



## *Economic Profile in 2007*

### **I. Economic situation**

#### (I) International situation

In 2007, although U.S. sub-prime mortgage contribute to the liquidity crunch and confidence fluctuation problems, and international oil price and raw materials price keep rising wildly, but global economic situation is still well-advised and optimistic only under the support of strong purchasing power of emerging economics. Extension in next year will be slow down by the effect on the aggravation of sub-prime mortgage. According to Global Insight Inc., the newest forecast suggests that the global economic growth rate will decrease slightly from 3.9% in 2006 to 3.8% in 2007. Amended by real estate market, the economic growth power in American economics is predicted to be lower. Under the promotion of steady growth on private consumption expenditure and export, the economics in Japan will be kept on steady growing. Although EU is influenced by U.S. sub-prime mortgage and appreciation of Euro, but only increase fixedly the investment, lower the rate of unemployment, and intensify the consumer credit, the economics predicted to be extended steady. Although China still persist in regulation and control policy, but their export and investment is still on expanding plus the promotion on economics by the Olympics next year, predicted their growth situation will be still high.

#### (II) Domestic situation

In 2007, the annual economic growth rate in Taiwan is 5.70%. On the external demands, although the prosperities in U.S., Japan, and EU indicated to be alleviated, but the economic performance of emerging markets, such as China, is still very powerful. The economic situations in our major trading partners are still good, so our external trade will be kept on steady situation. On the internal demands, the enhancement of private consumption expenditure should be facilitated by the alleviation of debt effect, upturn of consumer finance, and improvement of labor situation. Under the promotion on expanding and process enhancement of leading semiconductor factories and activation of real estate, small growth is predictable. Whole economy will expand moderately based on the continuous upturn of internal demands and steady growth of external demands.

In the signal of economic strategy, it had been turned from red/yellow to green, indicating that Taiwan domestic market is steadily booming. However, as the subsequent development of the U.S. sub-prime mortgage crisis, the international oil and raw materials price still at its peak, and add more uncertainties on the global economy. Taiwan government should keep on observing the shifts in relevant circumstances in order to take up countermeasures in a timely manner.

Looking into 2008, as impacted by the U.S. sub-prime mortgage crisis, the global economic growth is expected to be alleviated than 2007. Of emerging markets, the export share of Taiwan is expected to rise continuously, and its growth dynamics could somewhat absorb the impact for slowing import demands among industrialized countries. In internal demands, as the improvement of employment situation, distribution of stock dividends by public-traded and OCT-listed corporations, and the promotion of urban reengineering by government, private consumption expenditure and investment are expected to hold steady; as to the limitation on increment of expenditure in public departments, generally, the economic growth rate is predicted to be 4.32%.

## **II. Export trading and import/export structure**

Although with a weak domestic demand, Taiwan's foreign trade had performed respectable as propelled by the global economic boom, making it a major force driving Taiwan's economic growth. In 2007, Taiwan's cumulative product exports reached US\$246.7 billion, or annual growth rate of 10.14%; on imports, Taiwan reported its annual volume is US\$219.3 billion, or annual growth rate of 8.21%. With that, its cumulative trade surplus for the year 2007 had reached to \$27.38 billion, rewriting a history high.

With Taiwan's outstanding performance on trade surplus owing more than a thriving global economy and a steady market demand, the relatively weak NTD to the other major international currencies had also been one of the main reasons. Looking into 2008, as the growth of the major economics, such as U.S., EU, and Japan, is slowing down, there will be some change in the promotion of economic growth driven by foreign trading based on the circumstance that future growing space is limited.

In 2007, although the growth of global economy is influenced and slowed-down by U.S. sub-prime mortgage crisis and its subsequent impacts, yet Taiwan's export structure had undergone a significant shift, with weighing on the emerging markets continuing to rise (the export share on ASEAN-5, Vietnam, India and Middle East areas had reached to 17.7%, much higher than U.S. (13.0%) and EU (10.8%)). Furthermore, we can absorb some impacts from the decreasing of some industrialized countries' demands.

## **III. Inflation of consumer price**

In 2007, as impacted by a rising of international oil and raw materials price, Taiwan's import price deflator and wholesale price index had rose 6.2% and 7.5%, respectively in the fourth quarter. Annual index is 5.2% and 6.46%, respectively. Export price deflator is 2.72%. On the consumer price index, with a better climate for the first seven months of this year, the vegetable and fruit prices had been holding steady, yet as impacted by the wind disasters since August, delving a severe blow to the produce output, and as the grain prices going up along the international going rates, it had driven the consumer price

index to rise by 4.5%, and the annual consumer pricing index had risen by 1.80%.

Looking into 2008, as the international material price hikes are expected to taper, coupled with rising tendency of NTD, some appreciation pressure can be offset and the wholesale price index is expected to be 4.2%. On the Consumer Price Index (CPI), the cost pressure of grain and industrial materials is reflected on the rise of several goods. Only the price fluctuation in service business is maintained steady, vegetable and fruit price will be come down after the recovery of supply. Predict the annual CPI is rising to 1.98%.

#### **IV. Employment**

As the employment number is drive by the increasing demand in the service section and the industrial sector, the job market had been holding steady, and the unemployment rates were in a slowly tapering trend, with 2007's average unemployment rate reported at 3.91%, unbiased in 2006, and is at second place by counting from the end within the past seven years. With the interaction between the alleviation of debt negative effect and continuous improvement of domestic CPI and employment, private consumption expenditure maintain steady growth. But it is still to be observed continuously whether the uncertainties that influenced domestic doom and employment are diminished. Under the influence on the continuous improvement of employment, steady consumer price, and active individual travel situation, domestic service business is expected to be continuously expanding.

#### **V. Monetary policy, interest rate and exchange rate**

##### **(I) Monetary market**

In 2007, Taiwan's monetary total count M2's yearly growth rate averaged to 4.3%, which had primarily been the result of a tapered bank lending and investment growth and a net capital outflow. Annual rate of change in MIB is 6.4%, which had been influenced by active stock market investments; as to the bank loan and investments, due to the compared base year is much lower at last year, coupled with a active stock market, and finance demand is increasing significantly, the annual rate of change on major financial institutions loan and investment are shifted to be increased. At Q4, loan of government from banks decreased continuously and increment of creditor's right on private departments went down, so the annual rate of change had decreased to 2.4%.

##### **(II) Exchange rate**

For the tendency of exchange rate between NTD and USD, the Central Bank of Taiwan's shift in its monetary policy from the late May to the early July, 2007 to put the NTD on a rising trend. From August to the mid September, as the U.S. sub-prime mortgage crisis drove international capital to seek shelter in the lower risk American bond market, coupled with the local residents'

continuing to invest in offshore investment activities, such as offshore funds and the like, it had led to a strong dollar, sending the NTD to USD exchange rates to a slight downturn. In the three months from September to November, following the U.S. Federal Reserve Commission's successive cut of the Federal Reserve interest rates and the discount rates, the NTD to USD exchange rates turned strong again, while the Central Bank of Bank's decision to raise the interest by half a percentage point in September and the end of December had further drove the NRTD to appreciate. Source data revealed that as of the end of 2007, the NTD rose to \$32.84 to 1USD, up by 0.9% than at the end of September, and depreciated by 2.0% and 2.7% against the Japanese yen and euro, respectively.

As international capital favors the Asian economic growth and the likelihood of a slight appreciation of the RMB in 2007, driving up the major Asian countries' capital demand, short-term forecast put the NTD to be holding steady; in terms of the future exchange trend, in spite that the U.S. economy is slowing and its huge trade deficits put the USD in a weak outlook in the long run, yet in the short term, the handsome foreign reserves among the emerging Asian economic entities and the international crude earnings would put it less likely to quickly adjust the exposure to U.S. dollar-denominated assets, hence the U.S. dollar is unlikely to sag drastically, and the NTD to U.S. exchange rates will appear to be shifting toward a slightly rising trend.

### (III) Interest rate

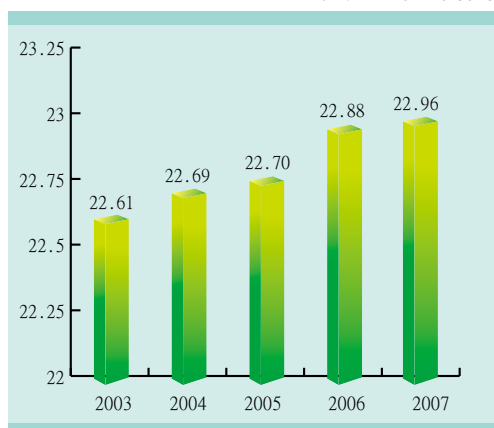
For the interest rate, based on the accommodations against secured loans of the Central Bank, the interest rate hike to half a percentage point and 3.75% in September and late December 2007, respectively. As to the interbank call loan rate in financial business, the related interest rates were kept at between 1.67% and 1.93% for the first half of 2007, yet starting in late May, Taiwan's Central Bank made a significant change on its monetary policy, which drove the interest rates to drastic fluctuations and held steady at around the level of 2.03% at the end of 2007. Take into account of the consumer price rising factors, annual consumer price index in 2007 is 1.80%, indicating that there is no increase on the short-term substantial basic interest rate basically.

Based on the future tendency of interest rate, the capital situations in domestic financial institutions are still very loose, and the burden applied on enterprise investments is still low. There is a sign showed that the domestic consumer price is rising currently. Under the situation that the substantial interest rate is still low, there is some space for interest rate to be increased. Therefore, current monetary policy in Central Bank might have to do some slight modification.

## Population Composition

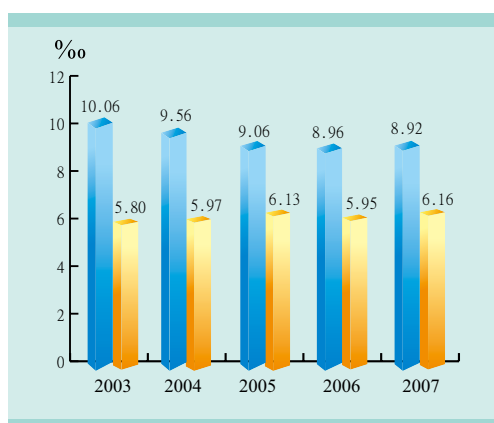
### POPULATION GROWTH

unit : Million Persons

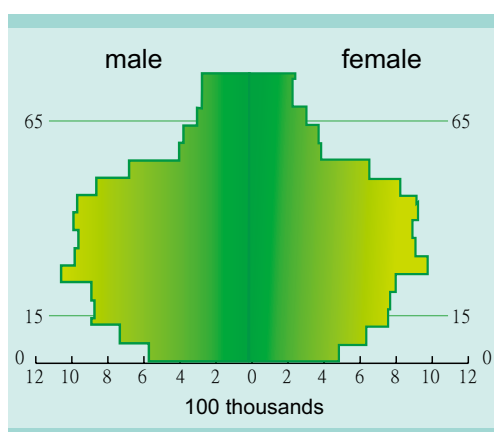


### RATES OF BIRTH AND DEATH

■ Crude Birth Rate ■ Crude Death Rate



### 2007 POPULATION PYRAMID



### POPULATION GROWTH

According to the household registration data, the total population of Taiwan at the end of 2007 amounted to 22.96 million with a density of 634 persons per square kilometer, making Taiwan one of the most densely populated areas of the world.

Owing to the political and economic development, the improvement of people's livelihood and sanitation, effective control over the infectious diseases and educational popularity, the death rate has greatly decreased since World War II. But the annual population increase rate was higher than 3% before 1965, due to high birth rate.

The family planning programs have been advocated by the government since 1968. Now the programs have contributed its results and the natural increase rate has been lower than 2% since 1972. In 2007 crude death rate and crude birth rate stood at 6.16‰ and 8.92‰ respectively.

### AGE DISTRIBUTION

The population pyramid at the end of 2007 showed that: Aged population (65 years and over) accounted for 10.21%, childhood population (under 15 years) 17.56% and the productive age (15-64 years) 72.24%. The dependency ratio was 17.56. According to the household registration data and midyear population in 2007 was 22,958 thousand persons. Of which 11,609 thousand persons were male and 11,350 thousand persons were female with a sex ratio 102.

## National Income and Per Capita Income

### NATIONAL INCOME

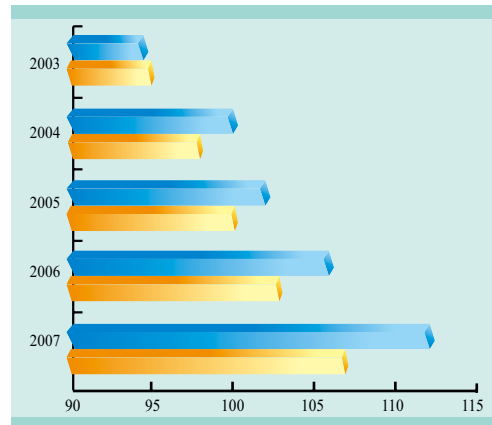
Along with the progress of gross national product the national income also increased. In 2007 the national income amounted to US\$343,268 billion in market prices or US \$327,686 billion in real terms.

The figure compared with US\$327,683 billion in market prices and US\$317,326 billion in real terms of the previous year, it showed an increase of 5.57% and 4.24%, respectively.

#### NATIONAL INCOME

NT\$100 billion

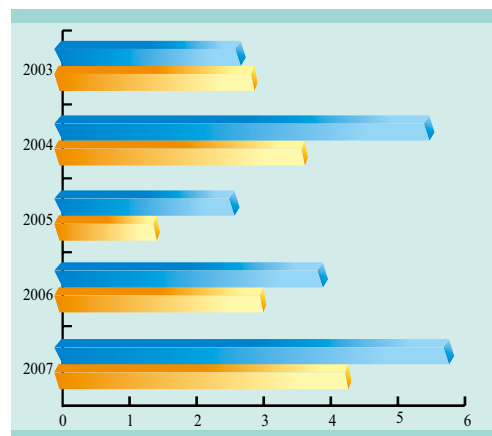
■ National Income (at market prices)  
■ National Income (at 2001 prices)



#### NATIONAL INCOME

Increase Rate of National Income: %

■ Increase Rate  
■ Real Growth Rate



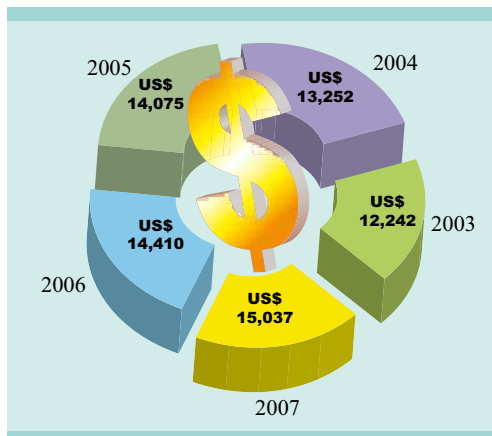
### PER CAPITA INCOME

Over the years, per capita income has risen with national income, growing 6.5% in the 1960s, 7.7% the following decade, and 11.3% in the 1980s. In 2007, it reached NT\$493,809 or US\$15,037 in market prices. The figures were up by 5.34% from the preceding year.

### PERSONAL INCOME DISTRIBUTION

According to the report on the survey of personal income distribution, the average size per household in 2006 was 3.41 persons, among which 2.56 persons were adults and 0.85 persons were minors. Average available income per household reached NT\$913 thousand or US\$27,804 and average savings per household was NT\$200 thousand. The average propensity to saving was 21.91%.

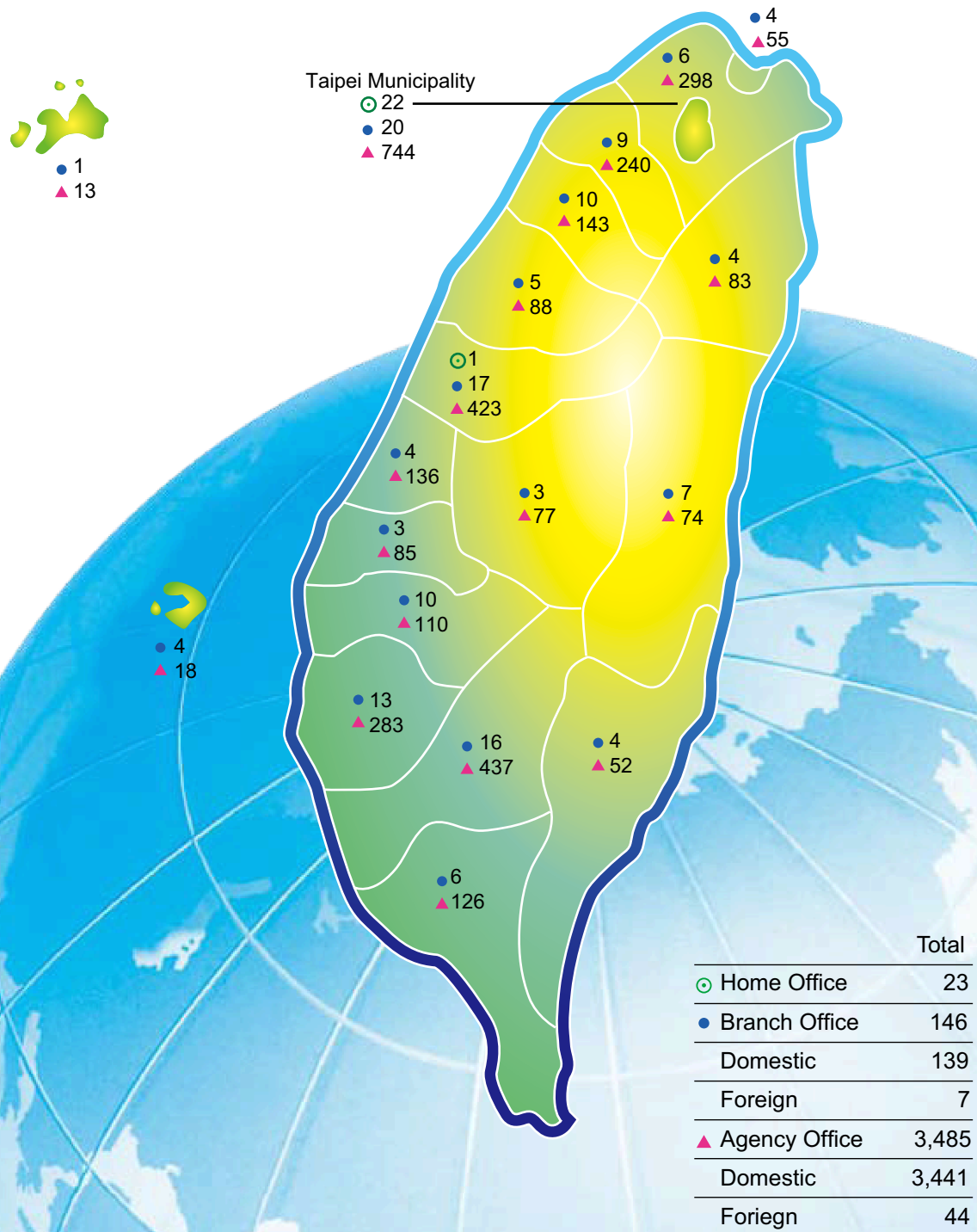
#### PER CAPITA INCOME





## LIFE INSURANCE IN TAIWAN

### Distribution of Branch Offices





## *Life Insurance Companies*

In accordance with the article 13 of Insurance Laws, commercial insurance includes property and personal insurance. Personal insurance covers life, accident, health and annuity insurance. The insurance market was opened to U.S. insurance companies to set up branch offices in 1987 and domestic in 1993. In addition, the worldwide insurers were admitted to establish branch offices in 1994. At the end of 2007, There are twenty-three domestic companies and seven foreign companies running business in Taiwan area.

Department of Life Insurance Bank of Taiwan  
Taiwan Life Insurance Company  
PCA Life Assurance Company  
Cathay Life Insurance Company  
China Life Insurance Company  
Nan Shan Life Insurance Company  
Kuo Hua Life Insurance Company  
Shin Kong Life Insurance Company  
Fubon Life Assurance Company  
Global Life Insurance Company  
MassMutual Mercuries Life Insurance Company  
Sinon Life Insurance Company  
Singfor Life Insurance Company  
Far Glory Life Insurance Company  
Hontai Life Insurance Company  
Allianz Taiwan Life Insurance Company  
Taiwan Post Co., Ltd. Life Insurance Dept.  
First Avival Life Insurance Co., Ltd.  
Prudential Life Insurance Co. of Taiwan Inc.  
Aegon Life Insurance (Taiwan) Inc.  
New York Life Insurance Taiwan Corp.  
Metlife Taiwan Insurance Company  
ING Life Insurance Company  
Connecticut General Life Insurance Co., Taiwan Branch  
American Life Insurance Co., Taiwan Branch  
ManuLife (International) Limited, Taiwan Branch  
Cardif Assurance Vie, Taiwan Branch  
ACE American Insurance Co., Taiwan Branch  
ACE Tempest Life Reinsurance Co., Taiwan Branch  
HSBC Life (International) Ltd., Taiwan Branch



## New Business

In 2007, individual life insurance purchases amounted to 4,099,960 policies for a sum insured of NT\$4,057,743 million or US\$123,561 million.

During the year under review, the distribution of individual life insurance showed that: pure endowment accounted for 0.05% or NT\$1,874 million decreased by 6.49%, endowment and endowment with term accounted for 11.08% or NT\$449,609 million, increased by 6.71%, and term and whole life accounted for 88.87% or NT\$3,606,260 million, increased by 46.82%.

The average amount of new business of individual life insurance was NT\$989,703 or US\$30,137 per policy in 2007, up 23.16% from a year ago.

### NEW BUSINESS

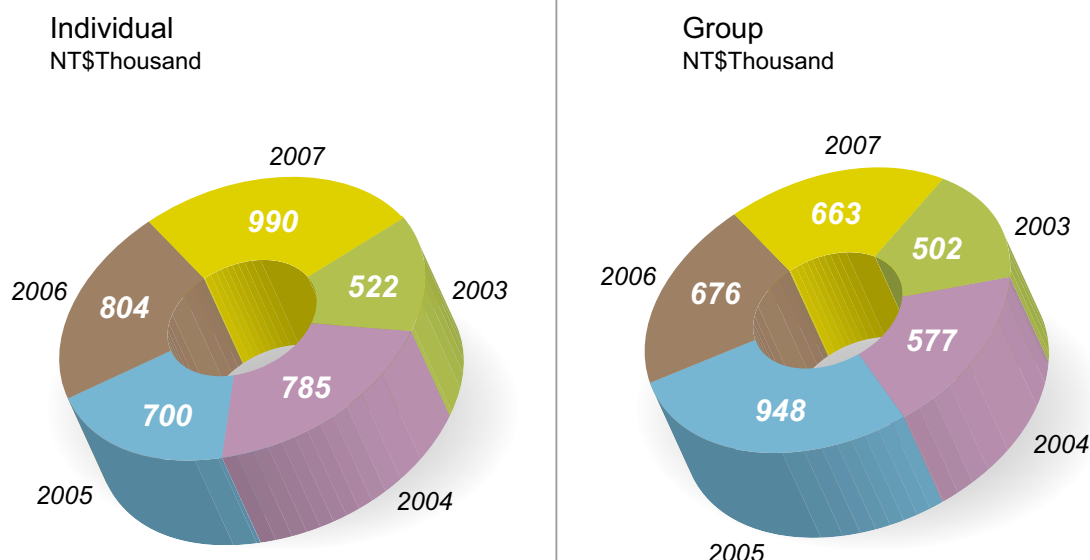
Amount: NT\$ million

	2007		2006		2005	
	Amount	NO.	Amount	NO.	Amount	NO.
Life	5,192,634	5,811,587	3,905,230	5,101,610	4,024,554	5,177,979
Individual	4,057,743	4,099,960	2,879,530	3,583,281	2,501,124	3,571,244
Group*	1,134,891	1,711,627	1,025,700	1,518,329	1,523,430	1,606,735
Accident	26,352,327	16,302,405	26,395,761	16,053,628	25,561,095	16,526,320
Individual	19,677,313	9,706,777	20,591,574	10,381,392	18,864,224	10,631,629
Group*	6,675,014	6,595,628	5,804,187	5,672,236	6,696,871	5,894,691
Health	4,996,988	11,324,548	5,744,262	11,265,761	6,548,896	12,372,384
Individual	718,760	4,063,773	646,212	3,593,323	573,926	3,406,040
Group*	4,278,228	7,260,775	5,098,050	7,672,438	5,974,970	8,966,344
Annuity	97,301	217,817	58,229	114,691	95,077	137,270
Individual	97,301	217,817	58,229	114,691	95,077	137,270
Group*	-	-	-	-	-	-

\*The number of group life, accident, health and annuity insurance each represents that of the insured.

During the year 2007, 37,346 group life policies were issued, covering 1,711,627 persons with a total of NT\$1,134,891 million. A recent development in the area of group life insurance concerns lump sum of employee's death benefits. One-year term group life policy is the most popular products. In 2007 the average amount per insured was NT\$663,048 or US\$20,190 down by 1.85% or NT\$12,497 from 2006's NT\$675,545.

## AVERAGE AMOUNT OF LIFE INSURANCE



In 2007 the purchases of personal accident insurance amounted to 9,706,777 policies with a sum insured of NT\$19,677,313 million or US\$604,897 million which showed a down of 6.50% in number and a down of 4.44% in amount over the previous year.

There were 289,168 groups which purchased group accident insurance, covering 6,595,268 persons with a sum insured of NT\$6,675,014 million or US\$203,259 million.

In 2007, the purchases of individual health insurance up 13.09% in number, the amount was NT\$718,760 million which showed an up of 11.23% from 2006's NT\$646,212 million.

At the same period, group health insurance down 5.37% in number and down 16.08% in amount.

In accordance with the longer life expectancy, the individual annuity insurance has been introduced by the industry on September 1997. The index-linked insurance has been introduced by the industry in June 2006. During the year 2007 under review, the purchases of annuity insurance were 217,817 policies with a sum of NT\$97,301 million.



## Business In Force

In 2007, individual life insurance in force attained to 39,431,807 policies for a sum of insured NT\$32,386,605 million or US\$986,194 million.

Compared with 37,314,888 policies in number and NT\$29,570,356 million in amount of the previous year they showed an increase of 2,116,919 policies or 5.67% and NT\$2,816,249 million or 9.52% in amount.

The average size of the individual life insurance policies in force continues to increase. In 1971, it was NT\$57,743 or US\$1,444. By 1981, the amount had increased to NT\$305,702 or US\$8,309. In 1991, it showed NT\$721,167 or US\$26,909, by 2007, it recorded NT\$821,332 or US\$25,010.

### BUSINESS IN FORCE

Amount: NT\$ million

	2007		2006		2005	
	Amount	NO.	Amount	NO.	Amount	NO.
Life	35,754,990	44,514,718	32,506,016	41,691,802	30,707,744	39,714,713
Individual	32,386,605	39,431,807	29,570,356	37,314,888	27,811,340	35,609,430
Group*	3,368,385	5,082,911	2,935,660	4,376,914	2,896,404	4,105,283
Accident	36,249,637	46,971,189	35,058,356	44,187,383	35,747,123	43,706,773
Individual	23,331,450	36,305,053	23,126,729	35,341,615	23,032,912	34,388,606
Group*	12,918,187	10,666,136	11,931,627	8,845,768	12,714,211	9,318,167
Health	17,178,958	63,150,416	16,181,179	59,501,994	15,551,642	56,940,517
Individual	10,443,539	49,284,868	10,054,722	46,774,413	9,681,974	44,730,527
Group*	6,735,419	13,865,548	6,126,457	12,727,581	5,869,668	12,209,990
Annuity	272,057	490,482	253,854	403,592	245,350	389,659
Individual	272,057	490,482	253,854	403,592	245,350	389,659
Group*	-	-	-	-	-	-

\*The number of group life, accident, health and annuity insurance each represents that of the insureds.

At year-end of 2007, group life insurance provided 102,443 master policies; covering 5,082,911 persons with a total of NT\$3,368,385 million or US\$102,570 million of protection.

Compared with 4,376,914 persons in number and NT\$2,935,660 million in amount of 2006. The figure of this year showed an increase of 705,997 persons or 16.13% and increase of NT\$432,725 million or 14.74% in amount.

The average size per insured was NT\$662,688 or US\$20,179 and decrease of 1.20% against the preceding year.



Total life insurance in force provided NT\$35,754,990 million or US\$1,088,763 million protection at the end of 2007. The ratio of life insurance to national income was 318%. At year-end of 2007, total life insurance in force registered 44,515 thousand policyholders. This figure compared with the total population, there were 1,960 persons having individual life policy or covered by group life insurance per 1,000 persons.

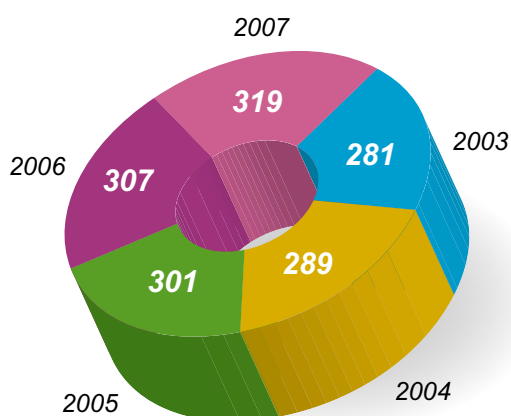
A survey of individual life business in force by sex and age distribution at year-end of 2007, showed that male insured accounted for 50% and female insured was 50%. For male and female insured, large proportion of them was between age 20 to age 50.

Accident insurance in force at the end of 2007 up 3.40%. The number of personal accident insurance in force reached 36,305,053 policies with a sum insured of NT\$23,331,450 million or US\$710,458 million which showed an up of 0.89% in amount. At the same period, the amount of group accident insurance in force increased by 8.27% to NT\$12,918,187 million or US\$393,367 million.

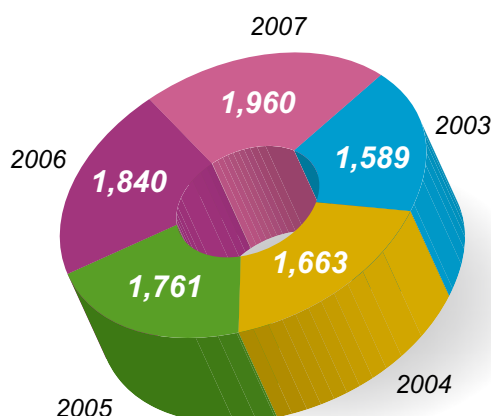
At the end of 2007, annuity insurance in force recorded 490,482 policies for a sum of insured NT\$272,057 million.

#### SPREAD OF LIFE INSURANCE

Ratio of Life Ins. In-force  
to National Income %



No. of Policies  
Per 1,000 Persons





## Volume of Premium Income

In 2007, total premium income of life insurance industry reached NT\$1,875,097 million or US\$57,098 million, an increase of NT\$311,397 million or 19.91% over the previous year. People spent about 28.10% of total disposable income in 2006 for personal insurance.

The distribution of total premium income, classified by types of insurance, is shown in the following table. The premium income of individual life insurance accounted for 77.94% or NT\$1,461,458 million (US\$44,502 million) in 2007, up by 17.96% over 2006's NT\$222,504 million. Of this total 40.10% was first year premium income, 59.90% was renewal premium income.

Group life insurance amounted to NT\$5,105 million in 2007, down by 15.75% or NT\$954 million against 2006's NT\$6,059 million.

The growth of personal accident insurance is reflected in its increasing volume of premium. For the whole of 2007, personal accident insurance premium income amounted to NT\$50,100 million or accounted for 2.67% of the total premium income, a rise of 1.14% or NT\$563 million during the year.

In 2007, the premium income of annuity insurance amounted to NT\$169,438 million which is about 9.04% of total premium income of industry.

### PREMIUM INCOME

Amount: NT\$ 000 Omitted

	2007	2006	2005	2004	2003
Life	1,466,562,528	1,245,012,557	1,127,108,222	955,009,632	871,559,462
Individual	1,461,457,863	1,238,953,747	1,120,305,028	948,113,616	864,721,980
Group	5,104,665	6,058,810	6,803,194	6,896,016	6,837,482
Accident	58,362,672	58,202,932	58,503,588	57,893,578	61,554,251
Individual	50,100,416	49,537,063	49,059,386	48,705,982	52,044,455
Group	8,262,256	8,665,869	9,444,202	9,187,596	9,509,796
Health	180,734,279	163,371,499	151,099,892	140,581,928	125,922,001
Individual	171,412,367	155,593,613	143,869,476	134,240,740	120,321,009
Group	9,321,912	7,777,886	7,230,416	6,341,188	5,600,992
Annuity	169,437,803	97,112,856	121,040,024	155,003,702	73,616,672
Individual	169,437,803	97,112,856	121,040,024	155,003,702	73,616,672
Group	-	-	-	-	-
Total	1,875,097,282	1,563,699,844	1,457,751,726	1,308,488,840	1,132,652,386



## Benefit Payments to Policyholders

Benefit payments to policyholders including maturity, death, medical care, disability and others, for the year totaled NT\$863,947 million or US\$26,308 million. This amount increased by 33.26% or NT\$215,643 million during 2007 and 6 times larger than that in 1997.

Of the 2007 benefit payments to policyholders, individual life insurance accounted for NT\$639,659 million or 74.09%, personal accident insurance accounted for NT\$15,191 million or 1.76% and the others were individual health insurance, group insurance and annuity insurance.

During the year 2007, the total number of death payments was 95,700 cases, accounting for 67.82% of total number of death in Taiwan area, with a sum of NT\$58,134 million. The average amount of death payments to beneficiaries was NT\$607,461 or US\$18,498.

There were 591,179 matured endowment policies for a total payment of NT\$222,452 million in 2007, this accounted for 25.75% of the total payments. During the year under review the benefit payments of medical care were NT\$57,967 million and disability payments were NT\$4,661 million, the figures showed increase of 0.17% and decrease of 0.13% respectively, over a year ago. A total of NT\$407,027 million in cash values was paid to owners of individual life insurance policies surrendered during 2007. The total does not include policy cash values used to purchase reduced paid-up life insurance or to provide coverage for a specific period of time.

### BENEFIT PAYMENTS TO POLICYHOLDERS

Amount: NT\$ million

	2007				2006			
	Amount	%	NO.	%	Amount	%	NO.	%
Maturity	222,452	25.75	591,179	5.05	221,066	34.10	612,735	5.86
Death	58,134	6.73	95,700	0.82	58,183	8.97	96,292	0.92
Disability	4,661	0.54	179,378	1.53	4,667	0.72	167,660	1.60
Medical Care	57,967	6.71	5,323,550	45.47	52,618	8.12	5,005,032	47.90
Annuity	869	0.10	30,705	0.26	1,553	0.24	26,805	0.26
Surrender	407,027	47.11	1,877,595	16.04	209,883	32.37	1,365,019	13.06
Survivor Benefit	96,643	11.19	2,639,300	22.54	90,488	13.96	2,544,308	24.35
Others*	16,194	1.87	971,254	8.30	9,846	1.52	631,329	6.04
Total	863,947	100.00	11,708,661	100.00	648,304	100.00	10,449,180	100.00

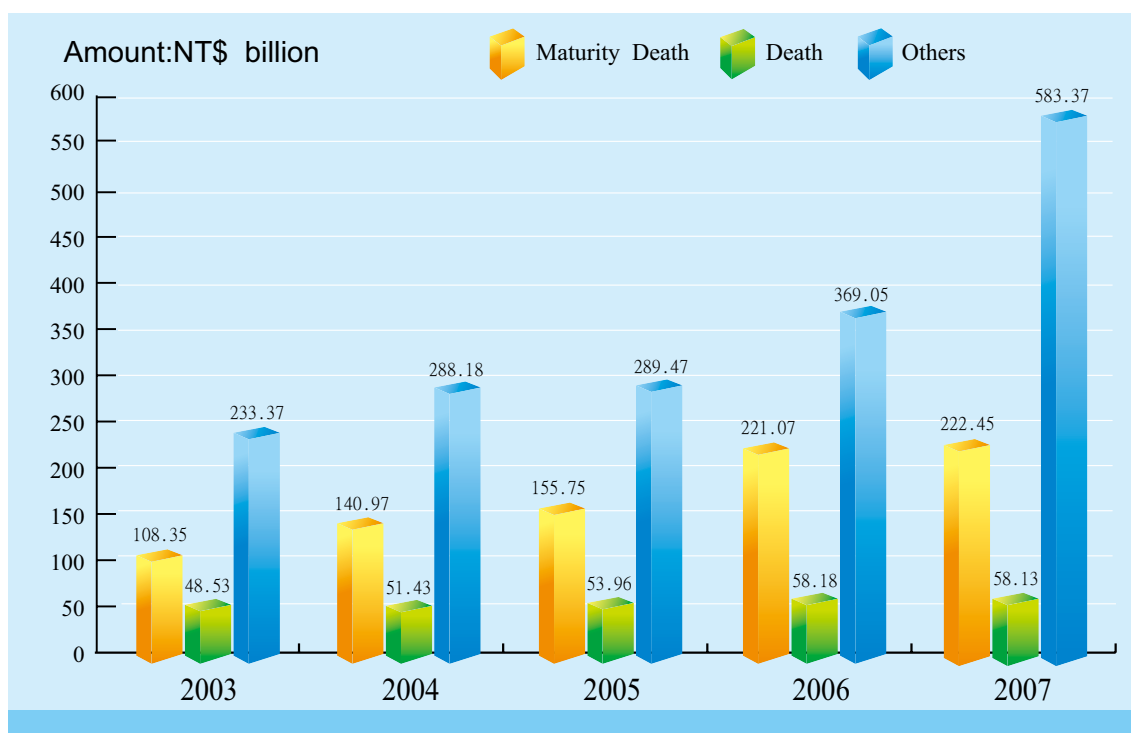
\*: Others include Maternity, Funeral Allowance etc.

In recent years, the major causes of death of insured persons were accident and cancer. In 2007, the percentage of death due to accident was 23.50% in amount and 18.93% in number; cancer accounted for 33.49% in amount and 35.66% in number. In our country, cancer is the first rank of causes of death and the accident is the fourth.

### CAUSES OF DEATH OF LIFE INSURANCE INDUSTRY

Causes of Death	2007	2006	2005	2004	2003
	%	%	%	%	%
Cerebrovascular Disease	3.81	4.21	3.48	3.67	3.42
All Accidents	23.50	27.35	29.65	30.95	30.98
Malignant Neoplasms	33.49	30.71	28.78	28.32	27.88
Heart Disease	8.34	7.37	7.23	6.86	6.79
Pneumonia	1.30	1.34	1.08	0.99	1.30
Tuberculosis(all forms)	0.16	0.16	0.28	0.18	0.18
Bronchitis	0.54	0.53	0.59	0.41	0.46
Cirrhosis of Liver	3.70	4.25	3.92	4.33	4.33
Nephritis and Nephrosis	0.84	0.73	0.86	0.69	0.86
All Other Disease	24.30	23.34	24.13	23.60	23.80
Total	100.00	100.00	100.00	100.00	100.00

### BENEFIT PAYMENTS TO POLICYHOLDERS



## Assets

Assets of life insurance industry in 2007 amounted to NT\$8,712,975 million or US\$265,316 million, which showed a gain of NT\$976,820 million (US\$29,745 million) or 12.63% over the previous year and was 6 times more than the total assets in 1997.

The growth rate of total assets has shown a great expansion in recent years. In 1981, for example the growth rate of total assets was 31.41%, in 1983, it reached the higher 35.96%; in 1996, it was 19.10%. The average increase rate in past ten years was 18.72%.

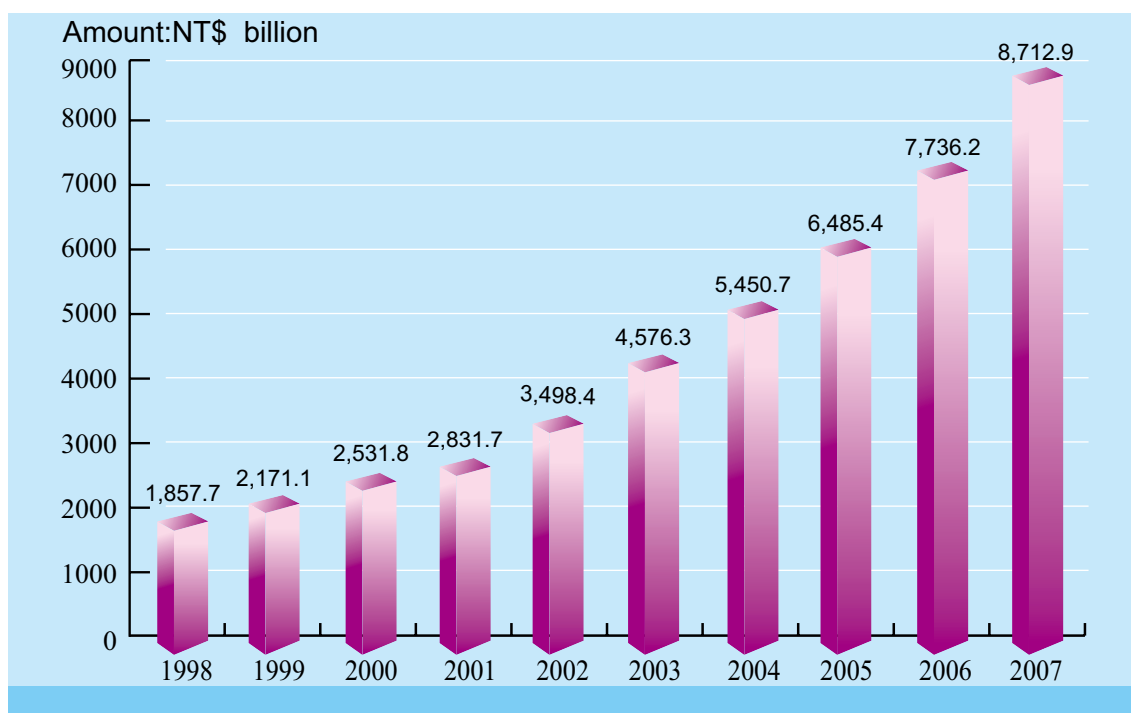
The leading component of life insurance industry assets in 2007 was Securities. Securities increased from NT\$5,129,617 million to NT\$5,367,364 million or US\$163,440 million, 61.60% of total assets by the end of 2007.

Mortgages, the second position in the rank decreased from NT\$551,705 million to NT\$614,495 million or US\$18,712 million during 2007. As a proportion of total assets, these holdings decreased from 7.13% in 2006 to 7.05% in 2007.

At the end of 2007, Cash & Deposits amounted to NT\$531,967 million (US\$16,199 million) or 6.11% of total assets of life insurance industry, and increase of NT\$136,992 million or 34.68% against the previous year.

Note: Data of assets, liabilities and owners' equity, and profit and loss are not included Kuo Hua life Ins. Co. Ltd in 2002.

**ASSETS OF LIFE INSURANCE INDUSTRY IN TAIWAN**



## DISTRIBUTION OF ASSETS OF LIFE INSURANCE INDUSTRY IN TAIWAN

Amount:NT\$ million

Year	Cash & Deposits	Securities	Mortgages	Investment	Policy Loans	Fixed Assets	Others	Total
1997	361,467	440,025	358,620	121,031	177,568	41,930	80,808	1,581,449
1998	394,274	536,727	432,204	136,311	216,673	44,069	97,425	1,857,683
1999	406,617	699,601	475,443	159,637	266,294	48,235	115,312	2,171,139
2000	358,896	937,547	532,979	185,281	332,212	49,706	135,157	2,531,778
2001	335,652	1,223,996	543,204	177,539	364,889	50,123	136,263	2,831,666
2002	318,330	1,784,467	548,786	218,469	399,028	52,548	176,774	3,498,402
2003	239,440	2,757,859	513,127	221,733	430,131	56,856	357,117	4,576,263
2004	254,394	3,528,598	495,755	230,089	430,021	56,698	455,118	5,450,673
2005	238,661	4,375,313	508,426	239,828	448,210	54,065	620,902	6,485,405
2006	394,976	5,129,617	551,705	261,229	486,471	51,792	860,366	7,736,156
2007	531,967	5,367,364	614,495	292,319	547,734	60,241	1,298,855	8,712,975
								%
1997	22.86	27.82	22.68	7.65	11.23	2.65	5.11	100.00
1998	21.22	28.89	23.27	7.34	11.66	2.37	5.24	100.00
1999	18.73	32.22	21.90	7.35	12.27	2.22	5.31	100.00
2000	14.18	37.03	21.05	7.32	13.12	1.96	5.34	100.00
2001	11.85	43.23	19.18	6.27	12.89	1.77	4.81	100.00
2002	9.10	51.01	15.69	6.24	11.41	1.50	5.05	100.00
2003	5.23	60.26	11.21	4.85	9.40	1.24	7.80	100.00
2004	4.67	64.74	9.10	4.22	7.89	1.04	8.35	100.00
2005	3.68	67.46	7.84	3.70	6.91	0.83	9.57	100.00
2006	5.11	66.31	7.13	3.38	6.29	0.67	11.12	100.00
2007	6.11	61.60	7.05	3.35	6.29	0.69	14.91	100.00



## *Liabilities and Owners' Equity*

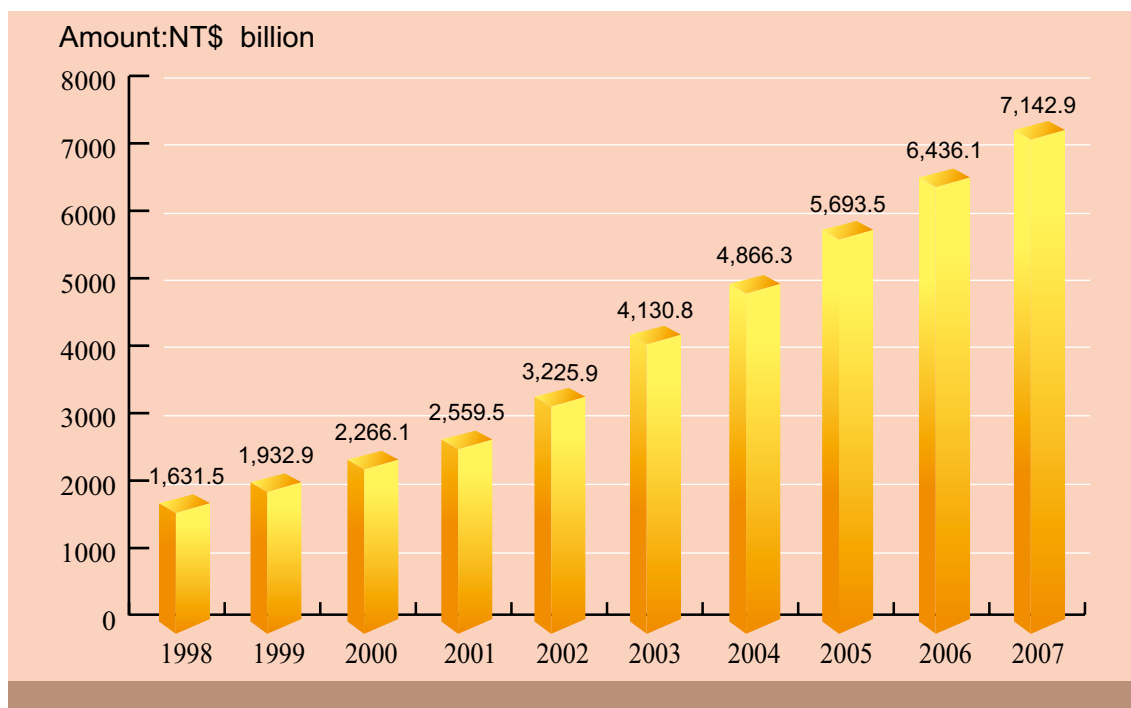
The total liabilities of life insurance industry in 2007 amounted to NT\$8,279,958 million or US\$252,130 million. The figure, compared with NT\$7,235,671 million of last year, showed an increase of 14.43%.

The major increased item of liability was the accumulation of policy reserves. At the end of 2007, policy reserves of life insurance industry reached NT\$7,142,995 million or US\$217,509 million accounted for 81.96% of the total assets or 86.27% of the total liabilities, up by 10.98% or NT\$706,795 million over 2006's NT\$6,436,200 million.

Of the total reserves of life insurance industry in 2007, 98.06% or NT\$7,005,118 million was for life insurance policies, 0.67% or NT\$47,747 million was for unearned premium reserves and NT\$80,507 million was for special reserves. The life insurance policy reserves and unearned premium reserves represent amounts set aside to meet the company future obligations to policyholders and their beneficiaries. The special reserves calculate on a regulated basis to protect catastrophe loss.

At year-end of 2007, the owners' equity (including capital stock, capital surplus and retained earning and equity adjustment) amounted to NT\$433,017 million or US\$13,186 million. Of this total capital stock was NT\$227,292 million or US\$6,921 million, up by NT\$221,184 million or 2.76% from a year ago.

**RESERVES OF LIFE INSURANCE INDUSTRY IN TAIWAN**





## Profit and Loss

In 2007, the total receipts of life insurance industry were NT\$3,159,325 million or US\$96,204 million. It showed a gain of NT\$623,382 million or 24.60% over a year ago. And the total expenditures were NT\$3,102,442 million or US\$94,471 million, up by NT\$606,881 million or 19.56% over the preceding year. The following data showed the profit and loss accounts in recent years.

### SUMMARY OF INCOME AND EXPENDITURE

Amount: NT\$ million

	2007	2006	2005	2004	2003
Net Operation Income	-179,133	-161,616	-139,834	-116,754	-92,717
Operating Revenues	2,798,574	2,214,854	1,961,764	1,771,276	1,515,144
Operating Expenses	2,977,707	2,376,470	2,101,598	1,888,030	1,607,861
Net Financial Income	316,233	281,434	263,120	223,479	213,948
Financial Receipts	327,535	285,444	270,493	227,355	215,783
Financial Expenses	11,302	4,010	7,373	3,876	1,835
Net Misc. Income	9,977	11,104	-2,080	-4,321	14,756
Depreciation	5,650	7,007	15,004	9,038	6,214
Administrative Expenses	77,710	82,166	78,070	74,697	77,953
Profit for the Year	56,883	39,982	26,960	17,086	47,469

### INCOME AND EXPENDITURES OF LIFE INSURANCE INDUSTRY

