurred before or as at the end of the reporting period whether or not the claims are reported to the Company,

