Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Cathay Century Insurance Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheet of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2019, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2019, its consolidated financial performance for the three months ended September 30, 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

The consolidated financial statements for the nine months ended September 30, 2018 were reviewed by other auditors who expressed an unqualified conclusion with emphasis of matters paragraph on November 1, 2018.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-Hung Kuo and An-Hwei Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	$ 10,536,037	26	$ 10,185,921	27	$ 8,905,512	24
RECEIVABLES (Notes 4, 11, 28 and 33)	2,691,433	7	2,358,780	6	2,313,963	6
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 28)	8,163,375	20	5,887,384	15	7,252,405	19
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	1,202,755	3	1,451,444	4	1,431,800	4
Financial assets at amortized cost (Notes 4, 5 and 9)	8,355,940	20	8,526,240	22	8,936,870	24
Investments accounted for using the equity method, net (Notes 4 and 14)	2,112,065	5	1,070,814	3	1,081,778	3
Loans (Notes 4, 10 and 28)	230,265	1	236,816	1	228,586	1
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 33)	6,202,566	15	6,104,797	16	6,298,339	17
PROPERTY AND EQUIPMENT (Notes 4 and 15)	157,935	-	122,185	-	66,541	-
RIGHT-OF-USE ASSETS (Notes 4 and 16)	239,228	1	-	-	-	-
INTANGIBLE ASSETS (Notes 4 and 17)	63,554	-	65,395	-	54,857	-
DEFERRED INCOME TAX ASSETS (Note 4)	115,943	-	147,546	1	154,495	-
OTHER ASSETS (Notes 18, 28 and 29)	687,351	2	1,798,718	5	701,462	2
TOTAL	$ 40,758,447	100	$ 37,956,040	100	$ 37,426,608	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 28 and 33)	$ 2,708,352	7	$ 2,622,777	7	$ 2,360,028	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 28)	53,369	-	50,041	-	111,773	-
LEASE LIABILITIES (Notes 3, 16 and 28)	239,242	1	-	-	-	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	24,182,331	59	23,785,675	63	23,560,738	63
OTHER LIABILITIES	901,438	2	733,341	2	452,644	1
PROVISIONS	439,051	1	440,082	1	427,118	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	288,291	1	299,048	1	289,129	1
Total liabilities	28,812,074	71	27,930,964	74	27,201,430	73
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares						
Ordinary shares	3,057,052	7	3,057,052	8	3,057,052	8
Capital surplus						
Capital surplus - additional paid-in capital	502,500	1	502,500	1	502,500	1
Retained earnings						
Legal reserve	2,711,555	7	2,436,306	7	2,436,306	7
Special reserve	4,455,458	11	3,934,250	10	3,465,618	9
Unappropriated earnings	1,647,724	4	907,615	2	1,444,529	4
Total retained earnings	8,814,737	22	7,278,171	19	7,346,453	20
Other equity	(427,916)	(1)	(812,647)	(2)	(680,827)	(2)
Total equity attributable to owners of the Company	11,946,373	29	10,025,076	26	10,225,178	27
Total equity	11,946,373	29	10,025,076	26	10,225,178	27
TOTAL	$ 40,758,447	100	$ 37,956,040	100	$ 37,426,608	100

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

(With Deloitte & Touche review report dated November 12, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES								
Retained earned premium (Note 33)								
Direct insurance premium revenues (Notes 4 and 28)	$ 5,597,579	106	$ 5,210,576	109	$ 16,986,323	112	$ 15,928,876	112
Reinsurance premium inward	431,806	8	461,319	9	1,207,509	8	1,113,077	8
Premium revenues	6,029,385	114	5,671,895	118	18,193,832	120	17,041,953	120
Less: Reinsurance premium outward (Notes 4 and 33)	1,308,898	25	1,216,678	25	4,241,839	28	3,879,486	27
Less: Net change in unearned premium reserves (Notes 4, 20 and 33)	(85,299)	(2)	(27,402)	-	70,852	-	249,995	2
Total retained earned premium	4,805,786	91	4,482,619	93	13,881,141	92	12,912,472	91
Reinsurance commission earned (Note 33)	128,975	2	121,856	3	426,798	3	393,549	3
Handling fees earned	10,323	-	10,197	-	32,529	-	32,342	-
Net gains on investments								
Interest income (Notes 24 and 28)	142,104	3	141,282	3	411,384	3	420,836	3
Foreign exchange losses (Note 4)	(18,494)	-	(33,517)	-	78,411	-	88,921	1
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	193,187	3	(182,647)	(4)	660,145	4	(136,449)	(1)
Excluding net gain on financial assets measured at amortized cost	153	-	245	-	431	-	780	-
Share of (loss) profit of associates and joint ventures accounted for using the equity method	3,427	-	5,071	-	(19,988)	-	(32,277)	-
Expected credit impairment losses and reversal on investment	42	-	(128)	-	(406)	-	(940)	-
Income or loss reclassified under the overlay approach (Notes 4 and 7)	42,131	1	248,625	5	(366,328)	(2)	463,989	3
Total net gains on investments	362,550	7	178,931	4	763,649	5	804,860	6
Total operating revenues	5,307,634	100	4,793,603	100	15,104,117	100	14,143,223	100
OPERATING COSTS								
Retained claims (Notes 4, 28 and 33)								
Claims incurred	3,140,783	59	2,692,675	57	9,346,858	62	8,405,051	59
Less: Claims recovered from reinsurers (Note 33)	557,616	10	424,224	9	1,865,123	13	1,429,442	10
Total retained claims	2,583,167	49	2,268,451	48	7,481,735	49	6,975,609	49
Other net change in insurance liabilities (Note 18)	124,497	2	294,177	6	287,094	2	208,292	2
Commission expenses (Notes 4, 24, 28 and 33)	834,867	16	777,718	16	2,389,936	16	2,206,142	16
Other operating costs	(9,558)	-	8,291	-	4,193	-	36,847	-
Total operating costs	3,532,973	67	3,348,637	70	10,162,958	67	9,426,890	67
GROSS PROFIT	1,774,661	33	1,444,966	30	4,941,159	33	4,716,333	33

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES (Notes 24 and 28)								
Operating	$ 836,537	16	$ 775,361	16	$ 2,480,090	17	$ 2,291,135	16
Administrative	172,404	3	174,961	4	490,543	3	518,012	4
Training	4,309	-	5,393	-	8,671	-	11,108	-
Total operating expenses	1,013,250	19	955,715	20	2,979,304	20	2,820,255	20
OPERATING INCOME	761,411	14	489,251	10	1,961,855	13	1,896,078	13
NON-OPERATING INCOME AND EXPENSES (Note 28)	(298)	-	(1,449)	-	(360)	-	(8,896)	-
PROFIT BEFORE INCOME TAX	761,113	14	487,802	10	1,961,495	13	1,887,182	13
INCOME TAX (Notes 4 and 25)	109,718	2	77,793	2	313,771	2	309,064	2
NET PROFIT	651,395	12	410,009	8	1,647,724	11	1,578,118	11
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 23)	25,800	1	(21,000)	-	43,200	-	(56,400)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 25)	-	-	-	-	-	-	(5,748)	-
	25,800	1	(21,000)	-	43,200	-	(50,652)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 23)	1,755	-	(8,526)	-	5,933	-	(1,793)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method - items that may be reclassified to profit or loss	(66,223)	(1)	(35,112)	(1)	(38,811)	-	(36,059)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (loss) (Notes 4 and 23)	(2,433)	-	4,923	-	13,006	-	4,320	-

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) reclassified under the overlay approach (Notes 4 and 23)	$ (42,131)	(1)	$ (248,625)	(5)	$ 366,328	2	$ (463,989)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 25)	(7,116)	-	(4,564)	-	4,925	-	(20,555)	-
	(101,916)	(2)	(282,776)	(6)	341,531	2	(476,966)	(4)
Other comprehensive income (loss), net of income tax	(76,116)	(1)	(303,776)	(6)	384,731	2	(527,618)	(4)
TOTAL COMPREHENSIVE INCOME	$ 575,279	11	$ 106,233	2	$ 2,032,455	13	$ 1,050,500	7
NET PROFIT ATTRIBUTABLE TO:								
Owner of the Company	$ 651,395	12	$ 410,009	9	$ 1,647,724	11	$ 1,578,118	11
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 651,395	12	$ 410,009	9	$ 1,647,724	11	$ 1,578,118	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 575,279	11	$ 106,233	2	$ 2,032,455	13	$ 1,050,500	7
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 575,279	11	$ 106,233	2	$ 2,032,455	13	$ 1,050,500	7
EARNINGS PER SHARE (Note 26)								
Basic	$ 2.13		$ 1.34		$ 5.39		$ 5.16	
Diluted	$ 2.13		$ 1.34		$ 5.39		$ 5.16	

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

(With Deloitte & Touche review report dated November 12, 2019) (Concluded)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company											
				Retained Earnings (Note 23)			Other Equity					
	Shares (In Thousands)	Capital Stock (Notes 4 and 23)	Capital Surplus - Additional Paid-in Capital (Note 23)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 23)	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Interest (Notes 4 and 23)	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Method	Total Equity
BALANCE AT JANUARY 1, 2018	305,705	$ 3,057,052	$ 502,500	$ 2,064,679	$ 3,680,566	$ 1,511,512	$ (207,639)	$ 67,676	$ -	$ (159,025)	$ -	$ 10,517,321
Effect of retrospective application	-	-	-	-	-	(133,589)	-	(67,676)	(116,730)	-	330,185	12,190
BALANCE AT JANUARY 1, 2018 AS RESTATED	305,705	3,057,052	502,500	2,064,679	3,680,566	1,377,923	(207,639)	-	(116,730)	(159,025)	330,185	10,529,511
Appropriation of 2017 earnings												
Legal reserve	-	-	-	371,627	-	(371,627)	-	-	-	-	-	-
Special reserve	-	-	-	-	(214,948)	214,948	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,354,833)	-	-	-	-	-	(1,354,833)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	1,578,118	-	-	-	-	-	1,578,118
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	(37,108)	-	(52,824)	5,748	(443,434)	(527,618)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	1,578,118	(37,108)	-	(52,824)	5,748	(443,434)	1,050,500
BALANCE AT SEPTEMBER 30, 2018	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,465,618	$ 1,444,529	$ (244,747)	$ -	$ (169,554)	$ (153,277)	$ (113,249)	$ 10,225,178
BALANCE AT JANUARY 1, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,934,250	$ 907,615	$ (228,873)	$ -	$ (153,280)	$ (163,649)	$ (266,845)	$ 10,025,076
Appropriation of 2018 earnings												
Legal reserve	-	-	-	275,249	-	(275,249)	-	-	-	-	-	-
Special reserve	-	-	-	-	521,208	(521,208)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(111,158)	-	-	-	-	-	(111,158)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	1,647,724	-	-	-	-	-	1,647,724
Other comprehensive income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	(53,330)	-	76,658	-	361,403	384,731
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	1,647,724	(53,330)	-	76,658	-	361,403	2,032,455
BALANCE AT SEPTEMBER 30, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,711,555	$ 4,455,458	$ 1,647,724	$ (282,203)	$ -	$ (76,622)	$ (163,649)	$ 94,558	$ 11,946,373

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

(With Deloitte & Touche review report dated November 12, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,961,495	$ 1,887,182
Adjustments for:		
Depreciation expenses	125,874	17,328
Amortization expenses	29,752	22,602
Net gain (loss) on valuation of financial assets and liabilities at fair value through profit or loss	(660,145)	136,449
Interest expense	1,409	720
Net gain on disposal of financial assets measured at amortized cost	(431)	(780)
Interest income	(411,384)	(420,836)
Net change in insurance liabilities	396,656	575,674
Expected credit impairment losses on investment	406	940
Share of loss of associates and joint ventures accounted for using the equity method	19,988	32,277
Income or loss reclassified under the overlay approach	366,328	(463,989)
Loss on disposal of property, plant and equipment	1	-
Changes in operating assets and liabilities		
Decrease in notes receivable	29,953	38,097
Increase (decrease) in premiums receivable	(260,283)	121,693
Increase in other receivables	(105,984)	(274,647)
(Increase) decrease in financial instruments at fair value through profit or loss	(1,784,094)	2,155,247
Decrease in financial assets at fair value through other comprehensive income	304,975	36
Decrease (increase) in financial assets at amortized cost	170,251	(281,518)
(Increase) decrease in reinsurance contract asset	(97,769)	179,373
Decrease in other assets	11,311	7,718
Increase in claims outstanding	406	-
Increase in commissions payable and fees	58,664	11,760
Decrease in due to reinsurers and ceding companies	(66,256)	(74,743)
Decrease in other payables	(126,461)	(309,105)
(Decrease) increase in provisions	(1,031)	672
Increase (decrease) in other liabilities	168,097	(167,367)
Cash generated from operations	131,728	3,194,783
Interest received	415,869	381,462
Dividend received	170,752	189,106
Interest paid	(1,409)	(29,512)
Income tax paid	(78,629)	(10,652)
Net cash generated from operating activities	638,311	3,725,187

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	$ (65,823)	$ (19,868)
Payments for intangible assets	(19,056)	(15,899)
Decrease in loans	6,551	23,184
Net cash used in investing activities	(78,328)	(12,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(104,004)	-
Cash dividends paid	(111,158)	(1,354,833)
Repayment of preferred stock lability	-	(1,000,000)
Net cash used in financing activities	(215,162)	(2,354,833)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	5,295	(594)
NET INCREASE IN CASH AND CASH EQUIVALENTS	350,116	1,357,177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,185,921	7,548,335
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 10,536,037	$ 8,905,512

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

(With Deloitte & Touche review report dated November 12, 2019) (Concluded)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act of the Republic of China (“R.O.C.”). On April 22, 2002, the Company became a subsidiary of Cathay Financial Holdings Co., Ltd. (“Cathay Financial Holdings”) by adopting the stock conversion method under the R.O.C. Financial Holdings Company Act and other pertinent acts of the R.O.C. On June 28, 2002, the Company changed its name under letter No. 0910706108 issued by the Ministry of Finance from “Tong-Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.”. And officially changed its name on August 2, 2002. The Company mainly engages in the business of property and casualty insurance. The Company’s registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company’s parent company and ultimate parent company.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 12, 2019.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”):

   <u>IFRS 16 “Leases”</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.63%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 126,812
Undiscounted amounts on January 1, 2019	$ 126,812
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 125,904
Lease liabilities recognized on January 1, 2019	$ 125,904

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 125,904	$ 125,904
Total effect on assets	$ -	$ 125,904	$ 125,904
Lease liabilities	$ -	$ 125,904	$ 125,904
Total effect on liabilities	$ -	$ 125,904	$ 125,904
Total effect on equity	$ -	$ -	$ -

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

IFRS 17 "Insurance Contracts"

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The key principles in IFRS 17 are as follows:

Level of aggregation for insurance contracts

The Group shall identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and managed together. Contracts within a product line subject to similar risks and hence would be expected to be in the same portfolio if they are managed together. The Group shall divide each portfolio of insurance contracts issued into a minimum of:

1) A group of contracts that are onerous at initial recognition, if any;

2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

3) A group of the remaining contracts in the portfolio, if any.

The Group is not permitted to include contracts issued more than one year apart in the same group, and shall apply the recognition and measurement under IFRS 17 to the Group of insurance contracts it issues.

Recognition

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

1) The beginning of the coverage period of the Group of contracts;

2) The date when the first payment from a policyholder in the Group becomes due; and

3) For a group of onerous contracts, when the Group becomes onerous.

Measurement

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows (FCF) and the contractual service margin (CSM). The FCF comprises estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk. The CSM represents the unearned profit the Group will recognize as it provides services under the insurance contracts in the Group.

This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from: (a) the initial recognition of an amount for the FCF; (b) the derecognition at that date of any asset or liability recognized for insurance acquisition cash flows; and (c) any cash flows arising from the contracts in the Group at that date.

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

1) The Group reasonably expects that the liability for remaining coverage of a group of insurance contracts using the PAA will be a reasonable approximation of the general model results, or

2) The coverage period of each contract in the Group is one year or less.

Where, at the inception of the Group, the Group expects significant variances in the FCF during the period before a claim is incurred may affect the measurement of the liability for remaining coverage of a group of insurance contracts, such circumstances are not eligible to condition 1).

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

Investment contracts with discretionary participation feature (DPF)

An investment contract with a DPF is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the IFRS 17 only if the Group also issues insurance contracts.

Modification and derecognition

If the terms of an insurance contract are modified and be treated as a substantive modification, which meet specified criteria, the Group shall derecognize the original contract and recognize the modified contract as a new contract. The Group shall derecognize an insurance contract when it is extinguished, or if there is a substantive modification of an insurance contract.

Transition

The Group shall apply the IFRS 17 retrospectively unless impracticable, in which case the Group have the option of using either the modified retrospective approach or the fair value approach.

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, or other regulations and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Assets and liabilities of this consolidated financial statement are classified by nature and are presented in the order of liquidity, instead of being classified as current or noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

g. Property and equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

Overlay approach is applied to financial assets if all of the following conditions are met therein, the Group elected to remove profit or loss arising from changes in fair value in subsequent measurement and placed it in other comprehensive income.

i) The financial assets are held in respect of activities related to IFRS 4.

ii) The financial assets are measured at FVTPL applying IFRS 9, but would not have been measured at FVTPL in its entirely applying under IAS 39.

iii) The financial assets designated to apply overlay approach at initial recognition when an entity first applies IFRS 9 or when a new financial asset is initially recognized or when a financial asset newly meets the criteria having previously not met.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and receivables at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

In addition, in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", the Company classify loans into five categories; including category one-normal assets; category two-special mention assets; category three-substandard assets; category four-doubtful assets; and category five-loss assets depending on the status of the loans collaterals and the length of time overdue, as well as financial condition of the uncollectible accounts. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

i. 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

ii. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

iii. Total unsecured portion of loans overdue and receivable on demand.

Pursuant to Order No. Financial-Supervisory-Insurance-Corporate-10402506096, to enhance insurance industry's ability to bear loss on specific loan assets, the Company shall increase its allowance for bad debt loans ratio to at least 1.5%.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, foreign exchange swaps, cross currency swaps, options and futures.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Reinsurance business

The reinsurance business refers to the provision of services to enable clients to limit possible loss due to risk events such as explosions and to meet their business needs insurance regulations. For the ceding reinsurance, the Group may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation.

For the ceding reinsurance, reinsurance premium outward is recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance premium outward must be matched in the same accounting period as the reinsurance premium inward they helped to earn. Also, at the balance sheet date, the Group will accrue the related reinsurance revenue and expense for the billing statements that have not yet been received but are already considered likely to be received as shown by past experience. The related reinsurance profit and loss cannot be deferred.

Reinsurance assets on which the reinsurer has rights include ceding unearned premium reserve, ceding loss reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

l. Reserves for liabilities

Insurance reserves provided for insurance contracts should be audited by the actuaries certified by the FSC and should also conform to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance and the Regulations for the Reserves for Nuclear Energy Insurance.

The descriptions of these reserves are as follows:

1) Unearned premium reserve

For an in-force contract with a remaining policy period or an unterminated insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

Unearned premium reserve for the compulsory insurance contract is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Unearned premium reserve for the policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premium reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

Except as otherwise provided by regulations, the manners of provisions for unearned premium reserve are decided by actuaries according to the characteristics of each insurance, which can not be changed without permission by the authorities, and the year-end balance of unearned premium reserve should be audited by actuaries at the end of the year.

2) Loss reserve

Loss reserve is provided for losses filed but not yet paid and losses not yet filed by insurance type based on the past experiences of actual claims and expenses in line with the actuarial principles. The reserve for losses filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type.

Loss reserve for the compulsory insurance contracts is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Loss reserve for policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Loss reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

Special reserves are comprised of special reserves for catastrophic event and special reserves for fluctuation of risk and special reserves for other special purpose.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the Group shall set aside the special reserves as liabilities which is calculated based on the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve, minus the retained claims and the provision of loss reserve; if the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve in the preceding fiscal year is less than the sum of the retained claims and the provision of loss reserve, the deficit shall be amended with the cumulative recovery of the special reserve in the previous years. If any deficit remains, the balance shall be recorded as a memorandum entry and amended with the recovery of the special reserves in the subsequent years.

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic event

Special reserves for catastrophic event is provided at the rates for each insurance type required by the authorities.

As a single event which meets the government’s definition of major accident, special reserves for catastrophic event can be reversed if the total retained claims for each insurance type of an individual company reach $30 million and the total claims for each insurance type of all non-life insurance companies reach $2,000 million.

Special reserves for catastrophic event that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserve for commercial-businesses earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, the 15% of the differences should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the differences.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic event are higher than the expected claims, the differences may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance type. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

For each type of insurance, when the accumulated provisions of the special reserves for fluctuation of risk exceed 60% (30% for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be recovered. For commercial-business earthquake insurances and typhoon and flood insurances, if the accumulated provisions of special reserves for fluctuation of risk exceed 18 times and 8 times, respectively, of the retained earned premiums for the current year, the excess should be recovered as income.

4) Premium deficiency reserve

For unexpired in-force contracts or unterminated incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the deficiencies should be set aside as premium deficiency reserve.

5) Policy reserve

The minimum provision for policy reserve for health insurance with policy periods longer than one year is determined by the full preliminary term method. However, the method of provision for health insurance with a special nature is regulated by the authorities.

6) Liability adequacy reserve

When performing the liability adequacy test requested by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test result is inadequate, the shortfall should be recognized as a liability adequacy reserve.

m. Premiums, commission expenses and processing fees

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements delivered, and, on the balance sheet date, reinsurance premiums not yet received are accrued in a reasonable and systematic manner. Related acquisition costs are recognized in the same periods, including commission expenses, agency fees, service fees and reinsurance commission expenses.

n. Insurance claims

Claims and payments (including claim expenses) filed and paid pertaining to the direct insurance business are recognized as paid claims in current periods. For claims filed but not yet paid with determined amounts and those without determined amounts are recognized as net changes in loss reserve based on relevant information of each case by insurance type.

For direct insurance and ceding reinsurance, claims not yet filed are estimated based on past experience according to actuarial principles and recognized as net changes in loss reserve.

For claims to be recovered from the reinsurer under the reinsurance contract, claims and payments (including claim expenses) recoverable from reinsurers are recognized as claims recovered from reinsurers. For those of filed but not yet paid and not yet filed cases, claims and payments (including claim expenses) are recognized as net changes in loss reserve.

Provision for loss reserve is undiscounted.

o. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to be tested by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requests the Group to estimate future cash flows of insurance contracts in accordance with the requirement for actuaries that was issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

p. Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the asset, are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group has determined the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group determines the appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 27.

b. Estimated impairment of investments in debt instruments

The provision for impairment of investments in debt instruments is estimated based on expected loss. The Group estimates and compares contractual cash flows receivable (carrying amount) and expected cash flows receivable (after forward looking estimates considered) and recognizes the difference as credit losses. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Adequacy test on loss reserve

Loss reserves are estimated for possible claims of both filed but not yet paid and not yet filed of all insurance contracts. Such estimates are made based on historical data, actuarial analysis, financing modeling and other analytical techniques and are adjusted when necessary; however, the actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 16,539	$ 18,928	$ 23,658
Checking accounts and demand deposits	1,682,345	2,641,308	2,043,032
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	6,784,288	6,186,918	5,455,546
Short-term transactions instruments	2,052,865	1,338,767	1,383,276
	$ 10,536,037	$ 10,185,921	$ 8,905,512

7. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange swaps	$ 17,416	$ 6,280	$ 7,920
Non-derivative financial assets			
Listed shares	4,367,546	3,433,971	4,616,590
Mutual funds	3,006,379	1,667,453	1,847,909
Financial bonds	772,034	779,680	779,986
	$ 8,163,375	$ 5,887,384	$ 7,252,405
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange swaps	$ 53,369	$ 50,041	$ 111,773

a. At the end of the reporting period, outstanding foreign exchange swaps not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2019			
Sell	USD/NTD	108.10.09-109.08.31	US$ 123,150
	EUR/NTD	109.02.24-109.06.05	EUR 2,750
December 31, 2018			
Sell	USD/NTD	2019.01.09-2019.05.29	US$ 186,600
	EUR/NTD	2019.01.22-2019.03.05	EUR 2,750

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2018			
Sell	USD/NTD	2018.10.09-2019.05.29	US$ 195,600
	EUR/NTD	2018.10.22-2018.11.05	EUR 2,750

(Concluded)

The Group entered into foreign exchange swaps to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities.

b. The financial assets at FVTPL were not pledged.

c. The Group chose to express profit or loss of the designated financial assets in the overlay approach under IFRS 4 "Insurance Contracts" since its application of IFRS 9 on January 1, 2018. Financial assets designated to apply the overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily measured at FVTPL			
Listed shares	$ 4,367,546	$ 3,433,971	$ 4,616,590
Mutual funds	3,006,379	1,667,453	1,847,909
Financial bonds	772,034	779,680	779,986

For the nine months ended September 30, 2019 and 2018, none of financial assets held by the Group has changed conditions, been designated or been terminated.

Reclassification from profit or loss to other comprehensive income of the consolidated financial assets designated to apply the overlay approach for the three months ended September 30, 2019 and 2018, and for the nine months ended September 30, 2019 and 2018 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
(Gains) loss due to applying IFRS 9 to profit or loss	$ (209,154)	$ 303,343	$ (824,796)	$ 52,697
Less: Gains if applying IAS 39 to profit or loss	251,285	(54,718)	458,468	411,292
(Loss) gains from reclassification using the overlay approach	$ 42,131	$ 248,625	$ (366,328)	$ 463,989

According to the adjustment by applying the overlay approach, gains (loss) from consolidated financial assets at FVTPL increased from $193,187 thousand to $235,318 thousand and increased from $(182,647) thousand to $65,978 thousand for the three months ended September 30, 2019 and 2018, respectively, and gain from consolidated financial assets at FVTPL reduced from $660,145 thousand to $293,817 thousand and increased from $(136,449) thousand to $327,540 thousand for the nine months ended September 30, 2019 and 2018, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
Investments in equity instruments at FVTOCI	$ 448,800	$ 405,600	$ 382,200
Investments in debt instruments at FVTOCI	753,955	1,045,844	1,049,600
	$ 1,202,755	$ 1,451,444	$ 1,431,800

a. Investments in equity instruments at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
Domestic investments			
Unlisted shares	$ 448,800	$ 405,600	$ 382,200

These investments in equity instrument are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

There was no dividend revenue recognized relating to investments in equity instrument at FVTOCI still held by the Group on the balance sheet date for the nine months ended September 30, 2019 and 2018. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
Domestic investments			
Government bonds	$ 753,955	$ 745,593	$ 748,680
Corporate bonds	-	300,251	300,920
	$ 753,955	$ 1,045,844	$ 1,049,600

Refer to Note 27 for information relating to their credit risk management and impairment.

c. The financial assets at FVTOCI were not pledged.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Domestic investments			
Corporate bonds	$ 1,399,983	$ 1,599,988	$ 1,749,983
Government bonds	514,449	519,346	520,934
Financial bonds	-	-	300,002
Foreign investments			
Corporate bonds	6,959,980	6,929,795	6,884,815
Time deposits (other)	-	-	6,550
	8,874,412	9,049,129	9,462,284
Less: Loss allowance	(4,074)	(3,587)	(4,550)
Less: Statutory guarantee deposits	(514,398)	(519,302)	(520,864)
	$ 8,355,940	$ 8,526,240	$ 8,936,870

The Group's gains on disposal of bonds from repayments due for the three months ended September 30, 2019 and 2018 were $153 thousand and $245 thousand, respectively, and were $431 thousand and $780 thousand for the nine months ended September 30, 2019 and 2018 respectively.

Refer to Note 27 for information relating to their credit risk management and impairment. The financial assets at amortized cost were not pledged.

10. LOANS

	September 30, 2019	December 31, 2018	September 30, 2018
Secured loans	$ 233,061	$ 239,701	$ 231,363
Less: Loss allowance	(2,796)	(2,885)	(2,777)
	$ 230,265	$ 236,816	$ 228,586

Property and equipment are pledged as collaterals for secured loans. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises". Refer to Note 27 for information relating to the credit risk management and impairment for the nine months ended September 30, 2019 and 2018.

11. RECEIVABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 205,529	$ 235,666	$ 217,174
Premiums receivables	2,004,680	1,760,192	1,611,604
Other receivables	544,570	442,246	558,058
	2,754,779	2,438,104	2,386,836
Less: Loss allowance	(63,346)	(79,324)	(72,873)
	$ 2,691,433	$ 2,358,780	$ 2,313,963

The movements of the loss allowance of receivables were as follows:

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 79,324	$ 66,827
Impairment losses recognized on receivables	-	6,046
Impairment losses reversed	(15,978)	-
Ending balance	$ 63,346	$ 72,873

12. REINSURANCE ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Claims recoverable from reinsurers, net	$ 335,715	$ 345,635	$ 302,050
Due from reinsurers and ceding companies, net	523,461	448,406	513,484
Reinsurance reserve assets			
Ceded unearned premium reserve	3,070,251	2,965,729	2,862,624
Ceded loss reserve	2,273,139	2,345,027	2,617,634
Ceded premium deficiency reserve	-	-	2,547
	$ 6,202,566	$ 6,104,797	$ 6,298,339

Reinsurance assets held by the Group were not impaired.

a. Claims recoverable from reinsurers

	September 30, 2019	December 31, 2018	September 30, 2018
Claims recoverable from reinsurers			
Gross carrying amount	$ 339,106	$ 349,126	$ 305,101
Less: Loss allowance	(3,391)	(3,491)	(3,051)
	$ 335,715	$ 345,635	$ 302,050

The movements of the loss allowance of claims recoverable from reinsurers were as follows:

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 3,491	$ 5,453
Impairment losses recognized (reversed) on receivables and reversed	(100)	(2,402)
Ending balance	$ 3,391	$ 3,051

b. Due from reinsurers and ceding companies

	September 30, 2019	December 31, 2018	September 30, 2018
Due from reinsurers and ceding companies			
Gross carrying amount	$ 557,448	$ 466,224	$ 538,895
Less: Loss allowance	(33,987)	(17,818)	(25,411)
	$ 523,461	$ 448,406	$ 513,484

The movements of the loss allowance of claims recoverable from reinsurers were as follows:

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 17,818	$ 28,716
Impairment losses recognized (reversed) on receivables and reversed	16,169	(3,305)
Ending balance	$ 33,987	$ 25,411

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	September 30, 2019	December 31, 2018	September 30, 2018	Remark
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100%	100%	100%	*

Remarks:

* Cathay Insurance Co., Ltd. (Vietnam) is an immaterial subsidiary, and its financial statements have not been reviewed; management believes there is no material adjustment on the financial statements of the immaterial subsidiary which have not been reviewed.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2019	December 31, 2018	September 30, 2018
Investments in associates	$ 2,112,065	$ 1,070,814	$ 1,081,778

Aggregate information of associates that are not individually material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
The Group's share of:				
Profit (loss) from continuing operations	$ 3,427	$ 5,071	$ (19,988)	$ (32,277)
Profit (loss) from discontinued operations				
Other comprehensive income (loss)	(66,223)	(35,112)	(38,811)	(36,059)
Total comprehensive income (loss) for the period	$ (62,796)	$ (30,041)	$ (58,799)	$ (68,336)

The investments accounted for using the equity method were not pledged.

15. PROPERTY AND EQUIPMENT

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2018	$ 350,758	$ 173,139	$ 15,064	$ 538,961
Additions	10,661	1,275	7,932	19,868
Disposals	-	(1)	-	(1)
Reclassified	-	-	(12,716)	(12,716)
Foreign exchange	-	1,385	-	1,385
Balance at September 30, 2018	$ 361,419	$ 175,798	$ 10,280	$ 547,497
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ 315,353	$ 148,464	$ -	$ 463,817
Disposals	-	(1)	-	(1)
Depreciation expenses	11,311	6,017	-	17,328
Foreign exchange	-	(188)	-	(188)
Balance at September 30, 2018	$ 326,664	$ 154,292	$ -	$ 480,956
Carrying amounts at September 30, 2018	$ 34,755	$ 21,506	$ 10,280	$ 66,541

(Continued)

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2019	$ 388,165	$ 177,041	$ 45,038	$ 610,244
Additions	3,108	3,225	59,490	65,823
Disposals	-	(65)	-	(65)
Reclassified	2,000	-	(10,878)	(8,878)
Foreign exchange	-	684	-	684
Balance at September 30, 2019	$ 393,273	$ 180,885	$ 93,650	$ 667,808
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ 331,005	$ 157,054	$ -	$ 488,059
Disposals	-	(64)	-	(64)
Depreciation expenses	15,841	6,014	-	21,855
Foreign exchange	-	23	-	23
Balance at September 30, 2018	$ 346,846	$ 163,027	$ -	$ 509,873
Carrying amounts at September 30, 2019	$ 46,427	$ 17,858	$ 93,650	$ 157,935
Carrying amounts at December 31, 2018 and January 1, 2019	$ 57,160	$ 19,987	$ 45,038	$ 122,185

(Concluded)

The above items of property and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3-5 years
Other equipment	3-5 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019
Carrying amounts	
Buildings	$ 230,465
Transportation equipment	8,763
	$ 239,228

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets		$ 222,047
Depreciation charge for right-of-use assets		
Buildings	$ 33,355	$ 101,162
Transportation equipment	956	2,857
	$ 34,311	$ 104,019

b. Lease liabilities - 2019

	September 30, 2019
Carrying amounts	$ 239,242

Range of discount rate for lease liabilities was as follows:

	September 30, 2019
Buildings	1.31%-8.57%
Transportation equipment	3.49%

c. Other lease information

2019

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	$ 1,443	$ 3,709
Total cash outflow for leases		$ (108,721)

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	$ 93,709	$ 119,130
Later than 1 year and not later than 5 years	8,257	6,197
	$ 101,966	$ 125,327

The lease payments recognized in profit or loss were as follows:

	For the Nine Months Ended September 30, 2018
Minimum lease payments	$ 112,081

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2018	$ 155,347
Additions	15,899
Reclassified	12,716
Foreign exchange	(99)
Balance at September 30, 2018	$ 183,863
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ (106,500)
Amortization expenses	(22,602)
Foreign exchange	96
Balance at September 30, 2018	$ (129,006)
Carrying amounts at September 30, 2018	$ 54,857
Cost	
Balance at January 1, 2019	$ 203,514
Additions	19,056
Reclassified	8,878
Foreign exchange	270
Balance at September 30, 2019	$ 231,718
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ (138,119)
Amortization expenses	(29,752)
Foreign exchange	(293)
Balance at September 30, 2019	$ (168,164)
Carrying amounts at September 30, 2019	$ 63,554
Carrying amounts at December 31, 2018 and January 1, 2019	$ 65,395

The above items of intangible asset used by the Group are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years

18. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Statutory guarantee deposits (Note 29)	$ 514,398	$ 519,302	$ 520,863
Other deposits	123,614	131,364	111,532
Payment in advance	11,663	1,111,145	14,800
Others	37,676	36,907	54,266
	$ 687,351	$ 1,798,718	$ 701,462

The other assets were not pledged.

19. PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Claims outstanding	$ 406	$ -	$ -
Commissions payable	173,844	115,180	128,510
Due to reinsurers and ceding companies	1,432,968	1,499,224	1,269,109
Other payables	1,101,134	1,008,373	962,409
	$ 2,708,352	$ 2,622,777	$ 2,360,028

20. INSURANCE LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Unearned premium reserve	$ 12,208,311	$ 12,027,482	$ 11,725,854
Loss reserve	8,858,502	8,474,319	8,538,306
Special reserve	3,110,341	3,272,479	3,290,477
Premium deficiency reserve	5,116	11,347	6,060
Policy reserve	61	48	41
	$ 24,182,331	$ 23,785,675	$ 23,560,738

a. Unearned premium reserve

1) Details of unearned premium reserve and ceded unearned premium reserve

	September 30, 2019			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,790,142	$ 132,989	$ 1,031,467	$ 891,664
Marine insurance	123,790	17,459	85,252	55,997
Land and air insurance	5,005,924	9,359	155,542	4,859,741
Liability insurance	769,633	1,010	286,206	484,437
Bonding insurance	51,923	3,959	32,926	22,956
Other property insurance	897,071	64,261	622,763	338,569
Accident insurance	1,531,093	5,089	104,230	1,431,952
Health insurance	81,175	90	-	81,265
Compulsory auto liability insurance	1,253,109	470,235	751,865	971,479
	$ 11,503,860	$ 704,451	$ 3,070,251	$ 9,138,060

	December 31, 2018			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,876,580	$ 202,282	$ 1,131,256	$ 947,606
Marine insurance	160,920	7,893	105,301	63,512
Land and air insurance	4,958,232	1,117	207,212	4,752,137
Liability insurance	741,928	998	266,606	476,320
Bonding insurance	51,296	680	36,484	15,492
Other property insurance	676,105	76,291	387,989	364,407
Accident insurance	1,463,714	5,146	74,007	1,394,853
Health insurance	62,309	9,562	-	71,871
Compulsory auto liability insurance	1,261,457	470,972	756,874	975,555
	$ 11,252,541	$ 774,941	$ 2,965,729	$ 9,061,753

	September 30, 2018			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,870,251	$ 257,488	$ 1,085,332	$ 1,042,407
Marine insurance	141,512	14,502	98,431	57,583
Land and air insurance	4,673,683	3,620	175,746	4,501,557
Liability insurance	668,690	1,063	215,261	454,492
Bonding insurance	58,293	816	44,602	14,507
Other property insurance	632,200	97,370	410,478	319,092
Accident insurance	1,490,629	4,645	80,501	1,414,773
Health insurance	67,098	13,934	-	81,032
Compulsory auto liability insurance	1,253,870	476,190	752,273	977,787
	$ 10,856,226	$ 869,628	$ 2,862,624	$ 8,863,230

2) Reconciliation of unearned premium reserve and ceded unearned premium reserve

	For the Nine Months Ended September 30			
	2019		2018	
	Unearned Premium Reserves	Ceded Unearned Premium Reserve	Unearned Premium Reserves	Ceded Unearned Premium Reserve
Beginning balance	$ 12,027,482	$ 2,965,729	$ 11,502,792	$ 2,889,339
Provision	12,204,544	3,070,712	11,726,324	2,862,876
Recovery	(12,030,271)	(2,967,291)	(11,502,792)	(2,889,339)
Foreign exchange	6,556	1,101	(470)	(252)
Ending balance	$ 12,208,311	$ 3,070,251	$ 11,725,854	$ 2,862,624

b. Loss reserve

1) Loss reserve and ceded loss reserve

	September 30, 2019			
	Loss Reserve		Ceded Loss Reserve	
Items	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 3,855,215	$ 469,460	$ 1,152,564	$ 3,172,111
Not yet filed	4,052,597	481,230	1,120,575	3,413,252
	$ 7,907,812	$ 950,690	$ 2,273,139	$ 6,585,363

Items	December 31, 2018			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 3,670,166	$ 330,733	$ 1,231,776	$ 2,769,123
Not yet filed	4,026,955	446,465	1,113,251	3,360,169
	$ 7,697,121	$ 777,198	$ 2,345,027	$ 6,129,292

Items	September 30, 2018			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 3,540,469	$ 341,517	$ 1,453,461	$ 2,428,525
Not yet filed	4,207,548	448,772	1,164,173	3,492,147
	$ 7,748,017	$ 790,289	$ 2,617,634	$ 5,920,672

2) Net changes in loss reserve and ceded loss reserve

For the nine months ended September 30, 2019

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserves
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+ (3)-(4)
Filed but not yet paid	$ 3,872,305	$ 3,689,416	$ 469,460	$ 330,733	$ 321,616
Not yet filed	4,035,989	4,011,028	481,230	446,465	59,726
	$ 7,908,294	$ 7,700,444	$ 950,690	$ 777,198	$ 381,342

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserves
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed but not yet paid	$ 1,161,457	$ 1,242,817	$ (81,360)
Not yet filed	1,112,386	1,105,134	7,252
	$ 2,273,843	$ 2,347,951	$ (74,108)

For the nine months ended September 30, 2018

Items	Direct Underwriting Business Provision (1)	Direct Underwriting Business Recovery (2)	Reinsurance Inward Business Provision (3)	Reinsurance Inward Business Recovery (4)	Net Changes in Loss Reserves (5)=(1)-(2)+(3)-(4)
Filed but not yet paid	$ 3,541,263	$ 3,557,040	$ 341,517	$ 286,595	$ 39,145
Not yet filed	4,207,594	3,796,257	448,772	442,692	417,417
	$ 7,748,857	$ 7,353,297	$ 790,289	$ 729,287	$ 456,562

Items	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Recovery (7)	Net Changes in Ceded Loss Reserves (8)=(6)-(7)
Filed but not yet paid	$ 1,454,161	$ 1,342,214	$ 111,947
Not yet filed	1,164,195	1,132,260	31,935
	$ 2,618,356	$ 2,474,474	$ 143,882

3) Details of liability for claims filed but not yet paid and claim not yet filed of policyholders

Insurance by Type	September 30, 2019 Liability Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 982,461	$ 64,678	$ 1,047,139
Marine insurance	229,115	34,246	263,361
Land and air insurance	1,549,421	1,397,337	2,946,758
Liability insurance	521,259	725,726	1,246,985
Bonding insurance	69,703	59,140	128,843
Other property insurance	364,717	144,427	509,144
Accident insurance	99,533	517,429	616,962
Health insurance	1,998	53,618	55,616
Compulsory auto liability insurance	506,468	1,537,226	2,043,694
	$ 4,324,675	$ 4,533,827	$ 8,858,502

	December 31, 2018		
	Liability		
Insurance by Type	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 801,557	$ 15,818	$ 817,375
Marine insurance	238,811	2,757	241,568
Land and air insurance	1,385,474	1,329,879	2,715,353
Liability insurance	432,229	737,982	1,170,211
Bonding insurance	70,043	67,414	137,457
Other property insurance	414,592	155,267	569,859
Accident insurance	131,876	557,243	689,119
Health insurance	2,058	48,746	50,804
Compulsory auto liability insurance	524,259	1,558,314	2,082,573
	$ 4,000,899	$ 4,473,420	$ 8,474,319

	September 30, 2018		
	Liability		
Insurance by Type	Filed c Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,032,238	$ 13,934	$ 1,046,172
Marine insurance	284,934	13,033	297,967
Land and air insurance	1,071,988	1,384,785	2,456,773
Liability insurance	417,675	813,126	1,230,801
Bonding insurance	72,182	91,491	163,673
Other property insurance	424,300	156,578	580,878
Accident insurance	80,936	585,994	666,930
Health insurance	2,027	52,477	54,504
Compulsory auto liability insurance	495,706	1,544,902	2,040,608
	$ 3,881,986	$ 4,656,320	$ 8,538,306

4) Details of ceded loss reserve for claims filed but not yet paid and claims not yet filed of policyholders

	September 30, 2019		
	Liability		
Insurance by Type	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 301,603	$ 25,860	$ 327,463
Marine insurance	122,080	19,116	141,196
Land and air insurance	46,693	42,010	88,703
Liability insurance	324,588	253,374	577,962
Bonding insurance	33,664	21,912	55,576
Other property insurance	135,501	52,800	188,301
Accident insurance	5,563	33,491	39,054
Health insurance	-	28	28
Compulsory auto liability insurance	182,872	671,984	854,856
	$ 1,152,564	$ 1,120,575	$ 2,273,139

Insurance by Type	December 31, 2018		
	Liability		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 354,864	$ 7,644	$ 362,508
Marine insurance	146,021	675	146,696
Land and air insurance	75,958	38,139	114,097
Liability insurance	259,524	258,328	517,852
Bonding insurance	32,831	40,365	73,196
Other property insurance	151,157	51,462	202,619
Accident insurance	4,764	34,967	39,731
Health insurance	-	-	-
Compulsory auto liability insurance	206,657	681,671	888,328
	$ 1,231,776	$ 1,113,251	$ 2,345,027

Insurance by Type	September 30, 2018		
	Liability		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 547,107	$ 6,742	$ 553,849
Marine insurance	189,394	10,422	199,816
Land and air insurance	60,429	39,186	99,615
Liability insurance	251,780	276,714	528,494
Bonding insurance	32,945	68,358	101,303
Other property insurance	183,524	52,332	235,856
Accident insurance	6,304	37,058	43,362
Health insurance	-	-	-
Compulsory auto liability insurance	181,978	673,361	855,339
	$ 1,453,461	$ 1,164,173	$ 2,617,634

5) Reconciliation of loss reserve and ceded loss reserve

	For the Nine Months Ended September 30			
	2019		2018	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	$ 8,474,319	$ 2,345,027	$ 8,082,584	$ 2,474,474
Provision	8,858,984	2,273,843	8,539,146	2,618,356
Recovery	(8,477,642)	(2,347,951)	(8,082,584)	(2,474,474)
Foreign exchange	2,841	2,220	(840)	(722)
Ending balance	$ 8,858,502	$ 2,273,139	$ 8,538,306	$ 2,617,634

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 1,478,016	$ 1,575,128
Provision	48,082	62,148
Recovery	(210,219)	(159,988)
Ending balance	$ 1,315,879	$ 1,477,288

2) Special reserve for all insurances other than compulsory automobile liability insurance

	For the Nine Months Ended September 30, 2019		
	Liability		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 449,445	$ 1,345,017	$ 1,794,462
Provision	-	-	-
Recovery	-	-	-
Ending balance	$ 449,445	$ 1,345,017	$ 1,794,462

	For the Nine Months Ended September 30, 2018		
	Liability		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 468,172	$ 1,345,017	$ 1,813,189
Provision	-	-	-
Recovery	-	-	-
Ending balance	$ 468,172	$ 1,345,017	$ 1,813,189

If the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, Notice for the improvement of the reserves of co-assurance organization and Regulations governing the reserves of nuclear energy insurance were not applied, there is no material impact on the Group’s pre-tax income/loss and earnings per share and the special reserve under liabilities would decrease by $1,485,963 thousand and special reserve under equity would increase by $508,108 thousand.

d. Premium deficiency reserves

1) Details of premium deficiency reserve and ceded premium deficiency reserve

	September 30, 2019			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	853	1,720	-	2,573
Land and air insurance	551	1,992	-	2,543
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 1,404	$ 3,712	$ -	$ 5,116

	December 31, 2018			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	2,253	714	-	2,967
Land and air insurance	7,512	868	-	8,380
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 9,765	$ 1,582	$ -	$ 11,347

	September 30, 2018			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	1,667	155	-	1,822
Land and air insurance	1,341	2,897	2,547	1,691
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 3,008	$ 3,052	$ 2,547	$ 3,513

2) Net loss recognized for premium deficiency reserve - Net changes in premium deficiency reserve and ceded premium deficiency reserve

	For the Nine Months Ended September 30, 2019								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	853	2,253	1,720	714	(394)	-	-	-	(394)
Land and air insurance	551	7,512	1,992	868	(5,837)	-	-	-	(5,837)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-		-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 1,404	$ 9,765	$ 3,712	$ 1,582	$ (6,231)	$ -	$ -	$ -	$ (6,231)

	For the Nine Months Ended September 30, 2018								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	1,667	1,145	155	102	575	-	-	-	575
Land and air insurance	1,341	8,446	2,897	2,932	(7,140)	2,547	2,578	(31)	(7,109)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 3,008	$ 9,591	$ 3,052	$ 3,034	$ (6,565)	$ 2,547	$ 2,578	$ (31)	$ (6,534)

3) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

	For the Nine Months Ended September 30			
	2019		2018	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	$ 11,347	$ -	$ 12,625	$ 2,578
Provision	5,116	-	6,060	2,547
Recovery	(11,347)	-	(12,625)	(2,578)
Ending balance	$ 5,116	$ -	$ 6,060	$ 2,547

e. Policy reserve

1) Details of policy reserve and ceded reserve

September 30, 2019

	Policy Reserve		Ceded Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Health insurance	$ 61	$ -	$ -	$ 61

December 31, 2018

	Policy Reserve		Ceded Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Health insurance	$ 48	$ -	$ -	$ 48

September 30, 2018

	Policy Reserve		Ceded Reserve	
Insurance by Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Health insurance	$ 41	$ -	$ -	$ 41

2) Net changes in policy reserve and ceded policy reserve

For the nine months ended September 30, 2019

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	$ 40	$ 27	$ -	$ -	$ 13

Insurance by Type	Ceded Reinsurance Business		Net Changes in Ceded Policy Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Health insurance	$ -	$ -	$ -

For the nine months ended September 30, 2018

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	$ 7	$ 21	$ -	$ -	$ (14)

Insurance by Type	Ceded Reinsurance Business		Net Changes in Ceded Policy Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Health insurance	$ -	$ -	$ -

21. PREFERRED STOCK LIABILITIES

In accordance with the resolution of the board of directors' meeting on October 7, 2011, the Company issued 31,250 thousand shares of Class A preferred stocks at the par value of $10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on October 26, 2011. Primary terms and conditions of the privately offered Class A preferred stocks are listed as follows:

a. Issuance period covers from November 11, 2011, the issue date, to November 10, 2018, seven years in total.

b. Dividend yield is 1.86% per year based on the actual issue price of $32 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.

c. The preference shares are not convertible to common stocks. When the shares are mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Law. If the Company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period. Preferred shareholders' rights shall not be violated.

d. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

According to the IAS 32 "Financial Instruments: Presentation", the above-mentioned preferred stocks issued shall be reported as "preferred stock liabilities" under financial liabilities.

On March 14, 2018, board of directors resolved in compliance with R.O.C. Company Law Article 158 and the Company's Article of Incorporation, redeeming the shares of Class A in advance in mid-July 2018. The reduction of preferred stocks was approved by the FSC's Insurance bureau on June 11, 2018 and the record date for reduction of share capital on July 12, 2018.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension under the defined contribution plan for the three months ended September 30, 2019 and 2018 were $20,873 thousand and $20,299 thousand, respectively, and were $62,493 thousand and $60,210 thousand for nine months ended September 30, 2019 and 2018, respectively.

b. Defined benefit plans

Pension under the defined benefit plans for the three months ended September 30, 2019 and 2018 were $8,263 thousand and $10,296 thousand, respectively, and were $28,558 thousand and $30,889 thousand for the nine months ended September 30, 2019 and 2018, respectively, which were calculated by actuarial determination of retirement cost ratio on December 31, 2018 and 2017, respectively.

23. EQUITY

a. Share capital

	September 30, 2019	December 31, 2018	September 30, 2019
Number of shares authorized (in thousands)	305,705	305,705	305,705
Shares authorized	$ 3,057,052	$ 3,057,052	$ 3,057,052
Number of shares issued and fully paid (in thousands)	305,705	305,705	305,705
Shares issued	$ 3,057,052	$ 3,057,052	$ 3,057,052

b. Capital surplus

The capital surplus from shares issued in excess of par (share premium from issuance of ordinary shares due to combination) and endowments received by the Company may use to offset a deficit. The capital surplus may be distributed by issuing new shares or by cash. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its capital surplus by cash after the authority's approval under the Company Act Article 241.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for the proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both its operating needs and the shareholders' interests. Thus, dividends are distributed after the Company reserves the cash requirement for future capital expenditures. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors before and after the amendment, refer to Note 24.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its legal reserve by cash after the authority's approval under the Company Act Article 241.

Under Rule No. 10102508861, Rule No. 10402501001 and Rule No. 10502066461 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2018 and 2017 that were approved by the board of directors, acting on behalf of the shareholders, on May 3, 2019 and April 25, 2018, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 275,249	$ 371,627		
Special reserve	513,659	(224,239)		
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	468,632	346,625		
Special reserve (FinTech development)	7,549	9,291		
Cash dividends	111,158	1,354,833	$ 0.36	$ 4.43

d. Special reserve

	For the Nine Months Ended September 30, 2019				
	Special Reserve				
	Catastrophic Event	Fluctuation of Risk	Others	Others	Total
Balance at January 1, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250
Provision	-	-	-	521,208	521,208
Recovered/reversal	-	-	-	-	-
Balance at September 30, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 841,840	$ 4,455,458

	For the Nine Months Ended September 30, 2018				
	Special Reserve				
	Catastrophic Event	Fluctuation of Risk	Others	Others	Total
Balance at January 1, 2018	$ 1,188,322	$ 1,956,664	$ -	$ 535,580	$ 3,680,566
Provision	-	-	-	-	-
Recovered/reversal	-	-	-	(214,948)	(214,948)
Balance at September 30, 2018	$ 1,188,322	$ 1,956,664	$ -	$ 320,632	$ 3,465,618

The newly recognized special reserve for catastrophic event and the special reserve for fluctuation of risk began to be reported as part of the special reserve under shareholders' equity at year-end. This portion of retained earnings cannot be used for any purpose. The accumulative recognized amount as of September 30, 2019 and 2018 was $3,613,618 thousand and $3,144,986 thousand, respectively.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ (228,873)	$ (207,639)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	5,933	(1,793)
Share from associates accounted for using the equity method	(59,263)	(35,315)
Other comprehensive income recognized for the period	(53,330)	(37,108)
Ending balance	$ (282,203)	$ (244,747)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2019	**2018**
Beginning balance	$ (153,280)	$ (116,730)
Recognized for the period		
Unrealized gain (loss) - debt instruments		
Unrealized gain (loss) - equity instruments	13,086	4,291
Adjustments of loss allowance in debt instruments	43,200	(56,400)
Shares from associates accounted for using the equity method	(80)	29
Other comprehensive income recognized for the period	20,452	(744)
	76,658	(52,824)
Ending balance	$ (76,622)	$ (169,554)

3) Remeasurement of defined benefit plans

	For the Nine Months Ended September 30	
	2019	**2018**
Beginning balance	$ (163,649)	$ (159,025)
Effect of change in tax rate	-	5,748
Ending balance	$ (163,649)	$ (153,277)

4) Other comprehensive income reclassified under the overlay approach

	For the Nine Months Ended September 30	
	2019	**2018**
Beginning balance	$ (266,845)	$ 330,185
Recognized for the period	653,220	(52,697)
Reclassification adjustments		
Disposal of financial instruments	(286,892)	(411,292)
Related income tax	(4,925)	20,555
Other comprehensive income recognized for the period	361,403	(443,434)
Ending balance	$ 94,558	$ (113,249)

24. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Bank deposits	$ 14,989	$ 20,110	$ 46,739	$ 59,360
Bills purchased under resale agreement	387	261	1,030	755
Financial instruments at FVTPL	20,848	11,587	46,578	41,688
Investments in debt instruments at FVTOCI	3,055	4,148	9,477	12,366
Financial assets at amortized cost	98,039	100,132	293,160	291,580
Loan	953	964	2,880	2,850
Compulsory insurance	3,824	4,075	11,473	12,226
Other financial assets	9	5	47	11
	$ 142,104	$ 141,282	$ 411,384	$ 420,836

b. Summary statement of employee benefit, depreciation and amortization expenses by function

	For the Three Months Ended September 30					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 71,443	$ 531,275	$ 602,718	$ 73,976	$ 497,955	$ 571,931
Labor and health insurance	-	54,405	54,405	-	51,848	51,848
Pension expenses	-	29,136	29,136	-	30,595	30,595
Remuneration of directors	-	1,854	1,854	-	1,691	1,691
Other employee benefits	-	13,175	13,175	-	13,632	13,632
	$ 71,433	$ 629,845	$ 701,288	$ 73,976	$ 593,721	$ 669,697
Depreciation	$ -	$ 41,728	$ 41,728	$ -	$ 5,966	$ 5,966
Amortization	$ -	$ 10,677	$ 10,677	$ -	$ 8,609	$ 8,609

	For the Nine Months Ended September 30					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 218,382	$ 1,559,922	$ 1,778,304	$ 221,201	$ 1,467,585	$ 1,688,786
Labor and health insurance	-	168,408	168,408	-	161,627	161,627
Pension expenses	-	91,051	91,051	-	91,099	91,099
Remuneration of directors	-	14,107	14,107	-	14,961	14,961
Other employee benefits	-	34,949	34,949	-	35,766	35,766
	$ 218,382	$ 1,868,437	$ 2,086,819	$ 221,201	$ 1,771,038	$ 1,992,239
Depreciation	$ -	$ 125,874	$ 125,874	$ -	$ 17,328	$ 17,328
Amortization	$ -	$ 29,752	$ 29,752	$ -	$ 22,602	$ 22,602

There were 2,253 and 2,273 employees, both of which include 8 directors not serving concurrently as employees, in the Group as of September 30, 2019 and 2018, respectively.

c. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2019	2018
Employees' compensation	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Employees' compensation	$ 761	$ 488	$ 1,963	$ 1,889
Remuneration of directors and supervisors	$ -	$ -	$ -	$ -

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriation of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 that were resolved by the board of directors on March 20, 2019 and March 14, 2018, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 1,861	$ 2,157
Remuneration of directors and supervisors	4,474	4,500

There is no difference between the actual amounts of employees' compensation and the remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	$ 107,292	$ 64,567	$ 297,750	$ 220,749
Income tax adjustment for prior periods	-	184	101	6,816
	107,292	64,751	297,851	227,565
Deferred tax				
In respect of the current period	2,426	13,226	15,920	63,480
Effect of change in tax rate	-	(184)	-	18,019
	2,426	13,042	15,920	81,499
Income tax expense recognized in profit or loss	$ 109,718	$ 77,793	$ 313,771	$ 309,064

The Income Tax Act in the R.O.C. was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ -	$ (4,235)
In respect of the current period:				
Other comprehensive losses or gains reclassification in overlay approach	(7,116)	(4,564)	4,925	(22,068)
Total income tax recognized in other comprehensive income	$ (7,116)	$ (4,564)	$ 4,925	$ (26,303)

c. Income tax assessments

Income tax returns through 2014 of the Company have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Earnings used in the computation of basic earnings per share	$ 651,395	$ 410,009	$ 1,647,724	$ 1,578,118
Effect of potentially dilutive ordinary shares:				
Employees' compensation	-	-	-	-
Earnings used in the computation of diluted earnings per share	$ 651,395	$ 410,009	$ 1,647,724	$ 1,578,118

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705	305,705	305,705
Effect of potentially dilutive ordinary shares:				
Employees' compensation	20	14	67	51
Weighted average number of ordinary shares used in the computation of diluted earnings per share	305,725	305,719	305,772	305,756

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

September 30, 2019

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,399,001	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	6,956,939	-	7,582,231	-	7,582,231
	$ 8,355,940	$ -	$ 8,982,231	$ -	$ 8,982,231
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 514,398	$ -	$ 519,129	$ -	$ 519,129

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,598,964	$ -	$ 1,598,964	$ -	$ 1,598,964
Foreign corporate bonds	6,927,276	-	6,816,380	-	6,816,380
	$ 8,526,240	$ -	$ 8,415,344	$ -	$ 8,415,344
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 519,302	$ -	$ 519,302	$ -	$ 519,302

September 30, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,747,909	$ -	$ 1,747,909	$ -	$ 1,747,909
Domestic financial bonds	299,907	-	299,907	-	299,907
Foreign corporate bonds	6,882,504	-	6,904,395	-	6,904,395
Foreign certificate of deposit	6,550	6,550	-	-	6,550
	$ 8,936,870	$ 6,550	$ 8,952,211	$ -	$ 8,958,761
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 520,864	$ -	$ 520,864	$ -	$ 520,864

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 17,416	$ -	$ 17,416
Domestic listed shares	4,050,989	-	-	4,050,989
Foreign listed shares	316,557	-	-	316,557
Mutual funds	3,006,379	-	-	3,006,379
Domestic financial bonds	-	772,034	-	772,034
	$ 7,373,925	$ 789,450	$ -	$ 8,163,375

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 448,800	$ 448,800
Investments in debt instruments				
Domestic government bonds	-	753,955	-	753,955
	$ -	$ 753,955	$ 448,800	$ 1,202,755
Financial liabilities at FVTPL				
Derivatives	$ -	$ 53,369	$ -	$ 53,369

(Concluded)

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 6,280	$ -	$ 6,280
Domestic listed shares	3,187,227	-	-	3,187,227
Foreign listed shares	246,744	-	-	246,744
Mutual funds	1,667,453	-	-	1,667,453
Domestic financial bonds	-	779,680	-	779,680
	$ 5,101,424	$ 785,960	$ -	$ 5,887,384
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 405,600	$ 405,600
Investments in debt instruments				
Domestic government bonds	-	745,593	-	745,593
Domestic financial bonds	-	300,251	-	300,251
	$ -	$ 1,045,844	$ 405,600	$ 1,451,444
Financial liabilities at FVTPL				
Derivatives	$ -	$ 50,041	$ -	$ 50,041

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 7,920	$ -	$ 7,920
Domestic listed shares	4,270,981	-	-	4,270,981
Foreign listed shares	345,609	-	-	345,609
Mutual funds	1,847,909	-	-	1,847,909
Domestic financial bonds	-	779,986	-	779,986
	$ 6,464,499	$ 787,906	$ -	$ 7,252,405
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 382,200	$ 382,200
Investments in debt instruments				
Domestic government bonds	-	748,680	-	748,680
Domestic financial bonds	-	300,920	-	300,920
	$ -	$ 1,049,600	$ 382,200	$ 1,431,800
Financial liabilities at FVTPL				
Derivatives	$ -	$ 111,773	$ -	$ 111,773

For the nine months ended September 30, 2018, the Group's stock measured at fair value on a recurring basis in the amount of $104,125 thousand was transferred from Level 2 to Level 1 due to acquisition of market price.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Balance at January 1, 2019	$ 405,600
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	43,200
Balance at September 30, 2019	$ 448,800

For the nine months ended September 30, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Balance at January 1, 2018	$ 438,600
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	(56,400)
Balance at September 30, 2018	$ 382,200

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives-foreign exchanges swaps	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Domestic government bonds	Quotation by Taipei Exchange
Domestic listed bonds	Quotation by Taipei Exchange
Foreign listed bonds	Reference to quotation by the investment system

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The Group's Risk Management Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

	September 30, 2019			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

	December 31, 2018			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

	September 30, 2018			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

c. Categories of financial instruments

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 8,163,375	$ 5,887,384	$ 7,252,405
Financial assets at amortized cost (1)	22,451,687	21,958,423	21,017,327
Financial assets at FVTOCI			
Equity instruments	448,800	405,600	382,200
Debt instruments	753,955	1,045,844	1,049,600
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	53,369	50,041	111,773
Amortized cost (2)	2,708,352	2,622,777	2,360,028

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables, loan and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise payables and preferred stock liability.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

Market risk is the risk resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, and may decrease the Group's income or value of investment portfolio.

The Group continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. The Group calculates VaR on the next day (week or two weeks) at the 99% confidence level.

The VaR model must reasonably, completely and accurately measure the maximum potential risk to be used as the Group's risk management model. The risk management model must conduct back testing on an ongoing basis to ensure the model can effectively measure the maximum potential risk of a financial instrument or a portfolio.

b) Stress testing

In addition to the VaR model, the Group periodically use stress testing to assess the potential risk of extreme and abnormal events.

Stress testing is used to evaluate the potential impact on portfolio values when a series of financial variables undergo extreme changes.

The Group conducts stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

Simple sensitivity test measures the changes in value of the investment portfolio caused by specific risk factors.

ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the follows scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

The Group makes reasonable assumptions for extreme market changes that may occur in the future, puts related changes in related risk factors to the current investment portfolio and considers the correlation between the investment targets and risk factors to estimate the possible loss of investments.

The risk management department performs stress testing with historical and hypothetical scenarios regularly. The Group's risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing

Risk Factors	Changes (+/-)	September 30, 2019	December 31, 2018	September 30, 2018
Equity price risk (index)	-10%	$ (425,282)	$ (339,393)	$ (499,381)
Interest rate risk (yield curve)	+20bps	(155,032)	(145,145)	(149,410)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(91,972)	(109,381)	(108,984)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

- Foreign currency risk

  The Group has foreign currency-denominated assets and liability, which expose the Group to foreign currency risk.

  The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

- Interest rate risk

  The Group is exposed to interest rate risk because entities in the Group hold debt instrument at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

  The Group was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by futures contracts. That positions of futures contracts do not exceed the hedged positions.

- Sensitivity analysis

	September 30, 2019		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 21,398	$ 2,222
	CNY appreciates 1 %	2,502	-
	HKD appreciates 1 %	530	3,977
	EUR appreciates 1 %	96	275
	VND appreciates 1 %	6,318	-
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,646)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(82)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,252)	(847)
Equity securities price sensitivity	Increases 1% in equity price	-	45,528

	December 31, 2018		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 34,043	$ 5,143
	CNY appreciates 1 %	8,888	-
	HKD appreciates 1 %	901	3,538
	EUR appreciates 1 %	318	295
	VND appreciates 1 %	6,138	-
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,935)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(92)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,354)	(946)
Equity securities price sensitivity	Increases 1% in equity price	-	33,939

Risk Factors	Variation (+/-)	September 30, 2018 Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1 %	$ 37,162	$ 6,362
	CNY appreciates 1 %	12,766	-
	HKD appreciates 1 %	482	4,305
	EUR appreciates 1 %	79	553
	VND appreciates 1 %	5,873	-
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,114)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(95)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,355)	(980)
Equity securities price sensitivity	Increases 1% in equity price	-	49,938

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Impacts of changes in profit or loss are not included in those of changes in equity.

Note 4: Provision or reversal of reserve for foreign exchange valuation changes is not considered in profit or loss due to foreign currency risk.

Note 5: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

2) Credit risk

a) The Group's credit risk exposure of financial transactions include issuer credit risk, counterparty risk and credit risk of underlying assets.

i. Issuer credit risk is the risk that the Group may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk that the Group may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

iii. Credit risk of underlying assets is the risk that the Group may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to a financial instrument.

b) Credit concentration risk analysis

- The amounts of credit risk exposure of the Group's financial assets are as follows:

September 30, 2019

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,301,142	$ -	$ -	$ -	$ 218,356	$ 10,519,498
Financial assets at FVTPL	789,450	-	-	-	-	789,450
Financial assets at FVTOCI	753,955	-	-	-	-	753,955
Financial assets at amortized cost	1,913,399	359,210	1,506,989	3,274,427	1,816,313	8,870,338
Total	$ 13,757,946	$ 359,210	$ 1,506,989	$ 3,274,427	$ 2,034,669	$ 20,933,241
Proportion	65.72%	1.72%	7.20%	15.64%	9.72%	100.00%

December 31, 2018

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,026,154	$ -	$ -	$ -	$ 140,839	$ 10,166,993
Financial assets at FVTPL	785,960	-	-	-	-	785,960
Financial assets at FVTOCI	1,045,844	-	-	-	-	1,045,844
Financial assets at amortized cost	2,118,265	356,861	1,493,025	3,275,261	1,802,130	9,045,542
Total	$ 13,976,223	$ 356,861	$ 1,493,025	$ 3,275,261	$ 1,942,969	$ 21,044,339
Proportion	66.41%	1.70%	7.10%	15.56%	9.23%	100.00%

September 30, 2018

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 8,710,244	$ -	$ -	$ -	$ 171,610	$ 8,881,854
Financial assets at FVTPL	787,906	-	-	-	-	787,906
Financial assets at FVTOCI	1,049,600	-	-	-	-	1,049,600
Financial assets at amortized cost	2,568,680	355,151	1,484,433	3,267,354	1,782,116	9,457,734
Total	$ 13,116,430	$ 355,151	$ 1,484,433	$ 3,267,354	$ 1,953,726	$ 20,177,094
Proportion	65.01%	1.76%	7.36%	16.19%	9.68%	100.00%

c) Determinants for whether the credit risk has increased significantly since initial recognition

i. The Group assesses, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of the Group is the same as a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

i. Quantitative factor: when contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

ii. Qualitative factor: an evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:

i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.

ii) The borrowers fail to make interest or principal payments based on original terms and conditions.

iii) The collaterals of the borrowers are seized provisionally or enforced.

iv) The borrowers claim for a change of credit conditions due to financial difficulties.

iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group, and are align with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

e) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, the Company measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Company multiplies exposure at default by 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Company also considers the effect of the time value of money to calculate 12-month expected credit losses and the lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings and Moody’s and is determined based upon current observable information and macroeconomic information (gross domestic product and economic growth rate, for example) with adjustments of historic data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Group take forward-looking information into consideration while measuring expected credit losses of the financial assets.

f) Gross carrying amount of maximum credit risk exposure and category of credit quality

i. Financial assets of the Group

	September 30, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 753,955	$ -	$ -	$ -	$ -	$ 753,955
Financial assets measured at amortized cost	8,874,412	-	-	-	(4,074)	8,870,338

	December 31, 2018					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 1,045,844	$ -	$ -	$ -	$ -	$ 1,045,844
Financial assets measured at amortized cost	9,049,129	-	-	-	(3,587)	9,045,542

	September 30, 2018					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 1,049,600	$ -	$ -	$ -	$ (179)	$ 1,049,421
Financial assets measured at amortized cost	9,312,284	-	-	-	(3,478)	9,308,806
Non-investment grade						
Financial assets measured at amortized cost	150,000	-	-	-	(1,072)	148,928

Note: Investment grade assets refer to those with credit rating of at least BBB-; non-investment grade assets are those with credit rating lower than BBB-.

ii. Secured loans

	September 30, 2019					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 233,061	$ -	$ -	$ -	$ (2,796)	$ 230,265

	December 31, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 239,701	$ -	$ -	$ -	$ (2,885)	$ 236,816

	September 30, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 231,363	$ -	$ -	$ -	$ (2,777)	$ 228,586

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument investments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 148	$ -	$ -	$ -	$ 148
Changes in models/risk parameters	(80)	-	-	-	(80)
September 30, 2019	$ 68	$ -	$ -	$ -	$ 68
January 1, 2018	$ 150	$ -	$ -	$ -	$ 150
Changes in models/risk parameters	29	-	-	-	29
September 30, 2018	$ 179	$ -	$ -	$ -	$ 179

ii. Financial assets measured at amortized cost

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 3,542	$ -	$ -	$ -	$ 3,542
Changes in models/risk parameters	480	-	-	-	480
September 30, 2019	$ 4,022	$ -	$ -	$ -	$ 4,022
January 1, 2018	$ 3,571	$ -	$ -	$ -	$ 3,571
Changes in models/risk parameters	909	-	-	-	909
September 30, 2018	$ 4,480	$ -	$ -	$ -	$ 4,480

iii. Other assets

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 45	$ -	$ -	$ -	$ 45
Changes in models/risk parameters	6	-	-	-	6
September 30, 2019	$ 51	$ -	$ -	$ -	$ 51
January 1, 2018	$ 68	$ -	$ -	$ -	$ 68
Changes in models/risk parameters	2	-	-	-	2
September 30, 2018	$ 70	$ -	$ -	$ -	$ 70

iv. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2019	$ 53	$ -	$ -	$ -	$ 53	$ 2,832	$ 2,885
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	(4)	-	-	-	(4)	(85)	(89)
September 30, 2019	$ 49	$ -	$ -	$ -	$ 49	$ 2,747	$ 2,796
January 1, 2018	$ 45	$ -	$ -	$ -	$ 45	$ 3,079	$ 3,124
Financial assets that have been derecognized during the period	8	-	-	-	8	-	8
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(355)	(355)
September 30, 2018	$ 53	$ -	$ -	$ -	$ 53	$ 2,724	$ 2,777

There were no significant changes in loss allowance due to significant changes in the gross carrying amounts of the financial instruments.

h) Exposure to credit risk and loss allowance of receivables

The Company applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

September 30, 2019	Due	Over Due	Total
Carrying amount	$ 1,618,727	$ 591,482	$ 2,210,209
Expected loss rate	1.00%	7.98%	-
Lifetime expected credit losses	$ 16,141	$ 47,205	63,346

December 31, 2018	Due	Over Due	Total
Carrying amount	$ 1,766,984	$ 228,874	$ 1,995,858
Expected loss rate	1.00%	26.95%	-
Lifetime expected credit losses	$ 17,640	$ 61,684	79,324

September 30, 2018	Due	Over Due	Total
Carrying amount	$ 1,347,036	$ 481,742	$ 1,828,778
Expected loss rate	1.00%	12,36%	-
Lifetime expected credit losses	$ 13,312	$ 59,561	72,873

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the default risk that the Company is unable to turn assets into cash or obtain sufficient funds. Market liquidity risk represents the risk of significant changes in fair value that the Company faces when it sells or offsets its assets during market disorder.

b) Liquidity risk management

The Company established a comprehensive liquidity management mechanism by assessing the business features and monitoring short-term cash flows. Considering the trading volume and positions held, the Company carefully manages the market liquidity risk.

According to the actual management need or special situations, the Company uses cash flow model and stress testing to assess cash flow risk. Moreover, the Company has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

<u>September 30, 2019</u>

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	$ 2,681,474	$ 13,813	$ 5,570	$ 7,495	$ -
Lease liabilities	68,630	64,720	106,173	3,050	-
<u>Derivative financial liabilities</u>					
Swap	53,369	-	-	-	-

December 31, 2018

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,607,649	$ 5,053	$ 4,379	$ 5,696	$ -
Derivative financial liabilities					
Swap	50,041	-	-	-	-

September 30, 2018

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,336,270	$ 14,371	$ 3,744	$ 5,643	$ -
Derivative financial liabilities					
Swap	92,275	14,498	-	-	-

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings Co., Ltd.	The Group's parent
Cathay Insurance Co., Ltd. (China)	Fellow subsidiary
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Indovina Bank Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Futures Co., Ltd.	Fellow subsidiary
Funds issued from Cathay Securities Investment Trust Co., Ltd.	Other related parties
Cathay Real Estate Development Co., Ltd.	Other related parties
Cathay General Hospital	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Seaward Card Co., Ltd	Other related parties
Others	Other related parties

b. Trading transactions

Line Item	Related Party Category/Name	For the Three Months Ended September 30 2019	For the Three Months Ended September 30 2018	For the Nine Months Ended September 30 2019	For the Nine Months Ended September 30 2018
Net premium income	Fellow subsidiary	$ 33,323	$ 36,480	$ 211,100	$ 201,191
	Other related parties	5,581	9,349	12,273	14,886
		$ 38,904	$ 45,829	$ 223,373	$ 216,077
Operating cost					
Marketing cost	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ 173,345	$ 154,583	$ 489,813	$ 424,658
Commission cost	Fellow subsidiary	7,580	6,721	21,919	19,844
		$ 180,925	$ 161,304	$ 511,732	$ 444,502
Non-operating expenses	The Group's parent				
	Cathay Financial Holdings Co., Ltd.	$ -	$ 968	$ -	$ 10,192
Insurance reimbursement	Fellow subsidiary	$ 37,226	$ 958	$ 37,227	$ 17,282
	Other related parties	157	-	157	5,500
		$ 37,383	$ 958	$ 37,384	$ 22,782
Operating expenses					
Other equipment expenses	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ -	$ -	$ 697	$ 6,902
Group insurance expenses	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	5,080	4,923	13,531	14,821
Building management fee	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	1,321	1,390	5,340	5,554
Marketing expenses	Fellow subsidiary				
	Cathay United Bank Co., Ltd.	31,875	29,652	91,556	101,256
Management fee	Fellow subsidiary	2,345	1,476	5,396	3,559
Other expenses	Other related parties				
	Symphox Information Co., Ltd.	13,590	11,451	56,398	32,659
	Seaward Card Co., Ltd	1,195	1,331	4,301	4,224
		$ 55,406	$ 50,223	$ 177,219	$ 168,975

c. Receivables from related parties

Line Item	Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Premiums receivable	Fellow subsidiary	$ 21,112	$ 58,833	$ 19,262

The outstanding receivables from related parties are unsecured. For the nine months ended September 30, 2019 and 2018, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Other payable	The Group's parent			
	Cathay Financial Holdings Co., Ltd.	$ 283,025	$ 64,901	$ 210,097
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	89,238	60,661	78,335
	Other related parties	7,109	-	2,710
		$ 379,372	$ 125,562	$ 291,142

The outstanding payables from related parties are unsecured and will be settled in cash.

e. Cash in bank

Line Item	Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 1,348,055	$ 2,100,993	$ 1,404,188
	Indovina Bank Ltd.	7,837	3,018	8,320
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	600,800	623,200	618,200
	Indovina Bank Ltd.	184,687	144,687	174,441
		$ 2,141,379	$ 2,871,898	$ 2,205,149

As of September 30, 2019, December 31, 2018 and September 30, 2018, time deposits pledged recognized in guarantee deposits were $23,188 thousand, $28,108 thousand and $23,016 thousand, respectively.

f. Interest revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category/Name	**2019**	**2018**	**2019**	**2018**
Fellow subsidiary	$ 7,240	$ 3,866	$ 15,533	$ 10,670

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties	$ 731,233	$ 359,128	$ 351,040

h. Discretionary account management balance

Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 988,750	$ 848,925	$ 910,134

i. Guarantee deposits

Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiary	$ 72,436	$ 77,347	$ 57,883

j. Prepayments for Investment

Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiary			
Cathay Insurance Co., Ltd. (China)	$ -	$ 1,100,050	$ -

The board of directors of the Company approved in participating in the capital increase with the amount of CNY245,000 thousand in Cathay Insurance Company Ltd. (China) on September 17, 2018. The Company's payment was approved under letter No.10700281680 issued by the Investment Commission, Ministry of Economic Affairs on November 23, 2018 and was authorized by China Banking and Insurance Regulatory Commission on January 23, 2019.

k. Secured loans

	For the Nine Months Ended September 30, 2019			
Related Party Category/Name	Maximum amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 24,723	$ 17,920	1.53%-1.60%	$ 257

	For the Nine Months Ended September 30, 2018			
Related Party Category/Name	Maximum amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 33,501	$ 25,173	1.53%-1.60%	$ 315

l. Lease arrangements - Group is lessee

The main lease arrangements attribute the lease payments to leasehold office space and parking lot, considered the market price and paid monthly.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category/Name	**2019**	**2018**	**2019**	**2018**
Right-of-use assets				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 210,625	$ -	$ 210,625	$ -
Cathay United Bank Co., Ltd.	1,595	-	1,595	-
	$ 212,220	$ -	$ 212,220	$ -

Line Item	**Related Party Category/Name**	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
Lease liabilities	Associate			
	Cathay Life Insurance Co., Ltd.	$ 202,435	$ -	$ -
	Cathay United Bank Co., Ltd.	5,438	-	-
		$ 207,873	$ -	$ -

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category/Name	**2019**	**2018**	**2019**	**2018**
Interest expense				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 177	$ -	$ 490	$ -
Lease expense				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 366	$ 27,131	$ 480	$ 81,438
Cathay United Bank Co., Ltd.	226	2,282	480	6,823
	$ 592	$ 29,413	$ 960	$ 88,261

m. Foreign exchange swaps

As of September 30, 2019, December 31, 2018 and September 30, 2018, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 88,700	US$ 88,700	US$ 88,700
	EUR 750	EUR 750	EUR 750

n. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category/Name	**2019**	**2018**	**2019**	**2018**
Short-term employee benefits	$ 10,401	$ 9,427	$ 55,045	$ 52,646
Post-employment benefits	1,630	1,692	4,890	5,075
	$ 12,031	$ 11,119	$ 59,935	$ 57,721

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. The Company

	September 30, 2019	December 31, 2018	September 30, 2018
Guarantee deposits paid - government bonds	$ 514,398	$ 519,302	$ 520,864
Guarantee deposits paid - time deposits	15,000	20,000	15,000
	$ 529,398	$ 539,302	$ 535,864

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company provided government bonds amounting to $514,449 thousand, $519,347 thousand and $520,934 thousand as the "Guaranteed Depository Insurance" in accordance with the Insurance Act, respectively. The pledged assets are stated at book value. Loss allowance amounted to $51 thousand, $45 thousand and $70 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

b. Cathay Insurance Co., Ltd. (Vietnam)

	September 30, 2019	December 31, 2018	September 30, 2018
Government deposits paid - time deposits	$ 8,188	$ 8,108	$ 8,016

According to the Insurance Act of Vietnam, Cathay Insurance Co., Ltd. (Vietnam) should deposit guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance Co., Ltd. (Vietnam) are time deposits. The pledged assets are stated at book value.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 219,908	31.0420 (USD:NTD)	$ 6,826,919
EUR	4,651	33.8917 (EUR:NTD)	158,385
JPY	227,701	0.2887 (JPY:NTD)	65,736
HKD	3,394	3.9579 (HKD:NTD)	13,437
SGD	15	22.4589 (SGD:NTD)	342
CNY	65,066	4.3614 (CNY:NTD)	284,526
Non-monetary items			
USD	21,330	31.0420 (USD:NTD)	662,126
EUR	2,421	33.8917 (EUR:NTD)	82,064
HKD	100,482	3.9579 (HKD:NTD)	397,695
Investments accounted for using the equity method			
CNY	484,407	4.3601 (CNY:NTD)	2,112,065
Derivative instruments (Note)			
USD	5,550	31.0420 (USD:NTD)	15,599
EUR	2,750	33.8917 (USD:NTD)	1,817
Financial liabilities			
Monetary items			
USD	5,868	31.0420 (USD:NTD)	184,278
EUR	155	33.8917 (EUR:NTD)	5,449
JPY	145,229	0.2887 (JPY:NTD)	42,700
HKD	144	3.9579 (HKD:NTD)	580
CNY	1,840	4.3614 (CNY:NTD)	8,189
Non-monetary items			
Derivative instruments (Note)			
USD	117,600	31.0420 (USD:NTD)	53,369

December 31, 2018

	Foreign Currency	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 238,026	30.7330	(USD:NTD)	$ 7,315,576
EUR	6,542	35.2050	(EUR:NTD)	230,659
VND	489,306,891	0.0013	(VND:NTD)	648,316
JPY	170,353	0.2797	(JPY:NTD)	47,618
HKD	27,888	3.9064	(HKD:NTD)	108,986
SGD	2,996	22.4843	(SGD:NTD)	67,367
CNY	195,659	4.4641	(CNY:NTD)	873,531
Non-monetary items				
USD	195,644	30.7330	(USD:NTD)	6,012,735
EUR	5,038	35.2050	(EUR:NTD)	177,381
HKD	90,138	3.9064	(HKD:NTD)	353,758
SGD	1,311	22.4843	(SGD:NTD)	29,488
Investments accounted for using the equity method				
CNY	239,875	4.4641	(CNY:NTD)	1,070,814
Derivative instruments				
USD	100,300	30.7330	(USD:NTD)	5,978
EUR	750	35.2050	(EUR:NTD)	302
Financial liabilities				
Monetary items				
USD	8,556	30.7330	(USD:NTD)	265,898
EUR	401	35.2050	(EUR:NTD)	14,229
JPY	878	0.2797	(JPY:NTD)	244
HKD	742	3.9064	(HKD:NTD)	2,908
CNY	1,072	4.4641	(CNY:NTD)	4,790
Non-monetary items				
Derivatives (Note)				
USD	86,300	30.7330	(USD:NTD)	49,476
EUR	2,000	35.2050	(EUR:NTD)	565

September 30, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 228,789	30.5510 (USD:NTD)	$ 6,989,745
EUR	3,846	35.4967 (EUR:NTD)	136,523
VND	506,514,504	0.0013 (VND:NTD)	663,534
JPY	140,944	0.2688 (JPY:NTD)	37,893
HKD	15,680	3.9044 (HKD:NTD)	61,222
SGD	2,331	22.3481 (SGD:NTD)	52,103
DKK	1,247	3.4462 (DKK:NTD)	4,297
CNY	284,820	4.4391 (CNY:NTD)	1,264,331
Non-monetary items			
USD	205,557	30.5510 (USD:NTD)	6,279,966
EUR	7,152	35.4967 (EUR:NTD)	253,855
HKD	110,257	3.9044 (HKD:NTD)	430,489
SGD	1,910	22.3481 (SGD:NTD)	42,682
Equity instruments investment			
CNY	243,695	4.4391 (CNY:NTD)	1,081,778
Derivative instruments			
USD	57,300	30.5510 (USD:NTD)	7,329
EUR	2,750	35.4967 (EUR:NTD)	591
Financial liabilities			
Monetary items			
USD	5,245	30.5510 (USD:NTD)	161,247
EUR	812	35.4967 (EUR:NTD)	28,963
JPY	57,281	0.2745 (JPY:NTD)	15,809
HKD	742	3.9044 (HKD:NTD)	2,908
CNY	251	4.4391 (CNY:NTD)	1,127
VND	-	0.0013 (VND:NTD)	-
Non-monetary items			
Derivatives (Note)			
USD	138,300	30.5510 (USD:NTD)	111,773

Note: The foreign currency amount of the derivatives is the nominal amount of the contract.

For the nine months ended September 30, 2019 and 2018, (realized and unrealized) net foreign exchange losses were $78,411 and $88,921, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

2) Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

3) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

4) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

5) Trading in derivative instruments (Note 7)

6) Intercompany relationships and significant intercompany transactions (Table 3)

7) Information on investees (Table 4)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

32. SEGMENT INFORMATION

The Group operates property insurance in accordance with the Insurance Act. In accordance with IFRS 8, the Group only provides insurance contracts products and it has no different channel, client type and supervision environment. The supervisor of the Group also allocates resources on an overall basis and therefore considers the Group as a single operating segment.

33. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the three months ended September 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 572,437	$ 108,574	$ 326,409	$ 354,602	$ (57,806)	$ 412,408
Marine insurance	131,400	27,619	78,256	80,763	(4,787)	85,550
Land and air insurance	2,281,184	19,260	71,849	2,228,595	(48,683)	2,277,278
Liability insurance	418,399	514	176,013	242,900	4,397	238,503
Bonding insurance	19,582	9,227	7,967	20,842	1,945	18,897
Other property insurance	353,964	64,284	279,809	138,439	(11,354)	149,793
Accident insurance	946,150	3,707	56,571	893,286	23,880	869,406
Health insurance	131,512	-	-	131,512	7,813	123,699
Compulsory auto liability insurance	742,951	198,621	312,024	629,548	(704)	630,252
	$ 5,597,579	$ 431,806	$ 1,308,898	$ 4,720,487	$ (85,299)	$ 4,805,786

For the three months ended September 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 700,492	$ 146,149	$ 411,433	$ 435,208	$ (463)	$ 435,671
Marine insurance	142,070	18,557	91,161	69,466	(5,012)	74,478
Land and air insurance	2,129,197	4,049	72,510	2,060,736	(76,484)	2,137,220
Liability insurance	363,198	823	137,520	226,501	(932)	227,433
Bonding insurance	34,992	397	27,844	7,545	(2,807)	10,352
Other property insurance	191,819	79,005	111,414	159,410	68,222	91,188
Accident insurance	805,043	3,130	53,275	754,898	(13,779)	768,677
Health insurance	99,763	12,022	-	111,785	14,008	97,777
Compulsory auto liability insurance	744,002	197,187	311,521	629,668	(10,155)	639,823
	$ 5,210,576	$ 461,319	$ 1,216,678	$ 4,455,217	$ (27,402)	$ 4,482,619

For the nine months ended September 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 2,492,176	$ 355,264	$ 1,593,200	$ 1,254,240	$ (56,457)	$ 1,310,697
Marine insurance	465,527	53,523	314,597	204,453	(7,820)	212,273
Land and air insurance	6,946,490	19,316	221,185	6,744,621	102,551	6,642,070
Liability insurance	1,130,940	2,116	405,220	727,836	8,112	719,724
Bonding insurance	91,257	10,012	58,290	42,979	7,465	35,514
Other property insurance	786,338	185,122	574,780	396,680	(25,849)	422,529
Accident insurance	2,594,940	10,622	176,185	2,429,377	37,533	2,391,844
Health insurance	327,823	5,270	-	333,093	9,394	323,699
Compulsory auto liability insurance	2,150,832	566,264	898,382	1,818,714	(4,077)	1,822,791
	$ 16,986,323	$ 1,207,509	$ 4,241,839	$ 13,951,993	$ 70,852	$ 13,881,141

For the nine months ended September 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 2,410,423	$ 352,931	$ 1,488,128	$ 1,275,226	$ 116,337	$ 1,158,889
Marine insurance	489,944	34,548	332,425	192,067	264	191,803
Land and air insurance	6,541,399	4,094	233,284	6,312,209	77,576	6,234,633
Liability insurance	996,453	1,905	326,037	672,321	20,853	651,468
Bonding insurance	105,440	1,160	77,055	29,545	(954)	30,499
Other property insurance	569,899	125,704	340,094	355,509	11,476	344,033
Accident insurance	2,371,381	8,861	175,853	2,204,389	16,074	2,188,315
Health insurance	267,516	17,486	-	285,002	23,516	261,486
Compulsory auto liability insurance	2,176,421	566,388	906,610	1,836,199	(15,147)	1,851,346
	$ 15,928,876	$ 1,113,077	$ 3,879,486	$ 13,162,467	$ 249,995	$ 12,912,472

Information on compulsory insurance and non-compulsory insurance of earned retained premium:

For the nine months ended September 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,150,832	$ 566,264	$ 898,382	$ 1,818,714
Non-compulsory insurance	14,835,491	641,245	3,343,457	12,133,279
	$ 16,986,323	$ 1,207,509	$ 4,241,839	$ 13,951,993

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,253,109	$ 1,261,457	$ 470,235	$ 470,972	$ (9,085)
Non-compulsory insurance	10,246,984	9,993,873	234,216	303,969	183,358
	$ 11,500,093	$ 11,255,330	$ 704,451	$ 774,941	$ 174,273

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium 13)=(4)-(9)+(12)
	Provision (10)	Recovery (11)	(12)=(10)-(11)	
Compulsory insurance	$ 751,865	$ 756,873	$ (5,008)	$ 1,822,791
Non-compulsory insurance	2,318,847	2,210,418	108,429	12,058,350
	$ 3,070,712	$ 2,967,291	$ 103,421	$ 13,881,141

For the nine months ended September 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,176,421	$ 566,388	$ 906,610	$ 1,836,199
Non-compulsory insurance	13,752,455	546,689	2,972,876	11,326,268
	$ 15,928,876	$ 1,113,077	$ 3,879,486	$ 13,162,467

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,253,870	$ 1,270,317	$ 476,190	$ 484,820	$ (25,077)
Non-compulsory insurance	9,602,826	9,508,596	393,438	239,059	248,609
	$ 10,856,696	$ 10,778,913	$ 869,628	$ 723,879	$ 223,532

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium 13)=(4)-(9)+(12)
	Provision (10)	Recovery (11)	(12)=(10)-(11)	
Compulsory insurance	$ 752,273	$ 762,203	$ (9,930)	$ 1,851,346
Non-compulsory insurance	2,110,603	2,127,136	(16,533)	11,061,126
	$ 2,862,876	$ 2,889,339	$ (26,463)	$ 12,912,472

b. Retained claims

Insurance by Type	For the Three Months Ended September 30, 2019			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 183,873	$ 54,931	$ 54,211	$ 184,593
Marine insurance	83,481	9,687	53,422	39,746
Land and air insurance	1,397,657	880	43,882	1,354,655
Liability insurance	153,559	29	37,056	116,532
Bonding insurance	31,312	51	23,829	7,534
Other property insurance	89,515	14,310	56,317	47,508
Accident insurance	442,421	1,494	18,957	424,958
Health insurance	28,958	-	-	28,958
Compulsory auto liability insurance	451,483	197,142	269,942	378,683
	$ 2,862,259	$ 278,524	$ 557,616	$ 2,583,167

Insurance by Type	For the Three Months Ended September 30, 2018			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 92,567	$ 39,777	$ 39,958	$ 92,386
Marine insurance	55,140	3,643	40,373	18,410
Land and air insurance	1,315,120	612	46,773	1,268,959
Liability insurance	143,599	-	35,148	108,451
Bonding insurance	4,673	22	3,312	1,383
Other property insurance	48,279	24,628	10,619	62,288
Accident insurance	349,193	577	20,534	329,236
Health insurance	28,637	9,169	-	37,806
Compulsory auto liability insurance	378,290	198,749	227,507	349,532
	$ 2,415,498	$ 277,177	$ 424,224	$ 2,268,451

Insurance by Type	For the Nine Months Ended September 30, 2019			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 508,907	$ 187,488	$ 245,934	$ 450,461
Marine insurance	223,932	30,665	167,325	87,272
Land and air insurance	4,074,618	884	143,342	3,932,160
Liability insurance	468,872	58	149,671	319,259
Bonding insurance	56,530	652	46,239	10,943
Other property insurance	210,177	108,127	106,134	212,170
Accident insurance	1,090,399	2,742	55,162	1,037,979
Health insurance	74,271	8,939	-	83,210
Compulsory auto liability insurance	1,640,365	659,232	951,316	1,348,281
	$ 8,348,071	$ 998,787	$ 1,865,123	$ 7,481,735

Insurance by Type	For the Nine Months Ended September 30, 2018			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 484,327	$ 114,409	$ 169,936	$ 428,800
Marine insurance	177,840	20,792	111,515	87,117
Land and air insurance	3,890,418	654	145,658	3,745,414
Liability insurance	386,382	265	103,099	283,548
Bonding insurance	13,325	1,747	7,940	7,132
Other property insurance	256,751	54,149	79,046	231,854
Accident insurance	866,840	1,551	48,844	819,547
Health insurance	73,754	16,046	-	89,800
Compulsory auto liability insurance	1,295,905	749,896	763,404	1,282,397
	$ 7,445,542	$ 959,509	$ 1,429,442	$ 6,975,609

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance by Type	For the Nine Months Ended September 30, 2019			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,640,365	$ 659,232	$ 951,316	$ 1,348,281
Non-compulsory insurance	6,707,706	339,555	913,807	6,133,454
	$ 8,348,071	$ 998,787	$ 1,865,123	$ 7,481,735

Insurance by Type	For the Nine Months Ended September 30, 2018			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,295,905	$ 749,896	$ 763,404	$ 1,282,397
Non-compulsory insurance	6,149,637	209,613	666,038	5,693,212
	$ 7,445,542	$ 959,509	$ 1,429,442	$ 6,975,609

c. Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance by Type	Claims Filed and Paid September 30, 2019	December 31, 2019	September 30, 2018
Fire insurance	$ 27,656	$ 44,225	$ 12,210
Marine insurance	21,532	12,631	31,269
Land and air insurance	43,883	46,598	46,257
Liability insurance	34,045	53,431	31,775
Bonding insurance	(456)	188	149
Other property insurance	31,359	19,525	13,574
Accident insurance	13,796	18,497	16,132
Health insurance	-	-	-
Compulsory auto liability insurance	167,291	154,031	153,735
	339,106	349,126	305,101
Less: Loss allowance	(3,391)	(3,491)	(3,051)
	$ 335,715	$ 345,635	$ 302,050

d. Receivables and payables of insurance contracts

Receivable

Insurance by Type	Premiums Receivable September 30, 2019	December 31, 2018	September 30, 2018
Fire insurance	$ 666,450	$ 683,291	$ 682,372
Marine insurance	236,263	280,529	234,416
Land and air insurance	171,821	161,746	78,402
Liability insurance	279,939	209,834	205,284
Bonding insurance	29,632	30,796	35,513
Other property insurance	418,816	253,298	229,302
Accident insurance	154,261	113,629	118,569
Health insurance	12,337	7,979	9,015
Compulsory auto liability insurance	35,161	19,090	18,731
	2,004,680	1,760,192	1,611,604
Less: Loss allowance	(58,457)	(74,252)	(67,788)
	$ 1,946,223	$ 1,685,940	$ 1,543,816

Aging analysis of premiums receivable:

	September 30, 2019	December 31, 2018	September 30, 2018
Less than 90 days	$ 1,416,059	$ 1,533,285	$ 1,132,216
Over 90 days	588,621	226,907	479,388
	$ 2,004,680	$ 1,760,192	$ 1,611,604

The overdue amounts as of September 30, 2019, December 31, 2018 and September 30, 2018 in the above premiums receivable were $588,621 thousand, $226,131 thousand and $478,799 thousand, respectively, and loss allowance of $44,344 thousand, $58,942 thousand and $56,619 thousand were provided, respectively.

Accounts payable

	September 30, 2019		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 29,819	$ 11,847	$ 41,666
Marine insurance	5,669	15,167	20,836
Land and air insurance	60,662	91,952	152,614
Liability insurance	24,607	19,543	44,150
Bonding insurance	3,764	616	4,380
Other property insurance	4,239	9,275	13,514
Accident insurance	11,346	40,895	52,241
Health insurance	3,251	5,854	9,105
Compulsory auto liability insurance	30,487	-	30,487
	$ 173,844	$ 195,149	$ 368,993

	December 31, 2018		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 24,649	$ 12,551	$ 37,200
Marine insurance	7,297	16,492	23,789
Land and air insurance	26,313	91,261	117,574
Liability insurance	12,332	23,479	35,811
Bonding insurance	3,787	491	4,278
Other property insurance	4,734	12,983	17,717
Accident insurance	8,661	28,501	37,162
Health insurance	2,590	2,564	5,154
Compulsory auto liability insurance	24,817	-	24,817
	$ 115,180	$ 188,322	$ 303,502

	September 30, 2018		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 38,022	$ 13,194	$ 51,216
Marine insurance	6,129	15,447	21,576
Land and air insurance	21,769	82,781	104,550
Liability insurance	13,304	18,573	31,877
Bonding insurance	4,185	766	4,951
Other property insurance	4,389	9,973	14,362
Accident insurance	9,765	31,431	41,196
Health insurance	3,101	3,506	6,607
Compulsory auto liability insurance	27,846	-	27,846
	$ 128,510	$ 175,671	$ 304,181

Due from (to) reinsurers and ceding companies - reinsurance

	September 30, 2019	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 139,336	$ 328,541
AON	78,353	232,086
Willis	30,632	14,025
Central Re	30,715	110,999
Others (individually below 5% of the total amount)	278,412	747,317
	557,448	1,432,968
Less: Loss allowance	(33,987)	-
	$ 523,461	$ 1,432,968

	December 31, 2018	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 135,160	$ 351,019
AON	29,292	65,670
Cathay (China)	36,346	796
Central Re	6,555	78,273
EverApex	859	78,547
FP Marine Risks	33,838	8,187
Guy Carpenter	33,344	18,508
Marsh	12,879	225,517
Willis	32,241	45,542
Others (individually below 5%)	145,710	627,165
	466,224	1,499,224
Less: Loss allowance	(17,818)	-
	$ 448,406	$ 1,499,224

	September 30, 2018	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 135,890	$ 333,103
AON	40,020	90,922
SOMPO	32,735	32,610
Willis	74,470	28,111
Central Re	28,950	106,165
Guy Carpanter	31,810	18,173
Others (individually below 5%)	195,020	660,025
	538,895	1,269,109
Less: Loss allowance	(25,411)	-
	$ 513,484	$ 1,269,109

The overdue amounts as of September 30, 2019, December 31, 2018 and September 30, 2018 in the above due from (to) reinsurers and ceding companies were $12,323 thousand, $13,169 thousand and $19,997 thousand, respectively, and loss allowances of $12,323 thousand, $13,169 thousand and $19,997 thousand were provided, respectively.

Due from and due to the reinsurers and ceding companies cannot be offset, except for those meeting requirements in Article 42 of IAS 32.

e. Reserve required for specific assets

The accounting of the compulsory auto liability insurance held by the Group were recorded based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under the Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance ("CAL Insurance"), special reserve held by an insurer should be deposited in a financial institution in the form of time deposits.

Under the approval of relevant authorities, the Group may buy the following domestic securities using the special reserve portion exceeding 30% of the retained earned pure premiums:

1) Government bonds but not exchangeable government bonds;

2) Financial bonds (ordinary type only), negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

The amount of the foregoing Article 5 treasury bills invested and time deposits to be placed in financial institutions should not be less than 30% of the total amount of the Group's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant. The authorities may raise this percentage to a level it deems appropriate on the basis of the Group's operating status.

If the balance of the Group's special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for special reserve mentioned above, held by an insurer for this insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

1) Treasury bills.

2) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

3) Government bonds under repurchase agreement.

The term "funds" in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

The amount of demand deposits placed in financial institutions, which are mentioned in the preceding paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than (b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Group to a level they deem appropriate on the basis of the Group's operating status.

If the total amount of unearned premium reserve and claim reserve of the Group for the CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling of this insurance by the other insurer another property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

f. Acquisition cost - insurance contract

	For the Three Months Ended September 30, 2019				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 49,335	$ 2,699	$ 17,405	$ 4,347	$ 73,786
Marine insurance	13,315	748	6,123	366	20,552
Land and air insurance	252,252	170	8,407	103,855	364,684
Liability insurance	50,715	37	38	6,004	56,794
Bonding insurance	1,700	91	2,621	34	4,446
Other property insurance	14,712	2,005	14,317	879	31,913
Accident insurance	119,141	286	245	33,365	153,037
Health insurance	22,137	-	-	4,938	27,075
Compulsory auto liability insurance	-	102,580	-	-	102,580
	$ 523,307	$ 108,616	$ 49,156	$ 153,788	$ 834,867

	For the Three Months Ended September 30, 2018				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 49,038	$ 3,946	$ 26,422	$ 3,141	$ 82,547
Marine insurance	16,078	498	5,554	331	22,461
Land and air insurance	238,460	1	641	94,808	333,910
Liability insurance	40,535	46	19	3,352	43,952
Bonding insurance	3,400	2	28	26	3,456
Other property insurance	17,241	2,012	21,135	638	41,026
Accident insurance	100,594	22	326	27,075	128,017
Health insurance	17,670	300	1,202	3,568	22,740
Compulsory auto liability insurance	-	99,609	-	-	99,609
	$ 483,016	$ 106,436	$ 55,327	$ 132,939	$ 777,718

Insurance by Type	For the Nine Months Ended September 30, 2019				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 138,826	$ 10,396	$ 56,988	$ 11,961	$ 218,171
Marine insurance	47,637	1,368	12,676	1,043	62,724
Land and air insurance	768,477	171	8,410	303,075	1,080,133
Liability insurance	132,383	84	102	13,794	146,363
Bonding insurance	9,901	95	2,679	34	12,709
Other property insurance	52,747	4,920	36,604	2,374	96,645
Accident insurance	321,442	423	690	87,156	409,711
Health insurance	56,067	132	147	12,534	68,880
Compulsory auto liability insurance	-	294,600	-	-	294,600
	$ 1,527,480	$ 312,189	$ 118,296	$ 431,971	$ 2,389,936

Insurance by Type	For the Nine Months Ended September 30, 2018				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 135,208	$ 8,447	$ 69,126	$ 9,162	$ 221,943
Marine insurance	47,193	1,015	9,182	928	58,318
Land and air insurance	728,623	1	660	260,351	989,635
Liability insurance	117,403	90	303	8,900	126,696
Bonding insurance	11,162	5	83	26	11,276
Other property insurance	51,717	2,984	31,589	1,777	88,067
Accident insurance	289,346	207	552	71,854	361,959
Health insurance	46,862	437	2,226	9,241	58,766
Compulsory auto liability insurance	-	289,482	-	-	289,482
	$ 1,427,514	$ 302,668	$ 113,721	$ 362,239	$ 2,206,142

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

<u>Direct underwriting business</u>

Insurance by Type	For the Three Months Ended September 30, 2019					
	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 572,437	$ (304,705)	$ 56,378	$ 183,873	$ 27,121	$ 609,770
Marine insurance	131,400	(38,965)	14,429	83,481	(24,186)	96,641
Land and air insurance	2,281,184	(76,330)	356,277	1,397,657	43,863	559,717
Liability insurance	418,399	44,884	56,757	153,559	(53,075)	216,274
Bonding insurance	19,582	(14,321)	1,825	31,312	6,481	(5,715)
Other property insurance	353,964	144,682	17,599	89,515	(33,125)	135,293
Accident insurance	946,150	16,259	152,791	442,421	(60,219)	394,898
Health insurance	131,512	10,064	27,075	28,958	2,679	62,736
Compulsory auto liability insurance	742,951	(1,387)	102,580	451,483	(12,678)	202,953
	$ 5,597,579	$ (219,819)	$ 785,711	$ 2,862,259	$ (103,139)	$ 2,272,567

Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
	For the Three Months Ended September 30, 2018					
Fire insurance	$ 700,492	$ (158,772)	$ 56,125	$ 92,567	$ (66,894)	$ 777,466
Marine insurance	142,070	(29,354)	16,907	55,140	29,184	70,193
Land and air insurance	2,129,197	(101,791)	333,269	1,315,120	98,389	484,210
Liability insurance	363,198	20,906	43,933	143,599	102,596	52,164
Bonding insurance	34,992	4,897	3,428	4,673	(12,651)	34,645
Other property insurance	191,819	11,870	19,891	48,279	17,516	94,263
Accident insurance	805,043	(13,480)	127,691	349,193	24,863	316,776
Health insurance	99,763	5,243	21,538	28,637	(1,410)	45,755
Compulsory auto liability insurance	744,002	(12,895)	99,609	378,290	38,909	240,089
	$ 5,210,576	$ (273,376)	$ 722,391	$ 2,415,498	$ 230,502	$ 2,115,561

Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
	For the Nine Months Ended September 30, 2019					
Fire insurance	$ 2,492,176	$ (92,617)	$ 161,181	$ 508,907	$ 79,022	$ 1,835,683
Marine insurance	465,527	(38,090)	50,048	223,932	8,524	221,113
Land and air insurance	6,946,490	42,637	1,071,723	4,074,618	229,328	1,528,184
Liability insurance	1,130,940	27,700	146,261	468,872	76,206	411,901
Bonding insurance	91,257	627	10,030	56,530	(20,947)	45,017
Other property insurance	786,338	220,942	60,044	210,177	(37,318)	332,493
Accident insurance	2,594,940	67,813	409,020	1,090,399	(74,095)	1,101,803
Health insurance	327,823	18,866	68,733	74,271	4,528	161,425
Compulsory auto liability insurance	2,150,832	(8,348)	294,600	1,640,365	(57,237)	281,452
	$ 16,986,323	$ 239,530	$ 2,271,640	$ 8,348,071	$ 208,011	$ 5,919,071

Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
	For the Nine Months Ended September 30, 2018					
Fire insurance	$ 2,410,423	$ (28,995)	$ 152,817	$ 484,327	$ (181,323)	$ 1,983,597
Marine insurance	489,944	1,811	49,136	177,840	(1,196)	262,353
Land and air insurance	6,541,399	25,644	988,975	3,890,418	206,962	1,429,400
Liability insurance	996,453	19,105	126,393	386,382	203,588	260,985
Bonding insurance	105,440	12,738	11,193	13,325	18,840	49,344
Other property insurance	569,899	8,578	56,478	256,751	34,084	214,008
Accident insurance	2,371,381	40,424	361,407	866,840	72,966	1,029,744
Health insurance	267,516	14,925	56,540	73,754	3,675	118,622
Compulsory auto liability insurance	2,176,421	(16,447)	289,482	1,295,905	37,964	569,517
	$ 15,928,876	$ 77,783	$ 2,092,421	$ 7,445,542	$ (395,560)	$ 5,917,570

Reinsurance inward business

	For the Three Months Ended September 30, 2019					
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 108,574	$ (9,185)	$ 17,405	$ 54,931	$ 81,862	$ (36,439)
Marine insurance	27,619	7,179	6,123	9,687	19,502	(14,872)
Land and air insurance	19,260	9,446	8,408	880	1,421	(895)
Liability insurance	514	(119)	38	29	(71)	637
Bonding insurance	9,227	3,322	2,621	51	13,231	(9,998)
Other property insurance	64,284	(778)	14,316	14,310	(8,248)	44,684
Accident insurance	3,707	(59)	245	1,494	1,319	708
Health insurance	-	(2,251)	-	-	(23)	2,274
Compulsory auto liability insurance	198,621	(149)	-	197,142	(1,601)	3,229
	$ 431,806	$ 7,406	$ 49,156	$ 278,524	$ 107,392	$ (10,672)

	For the Three Months Ended September 30, 2018					
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 146,149	$ 48,022	$ 26,422	$ 39,777	$ 21,322	$ 10,606
Marine insurance	18,557	4,384	5,554	3,643	4,764	212
Land and air insurance	4,049	2,987	641	612	(11)	(180)
Liability insurance	823	(47)	19	-	(1,185)	2,036
Bonding insurance	397	(82)	28	22	(297)	726
Other property insurance	79,005	43,899	21,135	24,628	35,494)	(46,151)
Accident insurance	3,130	784	326	577	(245)	1,688
Health insurance	12,022	8,765	1,202	9,169	628	(7,742)
Compulsory auto liability insurance	197,187	(5,026)	-	198,749	(1,012)	4,476
	$ 461,319	$ 103,686	$ 55,327	$ 277,177	$ 59,458	$ (34,329)

	For the Nine Months Ended September 30, 2019					
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 355,264	$ (69,293)	$ 56,988	$ 187,488	$ 148,563	$ 31,518
Marine insurance	53,523	9,566	12,676	30,665	13,220	(12,604)
Land and air insurance	19,316	8,242	8,411	884	1,705	74
Liability insurance	2,116	12	102	58	568	1,376
Bonding insurance	10,012	3,279	2,679	652	12,332	(8,930)
Other property insurance	185,122	(12,030)	36,603	108,127	(23,444)	75,866
Accident insurance	10,622	(57)	690	2,742	1,907	5,340
Health insurance	5,270	(9,472)	147	8,939	283	5,373
Compulsory auto liability insurance	566,264	(737)	-	659,232	18,358	(110,589)
	$ 1,207,509	$ (70,490)	$ 118,296	$ 998,787	$ 173,492	$ (12,576)

Insurance by Type	For the Nine Months Ended September 30, 2018					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 352,931	$ 101,682	$ 69,126	$ 114,409	$ 2,579	$ 65,135
Marine insurance	34,548	7,344	9,182	20,792	13,545	(16,315)
Land and air insurance	4,094	958	660	654	(833)	2,655
Liability insurance	1,905	(127)	303	265	(567)	2,031
Bonding insurance	1,160	(65)	83	1,747	1,367	(1,972)
Other property insurance	125,704	34,638	31,589	54,149	43,816	(38,488)
Accident insurance	8,861	1,358	552	1,551	418	4,982
Health insurance	17,486	8,591	2,226	16,046	895	(10,272)
Compulsory auto liability insurance	566,388	(8,630)	-	749,896	(218)	(174,660)
	$ 1,113,077	$ 145,749	$ 113,721	$ 959,509	$ 61,002	$ (166,904)

Ceded reinsurance business

Insurance by Type	For the Three Months Ended September 30, 2019					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 326,409	$ (256,084)	$ 26,854	$ 54,211	$ 5,116	$ 496,312
Marine insurance	78,256	(26,999)	11,118	53,422	(12,817)	53,532
Land and air insurance	71,849	(18,201)	21,627	43,882	(8,215)	32,756
Liability insurance	176,013	40,368	33,033	37,056	(32,194)	97,750
Bonding insurance	7,967	(12,944)	1,853	23,829	(6,864)	2,093
Other property insurance	279,809	155,258	19,891	56,317	(17,998)	66,341
Accident insurance	56,571	(7,680)	14,599	18,957	(2,748)	33,443
Health insurance	-	-	-	-	28	(28)
Compulsory auto liability insurance	312,024	(832)	-	269,942	(7,318)	50,232
	$ 1,308,898	$ (127,114)	$ 128,975	$ 557,616	$ (83,010)	$ 832,431

Insurance by Type	For the Three Months Ended September 30, 2018					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 411,433	$ (110,287)	$ 26,174	$ 39,958	$ (42,706)	$ 498,294
Marine insurance	91,161	(19,958)	14,033	40,373	20,251	36,462
Land and air insurance	72,510	(22,320)	22,583	46,773	5,685	19,789
Liability insurance	137,520	21,791	21,457	35,148	47,621	11,503
Bonding insurance	27,844	7,622	4,577	3,312	(15,127)	27,460
Other property insurance	111,414	(12,453)	20,137	10,619	14,040	79,071
Accident insurance	53,275	1,083	12,895	20,534	(3,884)	22,647
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	311,521	(7,766)	-	227,507	23,201	68,579
	$ 1,216,678	$ (142,288)	$ 121,856	$ 424,224	$ 49,081	$ 763,805

Insurance by Type	For the Nine Months Ended September 30, 2019 Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 1,593,200	$ (105,453)	$ 114,022	$ 245,934	$ (37,035)	$ 1,375,732
Marine insurance	314,597	(20,704)	44,128	167,325	(5,523)	129,371
Land and air insurance	221,185	(51,672)	64,682	143,342	(25,395)	90,228
Liability insurance	405,220	19,600	81,738	149,671	60,110	94,101
Bonding insurance	58,290	(3,559)	12,032	46,239	(17,620)	21,198
Other property insurance	574,780	234,761	64,973	106,134	(14,363)	183,275
Accident insurance	176,185	30,223	45,223	55,162	(677)	46,254
Health insurance	-	-	-	-	28	(28)
Compulsory auto liability insurance	898,382	(5,008)	-	951,316	(33,472)	(14,454)
	$ 4,241,839	$ 98,188	$ 426,798	$ 1,865,123	$ (73,947)	$ 1,925,677

Insurance by Type	For the Nine Months Ended September 30, 2018 Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 1,488,128	$ (43,650)	$ 102,652	$ 169,936	$ (1,168)	$ 1,260,358
Marine insurance	332,425	8,891	43,830	111,515	8,562	159,627
Land and air insurance	233,284	(50,974)	71,251	145,658	(38,437)	105,786
Liability insurance	326,037	(1,875)	62,942	103,099	79,621	82,250
Bonding insurance	77,055	13,627	13,672	7,940	(6,188)	48,004
Other property insurance	340,094	31,740	56,854	79,046	75,021	97,433
Accident insurance	175,853	25,708	42,348	48,844	2,661	56,292
Health insurance	-	-	-	-	(324)	324
Compulsory auto liability insurance	906,610	(9,930)	-	763,404	24,134	129,002
	$ 3,879,486	$ (26,463)	$ 393,549	$ 1,429,442	$ 143,882	$ 1,939,076

h. Insurance contract categories

Insurance contract refers to the insurer accepting the insurance policyholder’s transfer of significant insurance risk, and agrees to the uncertain future of a particular event (insured event) and the contract will compensate the policyholder for any damages occurred. The Group’s definition of a significant insurance risk refers to any insured event that occurs and causes the Group to pay additional significant fees.

Insurance contract with features of financial instruments are contracts that transfer the financial risk. The definition of a financial risk refers to one or more specific interest rate, prices of financial instruments, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables that faces risk of possible future changes. If the above variables are not considered as a financial variable, then the variables exist in both sides under the contract.

When the original judgment meet the criteria of the policy under the insurance contract, before the right of ownership and obligations expired or extinguished, the policy will still be considered as an insurance contract; even if the exposure to insurance risk during the policy period has been significantly reduced. However, if insurance risk following the renewal of an insurance contract with features of financial instruments is transferred to the Group, the Group will reclassify the contract as an insurance contract.

i. Insurance premium revenues and the acquisition costs

Direct premiums are recognized on the date when the policies became effective. Policy related expenses are recognized when incurred. Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due.

The reserve for unearned premiums represents the portion of premiums written related to the unexpired terms of coverage, which shall be set aside based on each unexpired underlying risk.

The amount of unearned premium reserve for compulsory automobile liability insurance is set aside pursuant to “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”.

The amount of unearned premium reserve for the residential earthquake insurance is set aside pursuant to “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

The amount of unearned premium reserve for the nuclear insurance is set aside pursuant to “Regulations for the Management of the Various Reserves for the Nuclear Insurance”.

Calculation of unearned premium reserve is determined by actuaries based on characteristics of insurances and cannot be changed without the authority’s approval unless otherwise regulated by law. The amount of unearned premium reserve should be audited by a certified actuary.

Taxes related to the insurance premium revenues are recognized pursuant to “Value-added and Non-value-added Business Tax Act” and “Stamp Tax Act” on an accrual basis.

j. Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shell be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

k. Co-insurance organization, co-insurance and guarantee fund agreement

The Group and all the members approved by the competent authority set the “Co-insurance Contract of Compulsory Automobile Liability Insurance” agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance team. The business is calculated on the basis of pure premiums and in accordance with the agreed portion. In addition to the liquidation or went out of business, the members shall not withdraw. If the members stop to operate the compulsory automobile liability insurance, it should drop out from the co-insurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

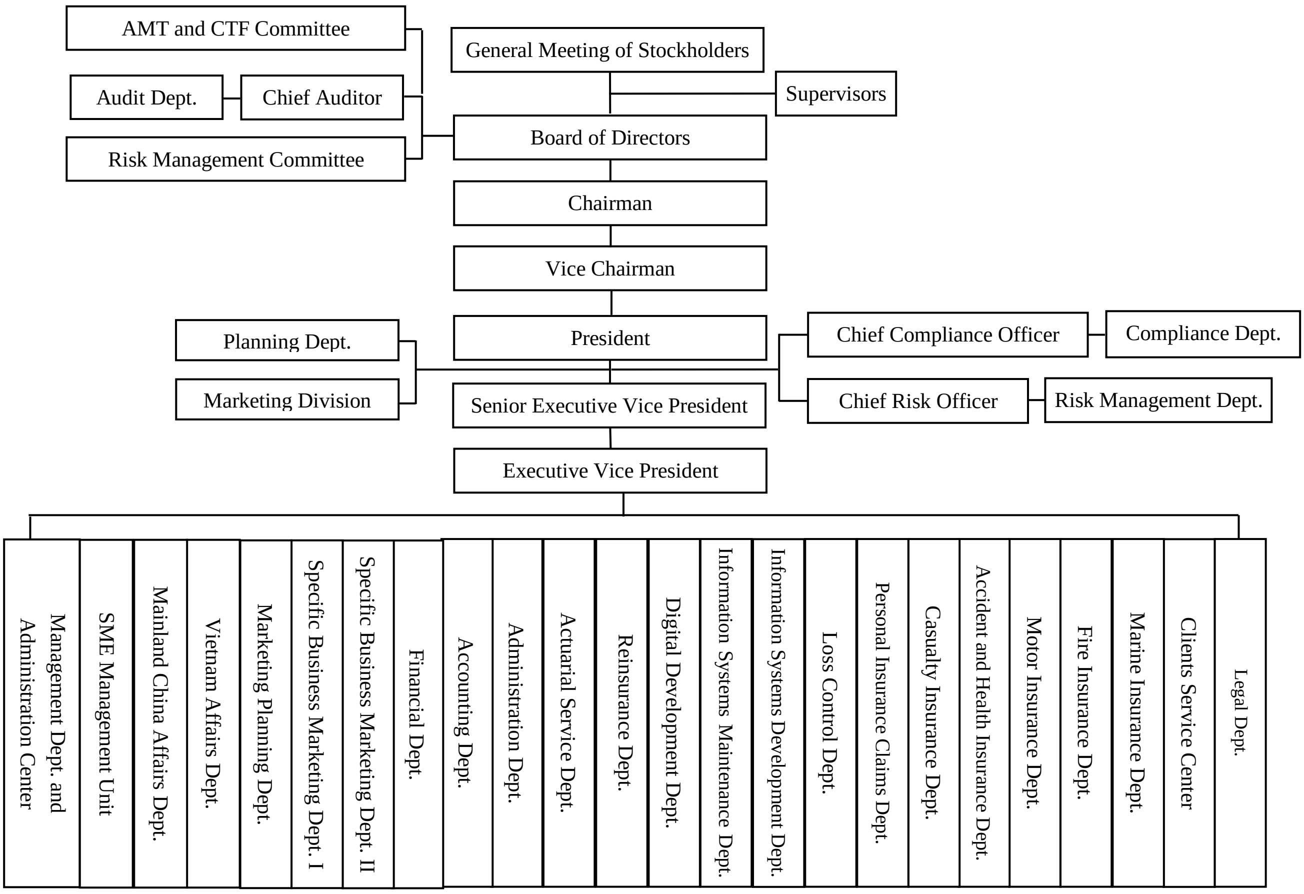
The Group, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the “Co-insurance Contract of Traveling Industry Performance Guarantee Insurance” agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance organization. The business is calculated on the basis of co-insurance premium and in accordance with the agreed proportion. Members shall notice in writing when going to withdraw from co-insurance before following year began three months ago. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the co-insurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

l. Contribution to the stabilization funds

Since July 1, 2014, according to the "Interpretations No. 10302503181 Financial-Supervisory-Property-Insurance-Corporate" issued by FSC, the Group has changed its way of contribution to rate discrimination depositing in "Property Insurance Stabilization Fund Committees". It is reported as "Contribution to the Stabilization funds" in the income statement.

m. Organization chart and responsibilities of risk management

1) Organization chart of risk management



2) Responsibility of each department:

<u>Board of directors</u>

a) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

b) The board of directors should establish an appropriate risk management framework and culture, approve the appropriate risk management policy and allocate resources in the most effective manner.

c) The board of directors should consider the effect of the aggregated risks from the Company's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

Risk management department

a) Risk management committee

    i. The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.

    ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.

    iii. The committee should assist and monitor the risk management activities performed by each department.

    iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.

    v. The committee should enhance cross-department interaction and communication.

b) Chief risk officer

    The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect the Group's risk overview.

    i. The chief risk officer should be in charge of the overall risk management.

    ii. The chief risk officer should participate in the important decision making process and provide appropriate suggestions from a risk management perspective.

    iii. The chief risk officer should be a member of risk management committee.

c) Risk management department

    i. The Group established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, and performed independently to business units.

    ii. Duties of risk management department are as follows:

        i) Propose and execute the risk management policies set by the board of directors.

        ii) Propose the risk limits based on the risk appetite.

        iii) Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.

        iv) Regularly present risk management reports.

        v) Regularly review the risk limits and its use of each business unit.

vi) Assist to execute stress testing and back testing if necessary.

vii) Other risk management related tasks.

<u>Business unit</u>

a) The risk management duties of the manager of a business unit are as follows:

   i. Manage and report daily risk of the business unit and take necessary responsive actions.

   ii. Supervise the unit to submit risk management information regularly to the risk management department.

b) The risk management duties of a business unit are as follows:

   i. Identify and measure risks and report risk exposures.

   ii. Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.

   iii. Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.

   iv. Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.

   v. Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.

   vi. Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

   vii. Assist to collect data related to operational risk.

<u>Audit department</u>

The department is responsible for the audit of each department’s performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

n. Risk reporting and the scope and nature of risk assessment for property insurance business

1) Risks reporting

   a) Each business unit should regularly deliver risk information to the risk management department as required, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.

   b) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the general manager, and makes quarterly report to the risk management committee and board of directors.

2) Risk reporting range and nature of risk assessment for property insurance business

The risk management departments of the Group and the Company collaborated in building market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by middle-end, and would be only authorized to risk management personnel.

o. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level.

In the Group, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to risk management department in accordance with laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

p. The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of the Group covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

q. Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When the Group introduces a business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

In addition, for reinsurance business, risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities of undertaking risk is considered to develop reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to the reinsurance risk management plan, the maximum of the retained risks of each risk unit is based on 10% of the total of shareholder’s equities and special reserves under liabilities (excluding those for compulsory automobile insurance). The following table summarizes the maximum of the retained risks of each risk unit by types of insurance:

	For the Year Ended December 31	
Insurance by Type	**2019**	**2018**
Fire insurance	$ 1,182,000	$ 1,233,000
Marine insurance	1,182,000	1,233,000
Engineering insurance	1,182,000	1,233,000
Miscellaneous insurance/liability insurance	1,182,000	1,233,000
Healthy and Accident insurance	1,182,000	1,233,000
Automobile insurance	50,000	1,233,000
Accident insurance	250,000	1,233,000

r. Asset liability management

1) Asset liability management with risk identification and measurement

Financial accounting and actuarial department should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured to evaluate whether they are sufficient to cover the cash outflow in liabilities by the cash flow test method (but not limited to), whether the asset allocation has reasonable liquidity to pay expenditures from liabilities in future years.

2) Asset liability management with risk response

When market risk, liquidity risk and insurance risk events occur, financial, accounting and actuarial service department should take appropriate reactions to asset liability risk, and report to the risk management department and propose to the risk management department and risk management committee for examination.

s. Procedures to manage, monitor and control a special event for which property insurance business is committed to assuming additional liabilities or funding additional capital.

The Group has established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose reactions to the risk management committee and inform the Company to review the impact on the Group's CAR.

t. Sensitivity to insurance risk

1) The Company

			Impact on Profit or Loss Resulting from a 5% Increase in Expected Loss Rate	
Insurance by Type	**Premium Revenue**	**Expected Loss Rate**	**Before Reinsurance**	**After Reinsurance**
Fire insurance	$ 2,346,405	42.03%	$ (117,320)	$ (98,603)
Marine insurance	459,254	40.43%	(22,963)	(9,833)
Land and air insurance	6,852,230	64.41%	(342,611)	(330,313)
Liability insurance	1,130,050	53.73%	(56,503)	(38,716)
Bonding insurance	91,257	183.21%	(4,563)	(2,994)
Other property insurance	784,015	67.24%	(39,201)	(29,532)
Accident insurance	2,574,330	43.07%	(128,717)	(120,886)
Health insurance	327,823	41.38%	(16,391)	(16,368)
Compulsory auto liability insurance	2,150,832	Not applicable	Not applicable	Not applicable
	$ 16,716,196		$ (728,269)	$ (647,245)

The above table shows that with 5% increase in the expected loss rate of every insurance contract of the Company, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

2) Cathay Insurance Co., Ltd. (Vietnam)

Insurance by Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	$ 94,260	39.29%	$ (4,713)	$ (4,701)
Marine insurance	6,273	22.58%	(314)	(80)
Fire insurance	145,771	144.65%	(7,288)	(1,001)
Engineering insurance	2,323	75.90%	(116)	(34)
Accident insurance	20,610	33.47%	(1,030)	(1,029)
Liability insurance	890	48.22%	(45)	(14)
	$ 270,127		$ (13,506)	$ (6,859)

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

u. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of September 30, 2019, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department, reinsurance department and risk management department have reviewed or discussed in project meeting.

ii. Exposure to unanticipated change in trend

As of September 30, 2019, there is no exposure to unanticipated change in trend.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” is set up to safeguard the rights of the Company and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of September 30, 2019, there are no material litigation or legal risks that may lead to substantial losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may arise accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the Company established “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of September 30, 2019, there is no interaction among risks resulting from a catastrophe.

v. When a non-linear relationship as a certain key variable has approached to the extent that future cash flows may be materially influenced

Since the 3rd stage of liberalization of property insurance premium rate took effect, the Company has conducted regular reviews on voluntary automobile insurance, commercial fire insurance, and residential fire insurance in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing, to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi. Concentration of geographic regions and operating segments

The Company’s catastrophe insurance for earthquakes and floods are mainly in the areas of Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature

The following table summarizes Cathay Century's concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended September 30, 2019				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	$ 543,604	$ 108,138	$ 301,810	$ 349,932	7.49
Marine insurance	129,506	27,619	76,974	80,151	1.72
Land and air insurance	2,242,878	19,260	71,848	2,190,290	46.90
Liability insurance	418,244	447	175,893	242,798	5.20
Bonding insurance	19,582	9,227	7,967	20,842	0.45
Other property insurance	352,986	64,283	279,222	138,047	2.96
Accident insurance	939,709	3,707	56,571	886,845	18.99
Health insurance	131,512	-	-	131,512	2.81
Compulsory automobile liability insurance	742,951	198,621	312,024	629,548	13.48
Total	$ 5,520,972	$ 431,302	$ 1,282,309	$ 4,669,965	100.00

Insurance Type	For the Nine Months Ended September 30, 2019				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	$ 2,346,405	$ 355,601	$ 1,460,963	$ 1,241,043	8.98
Marine insurance	459,254	53,523	310,214	202,563	1.47
Land and air insurance	6,852,230	19,300	221,146	6,650,384	48.12
Liability insurance	1,130,050	2,049	404,620	727,479	5.26
Bonding insurance	91,257	10,012	58,290	42,979	0.31
Other property insurance	784,015	185,122	573,386	395,751	2.86
Accident insurance	2,574,330	10,622	176,185	2,408,767	17.43
Health insurance	327,823	5,270	-	333,093	2.41
Compulsory automobile liability insurance	2,150,832	566,264	898,382	1,818,714	13.16
Total	$ 16,716,196	$ 1,207,763	$ 4,103,186	$ 13,820,773	100.00

c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as earthquake, typhoon, and flood along with related hung claims, result in tremendous impact to the property insurance business.

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

2) Cathay Insurance Co., Ltd. (Vietnam).

a) Situations that may cause concentration of insurance risk:

i. Single insurance contract or few related contracts

As of September 30, 2019, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department and reinsurance department have reviewed or discussed in project meetings.

ii. Exposure to unanticipated change in trend

As of September 30, 2019, there is no exposure to unanticipated change in trend.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

"The Procedure for Subrogation" and "The Proceedings of the Court" are set up to safeguard the rights of Cathay Insurance Co., Ltd (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risks. As of September 30, 2019, there are no material litigation or legal risks that may lead to substantial losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur substantial claims, and other risks such as market risk, credit risk, liquidity risk, may arise accordingly. To avoid the operations being severely endangered by these risks from a catastrophe, Cathay Insurance Co., Ltd (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd (Vietnam) under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of September 30, 2019, there is no interaction among risks resulting from a catastrophe.

v. Concentration risks of geographic regions and operating segments

Cathay Insurance Co., Ltd (Vietnam)'s catastrophe insurance for earthquakes and floods mainly concentrate in the Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature.

The following table summarizes the Cathay Insurance Co., Ltd (Vietnam)'s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended September 30, 2019				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 38,306	$ -	$ 1	$ 38,305	75.83
Flood insurance	1,894	-	1,283	611	1.21
Fire insurance	28,833	438	24,598	4,673	9.24
Engineering insurance	978	-	587	391	0.77
Accident insurance	6,441	-	-	6,441	12.75
Liability insurance	155	67	120	102	0.20
Total	$ 76,607	$ 505	$ 26,589	$ 50,523	100.00

Insurance Type	For the Nine Months Ended September 30, 2019				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 94,260	$ 17	$ 39	$ 94,238	71.82
Flood insurance	6,273	-	4,384	1,889	1.44
Fire insurance	145,771	1,164	133,736	13,199	10.06
Engineering insurance	2,323	-	1,394	929	0.71
Accident insurance	20,610	-	-	20,610	15.71
Liability insurance	890	67	600	357	0.27
Total	$ 270,127	$ 1,248	$ 140,153	$ 131,222	100.00

3) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance Co., Ltd (Vietnam) assesses the risk of natural disasters and special insured items holds loss prevention seminars regularly to help clients lower the incidence rate of disasters

v. Development trend of claims

1) The Company

Accident Year	≦2012	2013	2014	2015	2016	2017	2018	2019	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 5,773,901	$ 7,066,945	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 7,562,218	
After the first year	-	6,109,827	7,217,836	7,418,703	11,455,620	8,025,062	8,628,206	-	
After the second year	-	6,169,858	7,156,309	7,548,387	10,970,548	7,972,723	-	-	
After the third year	-	6,103,460	7,135,341	7,495,744	11,101,429	-	-	-	
After the fourth year	-	6,135,016	7,133,873	7,444,985	-	-	-	-	
After the fifth year	-	6,114,404	7,153,055	-	-	-	-	-	
After the sixth year	-	6,058,643	-	-	-	-	-	-	
Final estimated claim payment	-	6,058,643	7,153,055	7,444,985	11,101,429	7,972,723	8,628,206	7,562,218	
Accumulated claim disbursed	-	6,003,292	6,930,303	7,391,060	10,871,046	7,649,700	7,509,083	3,411,292	
	59,946	55,351	222,752	53,925	230,383	323,023	1,119,123	4,150,926	$ 6,215,429
Adjustment	-	-	-	-	-	-	-	145,146	145,146
Amount recognized in balance sheet	$ 59,946	$ 55,351	$ 222,752	$ 53,925	$ 230,383	$ 323,023	$ 1,119,123	$ 4,296,072	$ 6,360,575

Note: The upper part of table illustrates claim payments estimated in underwriting years by property insurance business. The lower part of the table illustrates the reconciliation of the accumulated claims disbursed to the balance sheet.

The above table excludes direct loss reserve of compulsory insurance of $1,425,807 thousand and assumed loss reserve of $950,690 thousand.

2) Cathay Insurance Co., Ltd (Vietnam)

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still incomplete, the historical experience of development trend of claim is not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance with the letter No.2842/BTC/QLBH.

w. The following details the portfolios managed

1) The Company

	September 30, 2019	
	Carrying Amount	**Fair Value**
Listed stocks	$ 1,043,039	$ 1,043,039
Repurchase agreements collateralized by bonds	400,045	400,045
Bank deposit	228,531	228,531
Future margins	2,010	2,010
	$ 1,673,625	$ 1,673,625

	December 31, 2018	
	Carrying Amount	**Fair Value**
Listed stocks	$ 736,041	$ 736,041
Repurchase agreements collateralized by bonds	150,000	150,000
Bank deposit	640,437	640,437
Future margins	2,009	2,009
	$ 1,528,487	$ 1,528,487

	September 30, 2018	
	Carrying Amount	**Fair Value**
Listed stocks	$ 1,005,936	$ 1,005,936
Repurchase agreements collateralized by bonds	380,159	380,159
Bank deposit	297,019	297,019
Future margins	2,009	2,009
	$ 1,685,123	$ 1,685,123

2) As of September 30, 2019, December 31, 2018 and September 30, 2018 the Group entered into discretionary account management contracts in the amount of $1,200,000 thousand.

x. Interests in unconsolidated structured entities

1) Unconsolidated structured entities

The Group does not provide financial support or other support to the unconsolidated structured entities. The Group’s maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets the Group recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

2) Details of the carrying amount of assets recognized by the Group relating to its interests in unconsolidated structured entities as of September 30, 2019, December 31, 2018 and September 30, 2018, are as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Securitization vehicle			
Financial assets at FVTPL	$ 72,637	$ 96,907	$ 110,692
Financial assets at amortized cost	618,546	640,847	649,654
	$ 691,183	$ 737,754	$ 760,346

y. Credit risk of insurance contract

The main source of credit risk of insurance contract is reinsurance business. The Group arranges its reinsurance business under the Regulations Governing Insurance Enterprises, and it is engaged in operating reinsurance and other risk-diversification mechanisms. Most of the insurance enterprises chose to have a certain level of credit rating and are qualified for reinsurance business. The Group regularly monitors the movement of the credit rating of these enterprises. The Group discloses its transactions with unqualified ceded reinsurer as follows, based on Regulations for the Management of the Reserve for Unqualified Reinsurance.

1) The major unqualified reinsurance counterparties are listed below:

September 30, 2019

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance
Trust International Insurance and Reinsurance Company B.S.C.	Treaty reinsurance of marine, fire and accident insurance and Facultative reinsurance of marine, fire and miscellaneous insurance
Arab Insurance Group (B.S.C)	Facultative reinsurance of fire insurance

December 31, 2018

Name	Type
Best RE (L) Limited	Treaty reinsurance of liability insurance
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance
Trust International Insurance and Reinsurance Company B.S.C.	Treaty reinsurance of marine and fire insurance and Facultative reinsurance of marine, fire and liability insurance

September 30, 2018

Name	Type
Best RE (L) Limited	Treaty reinsurance of miscellaneous, insurance and Facultative reinsurance of marine and fire insurance
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance

2) As of September 30, 2019 and 2018, the unqualified ceded reinsurance expense for the past twelve months is $10,031 thousand and $21,570 thousand, respectively.

3) The reserve for unauthorized reinsurance and the components of this account include:

	September 30, 2019	December 31, 2018	September 30, 2018
Unearned premium reserve	$ 5,015	$ 17,949	$ 10,785
Claims recoverable from reinsurers of paid claims overdue in nine month	67,285	60,165	39,432
Claims recoverable from reinsurers which were reported but unpaid	1,667	5,003	39,691
	$ 73,967	$ 83,117	$ 89,908

TABLE 1

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE
(In Thousands of New Taiwan Dollars)

Items	Amount			Items	Amount		
Asset	September 30, 2019	December 31, 2018	September 30, 2018	Liabilities	September 30, 2019	December 31, 2018	September 30, 2018
Cash and bank deposit	$ 2,643,836	$ 2,530,596	$ 2,513,835	Notes payable	$ -	$ -	$ -
Notes receivable	7,531	11,554	11,926	Claims payable	-	-	-
Premiums receivable	6,538	9,924	8,437	Reinsurance indemnity payable	-	-	-
Claims recoverable from reinsures	167,291	154,031	153,735	Due to reinsurers and ceding companies	234,741	242,711	234,430
Due from reinsurers and ceding companies	125,762	125,994	127,234	Unearned premium reserves	1,723,344	1,732,429	1,730,060
Other receivables	-	-	-	Loss reserves	2,043,694	2,082,573	2,040,608
FVTOCI financial assets	753,955	1,045,844	1,049,600	Special reserves	1,315,878	1,478,016	1,477,288
Ceded unearned premium reserve	751,865	756,874	752,273	Temporary receivable	-	-	-
Ceded loss reserve	854,856	888,328	855,339	Other liabilities	-	-	-
Temporary payments	6,023	12,584	10,007				
Other assets	-	-	-				
Total assets	$ 5,317,657	$ 5,535,729	$ 5,482,386	Total liabilities	$ 5,317,657	$ 5,535,729	$ 5,482,386

TABLE 2

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY
(In Thousands of New Taiwan Dollars)

Item	For the Nine Months Ended September 30	
	2019	**2018**
Operating revenues	$ 1,180,736	$ 1,198,169
Direct insurance premium income	1,497,304	1,511,017
Reinsurance premium inward	566,264	566,388
Premiums income	2,063,568	2,077,405
Less: Reinsurance premium outward	898,382	906,610
Net changes in unearned premium reserve	(4,077)	(15,147)
Earned retained premium	1,169,263	1,185,942
Interest income	11,473	12,227
Operating costs	1,180,736	1,198,169
Retained claims	1,640,365	1,295,905
Reinsurance claims incurred	659,232	749,896
Less: Claim recoverable from reinsurers	951,316	(763,404)
Retained claims	1,348,281	1,282,397
Net change in loss reserve	(5,407)	13,612
Net change in special reserve	(162,138)	(97,840)

TABLE 3

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	a	Due from reinsurers and ceding companies, net	$ 1,501	Based on agreement	-
				Claims incurred	7,033	Based on agreement	-

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary;
b. From subsidiary to parent company; and
c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: Information disclosed in this Table includes balances and transactions that have been eliminated on consolidation between the Group and its subsidiaries.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2019	December 12, 2018	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 631,800	$ 12,043	$ 12,043	Note

Note: Calculated based on financial statements which have not been reviewed during the same period.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	a	$ 2,964,730	$ -	$ -	$ 2,964,730	$ (81,585)	24.5	$ (19,988)	$ 2,112,065	$ -

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
$ 2,964,730 (CNY645,000 thousand)	$ 2,964,730 (CNY645,000 thousand)	$ 7,167,823

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on September 30, 2019.

Note 2: Investment type is as follows:

a. The Company made the investment directly.
b. The Company made the investment through a company registered in a third region.
c. Others.

Note 3: The calculation was based on unrelieved financial statement.

Note 4: The limit is up to 60% of the investor's net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note 5: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company US$28,963 thousand to establish an insurance subsidiary, engaging in the business of property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC) authorized the Company to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC authorized the Company CNY200,000 thousand to establish an insurance subsidiary. On June 13, 2013 and March 18, 2014, each amount of Cathay Century Insurance Company's remittance was CNY100,000 thousand and was authorized by CIRC. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC authorized the Company CNY245,000 thousand to establish an insurance subsidiary. As of September 30, 2019, the Company has remitted US$97,292 thousand in total.