Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of March 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019, 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 March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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 three months ended March 31, 2018 were reviewed by other auditors who expressed an unqualified conclusion on April 25, 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

May 14, 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)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENT (Notes 4 and 6)	$ 10,541,775	27	$ 10,185,921	27	$ 8,776,675	23
RECEIVABLES	2,194,674	6	2,358,780	6	1,735,986	5
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	6,674,768	17	5,887,384	15	9,288,599	24
Financial assets at fair value through other comprehensive income (Notes 4, 9, 18 and 27)	1,168,687	3	1,451,444	4	1,499,919	4
Financial assets at amortized cost (Notes 4, 9, 10 and 27)	8,342,522	21	8,526,240	22	8,509,147	22
Investments accounted for using the equity method, net	2,226,162	6	1,070,814	3	1,120,022	3
Loans	231,446	1	236,816	1	225,955	1
Total investments	18,643,585	48	17,172,698	45	20,643,642	54
REINSURANCE CONTRACT ASSET	6,248,317	16	6,104,797	16	6,045,139	16
PROPERTY AND EQUIPMENT (Notes 4 and 17)	116,415	1	122,185	-	70,175	-
RIGHT-OF-USE ASSETS	90,686	-	-	-	-	-
INTANGIBLE ASSETS (Note 4)	65,439	-	65,395	-	45,329	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 20)	109,841	-	147,546	1	142,703	-
OTHER ASSETS	738,499	2	1,798,718	5	710,993	2
TOTAL	$ 38,749,231	100	$ 37,956,040	100	$ 38,170,642	100
LIABILITIES AND EQUITY						
PAYABLES	$ 2,112,392	6	$ 2,548,786	7	$ 2,059,580	5
CURRENT TAX LIABILITIES	163,075	1	73,991	-	247,125	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 24)	59,431	-	50,041	-	515	-
PREFERRED STOCK LIABILITIES	-	-	-	-	1,000,000	2
LEASE LIABILITIES	90,481	-	-	-	-	-
INSURANCE LIABILITIES (Notes 4, 5 and 32)	24,060,512	62	23,785,675	63	22,782,666	60
OTHER LIABILITIES	543,127	1	733,341	2	461,517	1
PROVISIONS	440,032	1	440,082	1	427,118	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	280,733	1	299,048	1	275,535	1
Total liabilities	27,749,783	72	27,930,964	74	27,254,056	71
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary Shares						
Ordinary Shares	3,057,052	8	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	2,436,306	6	2,436,306	7	2,064,679	5
Special reserve	3,934,250	10	3,934,250	10	3,680,566	10
Unappropriated earnings	1,389,700	4	907,615	2	1,860,670	5
Total retained earnings	7,760,256	20	7,278,171	19	7,605,915	20
Other equity	(320,360)	(1)	(812,647)	(2)	(248,881)	-
Total equity	10,999,448	28	10,025,076	26	10,916,586	29
TOTAL	$ 38,749,231	100	$ 37,956,040	100	$ 38,170,642	100

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

(With Deloitte & Touche review report dated May 14, 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 March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES				
Retained earned premium (Note 30)				
Direct insurance premium revenues (Notes 4 and 26)	$ 5,400,444	112	$ 5,044,446	111
Reinsurance premium inward	374,606	8	319,455	7
Premium revenues	5,775,050	120	5,363,901	118
Less: Reinsurance premium outward (Notes 4 and 24)	1,292,571	27	1,110,192	25
Less: Net change in unearned premium reserves (Note 4)	26,332	1	100,648	2
Total retained earned premium	4,456,147	92	4,153,061	91
Reinsurance commission earned (Notes 24 and 28)	161,522	4	140,883	3
Handling fees earned	11,077	-	11,304	-
Net gains on investments				
Interest income (Note 19)	131,792	3	134,448	3
Foreign exchange losses (Notes 4 and 25)	42,538	1	(162,223)	(3)
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Notes 4 and 23)	463,438	9	200,282	4
Excluding net gain (loss) on financial assets measured at amortized cost	118	-	287	-
Share of profit of associates and joint ventures accounted for using equity method	(6,253)	-	(42,902)	(1)
Expected credit impairment losses and reversal on investment	(106)	-	(570)	-
Income or loss reclassified under overlay approach	(426,167)	(9)	117,254	3
Total net gains on investments	205,360	4	246,576	6
Total operating revenues	4,834,106	100	4,551,824	100
OPERATING COSTS				
Retained claims (Notes 4, 26 and 30)				
Claims incurred	2,847,806	59	2,880,574	63
Less: Claims recovered from reinsurers (Note 30)	558,791	12	470,073	10
Total retained claims	2,289,015	47	2,410,501	53
Other net change in insurance liabilities (Note 18)	227,306	5	(125,176)	(3)
Commission expenses (Notes 4, 24 and 28)	753,580	16	740,199	16
Other operating costs	10,875	-	23,266	1
Total operating costs	3,280,776	68	3,048,790	67
GROSS MARGIN	1,553,330	32	1,503,034	33
OPERATING EXPENSES (Notes 22 and 26)				
Operating	821,681	17	747,815	16

(Continued)

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 March 31			
	2019		2018	
	Amount	%	Amount	%
Administrative	151,183	3	157,685	4
Training	1,151	-	1,212	-
Total operating expenses	974,015	20	906,712	20
OPERATING INCOME	579,315	12	596,322	13
NON-OPERATING INCOME AND EXPENSES (Note 26)	349	-	(4,582)	-
PROFIT BEFORE INCOME TAX	579,664	12	591,740	13
INCOME TAX (Notes 4 and 23)	97,579	2	108,993	3
NET PROFIT	482,085	10	482,747	10
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Equity instruments revaluation profit or loss measured at fair value through other comprehensive income (Notes 4 and 21)	10,200	-	20,400	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	-	-	(5,748)	-
	10,200	-	26,148	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 21)	1,853	-	(22,614)	-
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	61,551	1	12,809	-
Debt instrument profit or loss measured at fair value through other comprehensive income (Notes 4 and 21)	8,593	-	(7,654)	-
Other comprehensive income reclassified under overlay approach	426,167	9	(117,254)	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 23)	16,077	-	(12,893)	-
	482,087	10	(121,820)	(3)

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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 March 31			
	2019		2018	
	Amount	%	Amount	%
Other comprehensive income (loss), net of income tax	492,287	10	(95,672)	(2)
TOTAL COMPREHENSIVE INCOME	$ 974,372	20	$ 387,075	8
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 482,085	10	$ 482,747	11
Non-controlling interests	-	-	-	-
	$ 482,085	10	$ 482,747	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 974,372	20	$ 387,075	8
Non-controlling interests	-	-	-	-
	$ 974,372	20	$ 387,075	8
EARNINGS PER SHARE (Note 24)				
Basic	$ 1.58		$ 1.58	
Diluted	$ 1.58		$ 1.58	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
(With Deloitte & Touche review report dated May 14, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
				Retained Earnings (Note 21)			Other Equity					
	Shares (In Thousands)	Capital Stock (Notes 4 and 21)	Capital Surplus - Additional Paid-in Capital (Note 22)	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 21)	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Interest (Notes 4 and 21)	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
Net profit for the three months ended March 31, 2018	-	-	-	-	-	482,747	-	-	-	-	-	482,747
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	(8,089)	-	11,030	5,748	(104,361)	(95,672)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	482,747	(8,089)	-	11,030	5,748	(104,361)	387,075
BALANCE AT MARCH 31, 2018	305,705	$ 3,057,052	$ 502,500	$ 2,064,679	$ 3,680,566	$ 1,860,670	$ (215,728)	$ -	$ (105,700)	$ (153,277)	$ 225,824	$ 10,916,586
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
Net profit for the three months ended March 31, 2019	-	-	-	-	-	482,085	-	-	-	-	-	482,085
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	44,556	-	37,641	-	410,090	492,287
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	482,085	44,556	-	37,641	-	410,090	974,372
BALANCE AT MARCH 31, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,934,250	$ 1,389,700	$ (184,317)	$ -	$ (115,639)	$ (163,649)	$ 143,245	$ 10,999,448

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

(With Deloitte & Touche review report dated May 14, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 579,664	$ 591,740
Adjustments for:		
Depreciation expenses	40,890	5,624
Amortization expenses	9,062	6,566
Net gain on valuation of financial assets at fair value through profit or loss	(463,438)	(200,282)
Net gain on disposal of financial assets measured at amortized cost	(118)	(287)
Interest income	(131,792)	(134,448)
Net change in insurance liabilities	274,837	(201,627)
Expected credit impairment losses and reversal on investment	106	570
Share of profit of associates and joint ventures accounted for using equity method	6,253	42,902
Income or loss reclassified under overlay approach	426,167	(117,254)
	161,967	(598,236)
Changes in operating assets and liabilities		
Decrease in notes receivable	16,950	22,662
Decrease in premiums receivable	292,889	411,855
(Increase) decrease in other receivables	(150,962)	8,518
(Increase) decrease in financial assets at fair value through profit or loss	(314,556)	538,245
Decrease in financial assets at fair value through other comprehensive income	301,632	-
Decrease in financial assets at amortized cost	183,653	133,628
(Increase) decrease in reinsurance contract asset	(143,520)	425,752
Increase in other assets	(39,836)	(1,882)
Increase in claims outstanding	5,893	-
Decrease in commissions payable and fees	33,509	8,118
Decrease in due to reinsurers and ceding companies	(107,761)	(15,328)
Decrease in other payables	(367,645)	(262,227)
(Decrease) increase in provisions	(50)	672
Decrease in other liabilities	(190,214)	(158,494)
Cash generated from operations	261,613	1,105,023
Interest received	136,677	107,290
Interest paid	(390)	(46)
Income tax paid	(5,182)	(3,173)
Net cash generated from operating activities	392,718	1,209,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(4,023)	(2,067)
Payments for intangible assets	(6,484)	(1,846)

(Continued)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
Decrease in loans	5,370	25,815
Net cash (used in) generated from investing activities	(5,137)	21,902
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(33,623)	-
Net cash used in financing activities	(33,623)	-
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,896	(2,656)
NET INCREASE IN CASH AND CASH EQUIVALENTS	355,854	1,228,340
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	$ 10,541,775	$ 8,776,675

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 August 2, 2002, the Company officially changed its name from “Tong-Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.” 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 May 14, 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 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 would not have any material impact on the accounting policies of the Group 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.

   <u>Definition of a lease</u>

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 comprises 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 (a).

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 group 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.

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.

When a group entity 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 (including assets held under finance leases) 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 25.

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, notes receivable at amortized cost, premiums receivables and other receivables are measured 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 trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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 25.

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, 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, 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 claim reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

l. Reserves for liabilities

Reserves for liabilities under the insurance contracts should be audited by the actuaries certified by the FSC and should also conform to these regulations: 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 clients with ongoing business operations and with unexpired insurance contracts, unearned premiums are calculated on the basis of unexpired risks for each type of insurance and individual unearned premium reserves are set up for each type of insurance.

The unearned premium reserve for the compulsory insurance contract should conform to the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

The unearned premium reserve for the residential earthquake insurance contract should conform to the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

The unearned premiums reserve for Nuclear Energy Insurance should conform to the Regulations for the Reserves of Nuclear Energy Insurance.

The amount of the unearned premium reserve is decided by actuaries in the insurance industry on the basis of the characteristics of the different types of insurance (and this amount may not be changed without permission from the authorities) and should be audited by actuaries at the end of the reporting period.

2) Claim reserve

This refers to IBNR (incurred but not reported) and outstanding claims and is calculated on the basis of past claim experience and payments, using the actuarial methodology. An outstanding-claim reserve is estimated for each client case, taking into consideration the specific circumstances of each case.

The claims reserve for the compulsory insurance contracts should conform to the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

The claims reserve for residential earthquake insurance contracts should conform to the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

The claims reserve for Nuclear Energy Insurance should conform to the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

Special reserve is divided into the equalization reserve and the catastrophe reserve. The provision of special reserves should be recognized in special reserve under shareholders’ equity by the amount, net of the effect of tax. For those special reserve recognized in liabilities before December 31, 2012, except for the catastrophe reserve and equalization reserve of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, those reserves of other insurances should be used to make up the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities; the remaining should be reclassified to the special reserve under shareholders’ equity by the amount, net of the effect of tax, as requested by IAS 12 since January 1, 2013. The recovered and reversal of special reserve could be debited to those reserves recognized under liabilities first. If those reserves recognized under liabilities are not enough for the debit purpose, those insufficient amount would be debited to the special reserve recognized under shareholders’ equity.

a) Catastrophe reserve

Catastrophe reserves should be set aside at the required rate for each insurance type.

Under the government's definition of "severe damage" due to a single disaster, the catastrophe reserve can be reversed if the total amount of the retained claims for each insurance type under an individual Company reaches $30,000,000 and the total amount of the claims for each insurance type under all insurance companies reaches $2,000,000,000.

A catastrophe reserve that has been set aside for more than 15 years may be reversed in the manner prescribed by the insurance firm's appointed actuary. This reversal should be registered with the relevant authorities. In addition, the reserve for commercial-businesses earthquake insurance, typhoon insurance and flood insurance may be reversed if it has been set aside for more than 30 years.

b) Equalization reserve

For each type of insurance, when actual losses minus the amount withdrawn from the catastrophe reserve are lower than the expected losses, a nonlife insurance firm should place 15% of the difference in the equalization reserve. For commercial-business earthquake insurance and typhoon and flood insurance, a nonlife insurance firm should place 75% of the difference in the equalization reserve.

For each type of insurance, when actual losses minus the amount withdrawn from the catastrophe reserve are greater than the expected losses, the difference may be withdrawn from the equalization reserve. If the equalization reserve for a particular type of insurance is insufficient to cover the difference, the shortfall may be withdrawn from the equalization reserve of another type of insurance. The insurance type corresponding to the reserve used for covering the shortfall and the withdrawn amount should be registered with the relevant authorities.

For each type of insurance, when the accumulated amount of the equalization reserve exceeds 60% (30% each for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be retired and treated as income. For commercial-business earthquake insurance and typhoon and flood insurance, if the accumulated amounts exceed 8 times and 18 times, respectively, of the retained earned premiums for the current year, the excess should be retired and treated as income.

4) Premium deficiency reserve

The Group should set aside a premium deficiency reserve if the estimated amount of the future claims on an unexpired insurance contract or on the contract under the insurance risk is more than the sum of the unearned premium reserves and the expected future premium income.

5) Liability reserve

The minimum liability reserve for health insurance that the insurance period is greater than one year is set aside using full preliminary term reserving method. However, the method of setting aside minimum liability reserve for health insurance with special nature should be approved by the competent authority.

6) Liability adequacy reserve

At the end of each reporting period, the Group should assess whether its insurance liabilities recognized were adequate based on the current estimation of future cash flows as requested by IFRS 4. If the result was inadequate, the Group should recognize the shortage amount as a liability adequacy reserve.

m. Premiums, commission expenses and processing fees

For insurance companies, direct premiums are recognized in the year when the insurance is approved and policies are issued. Ceded reinsurance revenues are recognized when the Group receives the related billing statement. 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. Related expenses such as commission expenses, agent expenses and processing fees are recorded when the related premiums are recognized.

n. Insurance claims

The claims (including claim expenses) pertaining to the direct insurance business are recognized when the claims have been reported and filed by, and paid to, the policyholder. A claims reserves, which is set aside for claims incurred but unsettled, is estimated on actuarial calculation for different types of insurance cases.

The IBNR claims reserve for direct insurance and for the ceding reinsurance is estimated on the basis of past experience and is recognized on the basis of actuarial calculation.

The claims to be recovered from the reinsurer under the reinsurance contract (including claim expenses) are reported as claim recoverable from reinsurers. The difference between outstanding claims and the IBNR claims (including claim expenses) are reported as movement of the claims reserve.

The claim reserve is undiscounted.

o. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to the expected cost method to assess for the adequacy of insurance contract liabilities, using current estimates of future cash flows under the insurance contract. The estimation method is 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.

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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.

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 25.

b. Estimated impairment of investments in debt instruments

The provision for impairment of investments in debt instruments is estimated based on expected loss rates. According to difference of fair value between the collection of contractual cash flows (carrying amount) and cash flow (evaluating the forward looking estimates) of expected income to recognize credit loss. 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 claim reserve

The Group estimated the claim reserve based on the IBNR (incurred but not reported) and outstanding claims at the end of reporting period based on historical data, actuarial analysis, financing modeling and other analytical techniques. The Group will adjust its estimations if necessary; however, the actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 17,928	$ 18,928	$ 23,785
Checking accounts and demand deposits	1,968,866	2,641,308	1,158,615
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	6,167,930	6,186,918	6,449,648
Repurchase agreements collateralized by bonds	2,387,051	1,338,767	1,144,627
	$ 10,541,775	$ 10,185,921	$ 8,776,675

7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts(a)	$ 914	$ 6,280	$ 110,214
Non-derivative financial assets			
Listed shares	4,196,584	3,433,971	5,500,847
Mutual funds	1,700,836	1,667,453	2,900,329
Financial bonds	776,434	779,680	770,209
	$ 6,674,768	$ 5,887,384	$ 9,288,599
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ 59,431	$ 50,041	$ 515

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

	Currency	Maturity Date	Notional Amount (In Thousands)
March 31, 2019			
Sell	USD/NTD	2019.4.9-2020.2.21	US$ 183,600
	EUR/NTD	2019.8.22-2019.9.5	EUR 2,750
December 31, 2018			
Sell	USD/NTD	2019.1.9-2019.5.29	US$ 186,600
	EUR/NTD	2019.1.22-2019.3.5	EUR 2,750
March 31, 2018			
Sell	USD/NTD	2018.4.9-2019.3.27	US$ 195,600
	EUR/NTD	2018.4.16-2018.6.4	EUR 6,850

The Group entered into foreign exchange forward contracts 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:

	March 31	
	2019	2018
Financial assets mandatorily measured at FVTPL		
Listed shares	$ 4,196,584	$ 5,376,452
Mutual funds	1,700,836	2,874,389
Financial bonds	776,434	777,209

For the three months ended March 31, 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 March 31, 2019 and 2018 is detailed below:

	For the Three Months Ended March 31	
	2019	2018
Gains due to applying IFRS 9 to profit or loss	$ (529,941)	$ (124,337)
Less: Gains if applying IAS 39 to profit or loss	(103,774)	(241,591)
(Loss) gains from reclassification using the overlay approach	$ (426,167)	$ 117,254

According to the adjustment by applying the overlay approach, gains from consolidated financial assets at FVTPL reduced from $463,438 thousand to $37,271 thousand and increased from $200,282 thousand to $317,536 thousand for the three months ended March 31, 2019 and 2018, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in equity instruments at FVTOCI	$ 415,800	$ 405,600	$ 459,000
Investments in debt instruments at FVTOCI	752,887	1,045,844	1,040,919
	$ 1,168,687	$ 1,451,444	$ 1,499,919

a. Investments in equity instruments at FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic investments			
Unlisted shares	$ 415,800	$ 405,600	$ 459,000

They are held for medium to long-term strategic purposes, and expected to gain from the long-term investments. 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.

b. Investments in debt instruments at FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic investments			
Government bonds	$ 752,887	$ 745,593	$ 738,851
Corporate bonds	-	300,251	302,068
	$ 752,887	$ 1,045,844	$ 1,040,919

Refer to Note 25 for information relating to their credit risk management and impairment.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic investments			
Corporate bonds	$ 1,399,969	$ 1,599,988	$ 1,549,970
Government bonds	517,454	519,346	574,699
Financial bonds	-	-	300,312
Foreign investments			
Corporate bonds	6,946,279	6,929,795	6,185,054
Time deposits (other)	-	-	478,223
	8,863,702	9,049,129	6,185,054
Less: Allowance for impairment loss	(3,755)	(3,587)	(4,183)
Less: Statutory guarantee deposits	(517,405)	(519,302)	(574,628)
	$ 8,342,522	$ 8,526,240	$ 8,509,147

Refer to Note 25 for information relating to their credit risk management and impairment.

10. LOANS

	March 31, 2019	December 31, 2018	March 31, 2018
Loans	$ 234,262	$ 239,701	$ 228,651
Less: Allowance for bad debts	(2,816)	(2,885)	(2,696)
	$ 231,446	$ 236,816	$ 225,955

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 25 for information relating to the credit risk management and impairment.

11. RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	$ 220,294	$ 235,666	$ 230,791
Premiums receivables	1,446,421	1,760,192	1,323,439
Other receivables	587,978	442,246	254,808
	2,254,693	2,438,104	1,809,038
Less: Allowance for impairment loss	(60,019)	(79,324)	(73,052)
	$ 2,194,674	$ 2,358,780	$ 1,735,986

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	$ 79,324	$ 66,827
Impairment losses recognized on receivables	-	6,225
Impairment losses reversed	(19,305)	-
Balance at March 31	$ 60,019	$ 73,052

12. REINSURANCE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Claims recoverable from reinsurers	$ 314,972	$ 345,635	$ 330,325
Due from reinsurers and ceding companies, net	606,750	448,406	533,315
Reinsurance reserve assets			
Ceded unearned premium reserve	2,986,356	2,965,729	2,781,792
Ceded claims reserve	2,340,239	2,345,027	2,398,588
Ceded premium deficiency reserve	-	-	1,199
	5,326,595	5,310,756	5,181,499
	$ 6,248,317	$ 6,104,797	$ 6,045,139

Reinsurance assets held by the Group were not impaired.

	March 31, 2019	December 31, 2018	March 31, 2018
a. Claims recoverable from reinsurers			
Gross carrying amount	$ 318,154	$ 349,126	$ 333,662
Less: Allowance for impairment loss	(3,182)	(3,491)	(3,337)
	$ 314,972	$ 345,635	$ 330,325

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

	March 31	
	2019	2018
Balance at January 1	$ 3,491	$ 5,453
Impairment losses recognized (reversed) on receivables and reversed	(309)	(2,116)
Balance at March 31	$ 3,182	$ 3,337

	March 31, 2019	December 31, 2018	March 31, 2018
b. Due from reinsurers and ceding companies			
Gross carrying amount	$ 644,252	$ 466,224	$ 558,317
Less: Allowance for impairment loss	(37,502)	(17,818)	(25,002)
	$ 606,750	$ 448,406	$ 533,315

The aging of due from reinsurers and ceding companies was as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Up to 270 days	$ 633,096	$ 453,055	$ 538,708
More than 270 days	11,156	13,169	19,609
	$ 644,252	$ 466,224	$ 558,317

The above aging schedule was based on the posted date.

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

	March 31	
	2019	2018
Balance at January 1	$ 17,818	$ 28,716
Impairment losses recognized (reversed) on receivables and reversed	19,684	(3,714)
Balance at March 31	$ 37,502	$ 25,002

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in associates	$ 2,226,162	$ 1,070,814	$ 1,120,022

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2019	2018
The Group's share of:		
Loss from continuing operations	$ (6,523)	$ (42,902)
Profit (loss) from discontinued operations		
Other comprehensive income (loss)	19,158	(1,576)
Total comprehensive income (loss) for the period	$ 12,635	$ (44,478)

Investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been reviewed.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amounts	
Buildings	$ 82,803
Transportation equipment	7,883
	$ 90,686

	For the Three Months Ended March 31, 2019
Additions to right-of-use assets	$ 3,334
Depreciation charge for right-of-use assets	
Buildings	$ 32,817
Transportation equipment	945
	$ 33,762

b. Lease liabilities - 2019

	March 31, 2019
Carrying amounts	$ 90,481

Range of discount rate for lease liabilities was as follows:

	March 31, 2019
Buildings	1.31%-8.57%
Transportation equipment	3.49%

c. Other lease information

2019

	For the Three Months Ended March 31, 2019
Expenses relating to short-term leases	$ 282
Total cash outflow for leases	$ (33,623)

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 were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 93,709	$ 129,636
Later than 1 year and not later than 5 years	8,257	62,202
	$ 101,966	$ 191,838

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

	For the Three Months Ended March 31, 2018
Minimum lease payments	$ 37,556

16. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Statutory guarantee deposits	$ 517,405	$ 519,302	$ 574,628
Other deposits	124,897	131,364	80,990
Payment in advance	12,581	1,111,145	14,121
Others	83,616	36,907	41,254
	$ 738,499	$ 1,798,718	$ 710,993

17. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Claims outstanding	$ 5,893	$ -	$ -
Commissions payable	148,689	115,180	124,867
Due to reinsurers and ceding companies	1,391,463	1,499,224	1,328,524
Other payables	566,347	934,382	606,189
	$ 2,112,392	$ 2,548,786	$ 2,059,580

18. INSURANCE LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Unearned premium reserve	$ 12,079,443	$ 12,027,482	$ 11,502,038
Claims reserve	8,714,261	8,474,319	7,969,015
Special reserve	3,258,834	3,272,479	3,303,990
Premium deficiency reserve	7,925	11,347	7,572
Liability reserve	49	48	51
	$ 24,060,512	$ 23,785,675	$ 22,782,666

a. Unearned insurance premium reserve

1) Unearned premium reserve and ceded unearned premium reserve

	March 31, 2019			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,723,757	$ 170,223	$ 1,031,027	$ 862,953
Marine insurance	153,907	12,738	97,533	69,112
Land and air insurance	5,042,022	534	186,918	4,855,638
Liability insurance	759,816	714	266,557	493,973
Bonding insurance	64,495	811	46,206	19,100
Other property insurance	803,052	63,800	494,566	372,286
Accident insurance	1,480,885	5,323	110,499	1,375,709
Health insurance	65,470	5,191	-	70,661
Compulsory auto liability insurance	1,255,083	471,622	753,050	973,655
	$ 11,348,487	$ 730,956	$ 2,986,356	$ 9,093,087

Insurance by Type	December 31, 2018			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
	Direct 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

Insurance by Type	March 31, 2018			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,690,134	$ 172,357	$ 996,270	$ 866,221
Marine insurance	147,631	10,983	100,498	58,116
Land and air insurance	4,760,018	1,652	215,687	4,545,983
Liability insurance	670,464	1,384	222,444	449,404
Bonding insurance	57,206	749	39,729	18,226
Other property insurance	607,163	58,574	363,676	302,061
Accident insurance	1,503,423	3,658	83,085	1,423,996
Health insurance	58,831	2,298	-	61,129
Compulsory auto liability insurance	1,267,368	488,145	760,403	995,110
	$ 10,762,238	$ 739,800	$ 2,781,792	$ 8,720,246

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

	For the Three Months Ended March 31			
	2019		2018	
	Unearned Premium Reserves	**Reserve for Unearned Ceded Premium**	**Unearned Premium Reserves**	**Reserve for Unearned Ceded Premium**
Balance at January 1	$ 12,027,482	$ 2,965,730	$ 11,502,792	$ 2,889,339
Provision	11,908,358	2,890,973	11,503,092	2,782,199
Release	(11,866,830)	(2,875,777)	(11,508,497)	(2,888,252)
Effect of foreign currency exchange differences	10,433	5,430	4,651	(1,494)
Balance at March 31	$ 12,079,443	$ 2,986,356	$ 11,502,038	$ 2,781,792

b. Special reserve

1) Special reserve - compulsory auto liability insurance

	For the Three Months Ended March 31	
	2019	**2018**
Balance at January 1	$ 1,478,017	$ 1,575,128
Provision	32,313	-
Release	(45,958)	(84,327)
Balance at December 31	$ 1,464,372	$ 1,490,801

2) Special reserve - all lines of business other than compulsory auto liability insurance

	For the Three Months Ended March 31, 2019		
	Liability		
	Catastrophe Reserve	**Equalization Reserve**	**Total**
Balance at January 1	$ 449,445	$ 1,345,017	$ 1,794,462
Provision	-	-	-
Release	-	-	-
Balance at December 31	$ 449,445	$ 1,345,017	$ 1,794,462

	For the Three Months Ended March 31, 2018		
	Liability		
	Catastrophe Reserve	**Equalization Reserve**	**Total**
Balance at January 1	$ 468,172	$ 1,345,017	$ 1,813,189
Provision	-	-	-
Release in	-	-	-
Balance at December 31	$ 468,172	$ 1,345,017	$ 1,813,189

If the Group had not adopted 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", there is no material impact on the Group's profit or loss and earnings per share. The Group's special reserve of liabilities and special capital reserve of equity decreased by $1,485,963 thousand and increased by $508,108 thousand, respectively.

c. Premium deficiency reserves

1) Premium deficiency reserve and ceded premium deficiency reserve

	March 31, 2019			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	3,140	574	-	3,714
Land and air insurance	3,969	242	-	4,211
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 7,109	$ 816	$ -	$ 7,925

	December 31, 2018			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct 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

	March 31, 2018			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	**Direct Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	1,671	126	-	1,797
Land and air insurance	4,503	1,272	1,119	4,656
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 6,174	$ 1,398	$ 1,119	$ 6,453

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

	For the Three Months Ended March 31, 2019								
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change for Premium Deficiency Reserve	Ceded Reinsurance Business		Net Change for Ceded Premium Deficiency	Recognized Net Loss (Gain) for Premium Deficiency
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	Reserve (8)=(6)-(7)	Reserve (9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	3,140	2,253	574	714	747				747
Land and air insurance	3,969	7,512	242	868	(4,169)				(4,169)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 7,109	$ 9,765	$ 816	$ 1,582	$ (3,422)	$ -	$ -	$ -	$ (3,422)

	For the Three Months Ended March 31, 2018								
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change for Premium Deficiency Reserve	Ceded Reinsurance Business		Net Change for Ceded Premium Deficiency	Recognized Net Loss (Gain) for Premium Deficiency
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	Reserve (8)=(6)-(7)	Reserve (9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	1,671	1,144	126	103	550	-	-	-	550
Land and air insurance	4,503	8,446	1,272	2,932	(5,603)	1,119	2,578	(1,459)	(4,144)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 6,174	$ 9,590	$ 1,398	$ 3,035	$ (5,053)	$ 1,119	$ 2,578	$ (1,459)	$ (3,594)

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

	For the Three Months Ended March 31			
	2019		2018	
	Premium Deficiency Reserve	Reserve for Ceded Premium Deficiency	Premium Deficiency Reserve	Reserve for Ceded Premium Deficiency
Balance at January 1	$ 11,347	$ -	$ 12,625	$ 2,578
Provision	7,925	-	7,572	1,119
Release	(11,347)	-	(12,625)	(2,578)
Balance at December 31	$ 7,925	$ -	$ 7,572	$ 1,119

4) Effects for the change of estimation and assumption

Premium deficiency reserve is a measurement of present value for future expenditure. The expected final loss ratio referred to the data in the past three years, large-compensation cases and loss trend. The expected operation expense ratio referred to the insurance expense exhibit in the past three years excluding entertainment expense and membership fee. The actual ratio of return on investment may not be the same as the expected ratio due to the uncertainty of estimation and assumption.

d. Claims reserve

1) Claims reserve and reserve for ceded claims

	March 31, 2019			
	Claims Reserve		Reserve for Ceded Claims	
Items	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Outstanding claims	$ 3,770,977	$ 406,604	$ 1,213,445	$ 2,964,136
IBNR claims	4,094,690	441,990	1,126,793	3,409,887
	$ 7,865,667	$ 848,594	$ 2,340,238	$ 6,374,023

	December 31, 2018			
	Claims Reserve		Reserve for Ceded Claims	
Items	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Outstanding claims	$ 3,670,166	$ 330,733	$ 1,231,776	$ 2,769,123
IBNR claims	4,026,955	446,465	1,113,251	3,360,169
	$ 7,697,121	$ 777,198	$ 2,345,027	$ 6,129,292

Items	March 31, 2018			
	Claims Reserve		Reserve for Ceded Claims	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Outstanding claims	$ 3,347,046	$ 283,204	$ 1,256,762	$ 2,373,488
IBNR claims	3,895,837	442,928	1,141,826	3,196,939
	$ 7,242,883	$ 726,132	$ 2,398,588	$ 5,570,427

2) Changes in claims reserve and reserve for ceded claims

For the three months ended March 31, 2019

Items	Direct Business		Reinsurance Inward Business		Movement of Claims Reserves
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+(3)-(4)
Outstanding claims	$ 3,594,953	$ 3,494,672	$ 406,604	$ 330,733	$ 176,152
IBNR claims	4,078,455	4,011,028	441,989	446,465	62,951
	$ 7,673,408	$ 7,505,700	$ 848,593	$ 777,198	$ 239,103

Items	Ceded Reinsurance Business		Movement of Reserve for Ceded Claims
	Provision (6)	Release (7)	(8)=(6)-(7)
Outstanding claims	$ 1,061,945	$ 1,080,732	$ (18,787)
IBNR claims	1,118,652	1,105,134	13,518
	$ 2,180,597	$ 2,185,866	$ (5,269)

For the three months ended March 31, 2018

Items	Direct Business		Reinsurance Inward Business		Movement of Claims Reserves
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+(3)-(4)
Outstanding claims	$ 3,349,189	$ 3,552,722	$ 283,204	$ 286,595	$ (206,924)
IBNR claims	3,895,961	3,796,111	442,928	442,692	100,086
	$ 7,245,150	$ 7,348,833	$ 726,132	$ 729,287	$ (106,838)

Items	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Release (7)	Movement of Reserve for Ceded Claims (8)=(6)-(7)
Outstanding claims	$ 1,258,714	$ 1,338,031	$ (79,317)
IBNR claims	1,141,880	1,132,150	9,730
	$ 2,400,594	$ 2,470,181	$ (69,587)

3) Liability on policyholders' outstanding claims and incurred but not reported (IBNR) claims

Liability on policyholders' settled claims, outstanding claims and IBNR claims

	March 31, 2019		
	Liability		
Insurance by Type	Outstanding Claims	IBNR	Total
Fire insurance	$ 819,174	$ 17,376	$ 836,550
Marine insurance	282,923	1,890	284,813
Land and air insurance	1,561,153	1,339,313	2,900,466
Liability insurance	442,861	783,990	1,226,851
Bonding insurance	68,535	84,827	153,362
Other property insurance	357,267	137,313	494,580
Accident insurance	96,532	569,061	665,593
Health insurance	824	50,579	51,403
Compulsory auto liability insurance	548,313	1552,330	2,100,643
	$ 4,177,582	$ 4,536,679	$ 8,714,261

	December 31, 2018		
	Liability		
Insurance by Type	Outstanding Claims	IBNR	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

Insurance by Type	March 31, 2018 Liability Outstanding Claims	IBNR	Total
Fire insurance	$ 1,050,850	$ 13,522	$ 1,064,372
Marine insurance	271,164	2,378	273,542
Land and air insurance	985,624	1,280,013	2,265,637
Liability insurance	393,560	626,002	1,019,562
Bonding insurance	63,814	93,235	157,049
Other property insurance	380,667	178,241	558,908
Accident insurance	89,805	537,677	627,482
Health insurance	1,487	46,588	48,075
Compulsory auto liability insurance	393,279	1,561,109	1,954,388
	$ 3,630,250	$ 4,338,765	$ 7,969,015

4) Reinsurance assets - ceded claim reserves for outstanding claims and IBNR claims

Insurance by Type	March 31, 2019 Liability Outstanding Claims	IBNR	Total
Fire insurance	$ 275,823	$ 77,264	$ 353,087
Marine insurance	156,841	2,185	159,026
Land and air insurance	70,558	40,129	110,687
Liability insurance	266,891	266,050	532,941
Bonding insurance	31,250	47,424	78,674
Other property insurance	126,904	51,806	178,710
Accident insurance	8,204	37,692	45,896
Health insurance	-	-	-
Compulsory auto liability insurance	203,731	677,487	881,218
	$ 1,140,202	$ 1,200,037	$ 2,340,239

Insurance by Type	December 31, 2018 Liability Outstanding Claims	IBNR	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	March 31, 2018		
	Liability		
	Outstanding Claims	IBNR	Total
Fire insurance	$ 498,747	$ 5,305	$ 504,052
Marine insurance	183,963	618	184,581
Land and air insurance	62,094	36,978	99,072
Liability insurance	231,947	200,574	432,521
Bonding insurance	31,734	74,629	106,363
Other property insurance	120,471	102,815	223,286
Accident insurance	6,675	37,892	44,567
Health insurance	-	-	-
Compulsory auto liability insurance	121,131	683,015	804,146
	$ 1,256,762	$ 1,141,826	$ 2,398,588

5) Reconciliation statement of claims reserve and ceded claims reserve

	For the Three Months Ended March 31			
	2019		2018	
	Claims Reserve	Reserve for Ceded Claims	Claims Reserve	Reserve for Ceded Claims
Balance at January 1	$ 8,474,319	$ 2,345,027	$ 8,082,584	$ 2,474,474
Provision	8,522,261	2,180,438	7,971,282	2,400,594
Release	(8,283,317)	(2,185,866)	(8,078,120)	(2,470,181)
Effect of foreign currency exchange differences	998	640	(6,731)	(6,299)
Balance at December 31	$ 8,714,261	$ 2,340,239	$ 7,969,015	$ 2,398,588

e. Liability reserve

1) Liability reserve and liability-ceded reserve

March 31, 2019

Insurance by Type	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 49	$ -	$ -	$ 49

December 31, 2018

Insurance by Type	Unearned Premium Reserve: Direct Business (1)	Unearned Premium Reserve: Reinsurance Inward Business (2)	Reserve for Unearned Ceded Premium: Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 48	$ -	$ -	$ 48

March 31, 2018

Insurance by Type	Unearned Premium Reserve: Direct Business (1)	Unearned Premium Reserve: Reinsurance Inward Business (2)	Reserve for Unearned Ceded Premium: Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 51	$ -	$ -	$ 51

2) Net change for liability reserve and liability reserve ceded

For the three months ended March 31, 2019

Insurance by Type	Direct Business: Provision (1)	Direct Business: Release (2)	Reinsurance Inward Business: Provision (3)	Reinsurance Inward Business: Release (4)	Net Change for Liability Reserve (5)=(1)-(2)+(3)-(4)
Health insurance	$ 12	$ 10	$ -	$ -	$ 2

Insurance by Type	Ceded Reinsurance Business: Provision (6)	Ceded Reinsurance Business: Release (7)	Net Change for Liability Reserve Ceded (8)=(6)-(7)
Health insurance	$ -	$ -	$ -

For the three months ended March 31, 2018

Insurance by Type	Direct Business: Provision (1)	Direct Business: Release (2)	Reinsurance Inward Business: Provision (3)	Reinsurance Inward Business: Release (4)	Net Change for Liability Reserve (5)=(1)-(2)+(3)-(4)
Health insurance	$ 3	$ 7	$ -	$ -	$ (4)

Insurance by Type	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Release (7)	Net Change for Liability Reserve Ceded (8)=(6)-(7)
Health insurance	$ -	$ -	$ -

19. 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 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.

20. RETIREMENT BENEFIT PLANS

Expense under the defined benefit plans for the three months ended March 31, 2019 and 2018 were $10,147 thousand and $10,296 thousand, respectively.

21. EQUITY

a. Share capital

	March 31, 2019	December 31, 2018	March 31, 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 common 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 22.

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 proposed by the board of directors on March 20, 2019 and approved in the shareholders' meetings on April 25, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 275,249	$ 371,267		
Special reserve	812,646	298,988		
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 Three Months Ended March 31, 2019				
	Special Reserve				
	Catastrophe Reserve	Equalization Reserve	Others	Others	Total
Balance at January 1, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250
Provision for the year	-	-	-	-	-
Recovered/reversal for the year	-	-	-	-	-
Balance at March 31, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250

	For the Three Months Ended March 31, 2018				
	Special Reserve				
	Catastrophe Reserve	Equalization Reserve	Others	Others	Total
Balance at January 1, 2018	$ 1,188,322	$ 1,956,644	$ -	$ 535,600	$ 3,680,566
Provision for the year	-	-	-	-	-
Recovered/reversal for the year	-	-	-	-	-
Balance at March 31, 2018	$ 1,188,322	$ 1,956,644	$ -	$ 535,600	$ 3,680,566

The newly recognized catastrophe reserve and the equalization reserve 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 March 31, 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 Three Months Ended March 31	
	2019	2018
Balance at January 1	$ (228,873)	$ (207,639)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	1,853	(22,614)
Share from associates accounted for using the equity method	42,703	14,525
Other comprehensive income recognized for the period	44,556	(8,089)
Balance at March 31	$ (184,317)	$ (215,728)

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	$ (153,280)	$ (116,730)
Recognized for the period		
Unrealized gain (loss) - debt instruments	8,675	(7,680)
Unrealized gain (loss) - equity instruments	10,200	20,400
Adjustments of loss allowance in debt instruments	(82)	26
Shares from associates accounted for using the equity method	18,848	(1,716)
Other comprehensive income recognized for the period	37,641	11,030
Balance at March 31	$ (115,639)	$ (105,700)

22. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended March 31	
	2019	2018
Bank deposits	$ 16,531	$ 16,582
Bills purchased under resale agreement	229	247
Financial instruments at FVTPL	9,446	13,959
Investments in debt instruments at FVTOCI	3,367	4,085
Financial assets at amortized cost	97,406	94,534
Loan	982	961
Compulsory insurance	3,824	4,076
Other financial assets	7	4
	$ 131,792	$ 134,448

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ -	$ -
Operating expenses	40,890	5,624
	$ 40,890	$ 5,624
An analysis of amortization by function		
Operating costs	$ -	$ -
Operating expenses	9,062	6,566
	$ 9,062	$ 6,566

c. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 20,650	$ 19,947
Defined benefit plans (see Note 20)	10,147	10,296
	30,797	30,243
Other employee benefits		
Salaries	606,813	583,945
Labor and health insurance	60,761	58,743
Other	9,399	9,019
	676,973	651,707
Total employee benefit expense	$ 707,770	$ 681,950
An analysis of employee benefit expense by function		
Operating costs	$ 73,879	$ 95,011
Operating expenses	633,891	586,939
	$ 707,770	$ 681,950

d. 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 three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	**2018**
Employees' compensation	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended March 31	
	2019	**2018**
Employees' compensation	$ 580	$ 592
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 employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 20, 2019 and March 14, 2018, respectively, were as follows:

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.

23. INCOME TAX

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

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current year	$ 94,247	$ 36,956
	94,247	36,956
Deferred tax		
In respect of the current year	3,332	58,285
Effect of change in tax rate	-	13,752
	3,332	72,037
Income tax expense recognized in profit or loss	$ 97,579	$ 108,993

Starting from 2018, the corporate income tax rate has been adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	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	16,077	(14,406)
Total income tax recognized in other comprehensive income	$ 16,077	$ (18,641)

c. Income tax assessments

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

24. 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 March 31	
	2019	2018
Earnings used in the computation of basic earnings per share	$ 482,085	$ 482,747
Effect of potentially dilutive ordinary shares:		
Employees’ compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 482,085	$ 482,747

Weighted average number of ordinary shares outstanding (in shares):

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares in the computation of basic earnings per share	305,705	305,705
Effect of potentially dilutive ordinary shares:		
Employees' compensation	65	68
Weighted average number of ordinary shares used in the computation of diluted earnings per share	305,770	305,773

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.

25. FINANCIAL INSTRUMENTS

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

March 31, 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	$ -	$ 1,399,001	$ -	$ 1,399,001
Foreign corporate bonds	6,943,521	-	7,147,503	-	7,147,503
	$ 8,342,522	$ -	$ 8,546,504	$ -	$ 8,546,504
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 517,405	$ -	$ 517,405	$ -	$ 517,405

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

March 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,548,093	$ -	$ 1,548,093	$ -	$ 1,548,093
Domestic financial bonds	299,924	-	299,924	-	299,924
Foreign corporate bonds	6,182,907	-	6,895,682	-	6,895,682
Foreign certificate of deposit	478,223	-	478,223	-	478,223
	$ 8,509,147	$ -	$ 9,221,922	$ -	$ 9,221,922
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 574,628	$ -	$ 574,628	$ -	$ 574,628

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

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 914	$ -	$ 914
Domestic listed shares	3,851,321	-	-	3,851,321
Foreign listed shares	345,263	-	-	345,263
Mutual funds	1,700,836	-	-	1,700,836
Domestic financial bonds	-	776,434	-	776,434
	$ 5,897,420	$ 777,348	$ -	$ 6,674,768
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 415,800	$ 415,800
Investments in debt instruments				
Domestic government bonds	-	752,887	-	752,887
	$ -	$ 752,887	$ 415,800	$ 1,168,687
Financial liabilities at FVTPL				
Derivatives	$ -	$ 59,431	$ -	$ 59,431

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

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 110,214	$ -	$ 110,214
Domestic listed shares	5,500,847	-	-	5,500,847
Mutual funds	2,900,329	-	-	2,900,329
Domestic financial bonds	-	777,209	-	777,209
	$ 8,401,176	$ 887,423	$ -	$ 9,288,599
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 459,000	$ 459,000
Investments in debt instruments				
Domestic government bonds	-	738,851	-	738,851
Domestic financial bonds	-	302,068	-	302,068
	$ -	$ 1,040,919	$ 459,000	$ 1,499,919
Financial liabilities at FVTPL				
Derivatives	$ -	$ 515	$	$ 515

For the three months ended March 31, 2018, the Group's fair value of stock measured at fair value on a recurring basis in the amount of $101,459 thousand was transferred from Level 1 to Level 2 due to acquisition of market price.

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

For the three months ended March 31, 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)	10,200
Balance at March 31, 2019	$ 415,800

For the three months ended March 31, 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)	20,400
Balance at March 31, 2018	$ 459,000

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

Financial Instrument	Valuation Technique and Inputs
Derivatives foreign exchanges forward contract	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:

	March 31, 2019			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at fair value through other comprehensive income	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 fair value through other comprehensive income	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

	March 31, 2018			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at fair value through other comprehensive income	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks

c. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 6,674,768	$ 5,887,384	$ 9,288,599
Financial assets at amortized cost (1)	21,952,719	21,958,423	19,903,381
Financial assets at FVTOCI			
Equity instruments	415,800	405,600	459,000
Debt instruments	752,887	1,045,844	1,040,919
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	59,431	50,041	515
Amortized cost (2)	2,112,392	2,548,786	3,059,580

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

2) The balances include financial liabilities measured at amortized cost, which comprise payable 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 of potential revenue and portfolio value reduction due to the fluctuations of market risk factors, such as exchange rates, commodity prices, interest rates, credit spreads, and stock prices.

The Group continues to use market risk management tools such as value-at-risk and stress testing to completely and effetely measure, monitor and manage market risk.

a) Value-at-risk

Value-at-risk is used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level when the market risk factors changes. The Group estimates value at risk on the next day (week or two weeks) with a 99% level of confidence.

The value-at-risk 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 value-at-risk model, the Group periodically uses stress testing to assess the potential risk of extreme incidents. 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 and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

i. Simple sensitivity

Simple sensitivity mainly measures changes in value of portfolio caused by specific risk factor.

ii Scenario analysis

Scenario analysis measures the change in the total value of a portfolio under a stressful event. The measures include:

i) Historical scenarios

The measure selects from historical data of a certain period and adds the volatility of the risk factors selected to a given portfolio, and then calculates the amount of loss.

ii) Hypothetical scenarios

Hypothetical scenario makes reasonable hypothesis with respect to possible extreme market changes and includes the risk factors related to the changes in the current portfolio to estimate the amount of loss that may incur.

The risk management department conducts stress testing regularly under historical scenario and hypothetical scenario for the Group to perform risk analysis, risk alert and business management based on the stress test report.

Stress Testing			
Risk Factors	**Variation (+/-)**	**For the Three Months Ended March 31, 2019**	**For the Three Months Ended March 31, 2018**
Equity price risk (index)	-10%	$ (402,996)	$ (609,605)
Interest rate risk (yield curve)	+20bp	(151,112)	(161,579)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(89,423)	(117,922)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is already considered.

Note 3: The test result after taking subsidiaries would not be disclosed, since the effect is immaterial.

c) Sensitivity analysis

	For the Three Months Ended March 31, 2019		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 26,639	$ 5,904
	CNY appreciates 1 %	3,705	-
	HKD appreciates 1 %	1,634	4,731
	EUR appreciates 1 %	89	270
	VND appreciates 1 %	6,239	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	-	-
	Yield curve (CNY) flat rises 1bp	(90)	-
	Yield curve (NTD) flat rises 1bp	(1,416)	(926)
Equity securities price sensitivity	Increases 1% in equity price	-	40,300

	For the Three Months Ended March 31, 2018		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 38,226	$ 7,636
	CNY appreciates 1 %	15,315	-
	HKD appreciates 1 %	684	4,060
	EUR appreciates 1 %	3	1,158
	VND appreciates 1 %	5,698	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(5,587)	-
	Yield curve (CNY) flat rises 1bp	(108)	-
	Yield curve (NTD) flat rises 1bp	(1,241)	(1,068)
Equity securities price sensitivity	Increases 1% in equity price	647	60,313

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is already considered.

Note 3: The changes in equity is not considered in effect on profit and loss.

Note 4: The sensitivity test does not take the fluctuation of the reserve for changes in foreign exchange valuation into consideration.

Note 5: The test result after taking subsidiaries would not be disclosed, since the effect is immaterial.

d) Price risk

The Group was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed within approved policy parameters utilizing forward futures contracts. That hedged positions does not exceed hedged item.

2) Credit risk

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

i. Issuer risk is the risk that the issuer of the debt instrument held by the Group or banks with which the Group maintain deposits fail to deliver in accordance with the agreement due to default, bankruptcy or settlement, and the Group incur financial losses as a result.

ii. Counterparty risk is the risk that a counterparty of the Group fail to deliver as obligated before the settlement date which then causes losses to the Company.

iii. Credit risk of the underlying assets is the risk of loss due to weakened credit quality, increase in credit premium, credit rating downgrade or default of underling 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:

March 31, 2019

Financial Assets	**Taiwan**	**Asia**	**Europe**	**North Americas**	**Emerging Market and Others**	**Total**
Cash and cash equivalents	$ 10,357,298	$ -	$ -	$ -	$ 166,549	$ 10,523,847
Financial assets at FVTPL	777,348	-	-	-	-	777,348
Financial assets at FVTOCI	752,887	-	-	-	-	752,887
Financial assets at amortized cost	1,916,406	357,499	1,497,198	3,280,472	1,808,352	8,859,927
Total	$ 13,803,939	$ 357,499	$ 1,497,198	$ 3,280,472	$ 1,974,901	$ 20,914,009
Proportion	66%	1.71%	7.16%	15.69%	9.44%	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%

March 31, 2018

Financial Assets	**Taiwan**	**Asia**	**Europe**	**North Americas**	**Emerging Market and Others**	**Total**
Cash and cash equivalents	$ 8,640,939	$ -	$ -	$ -	$ 111,951	$ 8,752,890
Financial assets at FVTPL	887,423	-	-	-	-	887,423
Financial assets at FVTOCI	1,040,919	-	-	-	-	1,040,919
Financial assets at amortized cost	2,422,646	339,292	1,415,383	3,156,502	1,749,952	9,083,775
Total	$ 12,991,927	$ 339,292	$ 1,415,383	$ 3,156,502	$ 1,861,903	$ 19,765,007
Proportion	65.73%	1.72%	7.16%	15.97%	9.42%	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 Company takes 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 Company

	March 31, 2019					
			Stage 3			
	Stage 1	Stage 2		Purchased or		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 752,887	$ -	$ -	$ -	$ -	$ 752,887
Financial assets measured at amortized cost	8,863,702	-	-	-	(3,775)	8,859,927

	December 31, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	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	8,539,903	-	-	-	(3,587)	8,536,316

	March 31, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 1,040,919	$ -	$ -	$ -	$ -	$ 1,040,919
Financial assets measured at amortized cost	8,937,958	-	-	-	(3,092)	8,934,866
Non-investment grade						
Financial assets measured at amortized cost	150,000	-	-	-	(1,091)	148,909

Note: Investment grade assets refer to those with credit rating of at least BBB- (granted by a credit rating agency); non-investment grade assets are those with credit rating lower than BBB- (granted by a credit rating agency).

ii. Loans

	March 31, 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	Difference from Impairment Charged in Accordance With Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Loans	$ 234,262	$ -	$ -	$ -	$ (2,816)	$ -	$ 231,446

	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	Difference from Impairment Charged in Accordance With Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Loans	$ 239,701	$ -	$ -	$ -	$ (2,885)	$ -	$ 236,816

	March 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	Difference from Impairment Charged in Accordance With Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Loans	$ 228,651	$ -	$ -	$ -	$ (2,696)	$ -	$ 225,955

g) Movement of 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	(82)	-	-	-	(82)
March 31, 2019	$ 66	$ -	$ -	$ -	$ 66
January 1, 2018	$ 150	$ -	$ -	$ -	$ 150
Changes in models/risk parameters	26	-	-	-	26
March 31, 2018	$ 176	$ -	$ -	$ -	$ 176

ii. Financial assets measured at amortized cost

	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	$ 3,542	$ -	$ -	$ -	$ 3,542
Changes in models/risk parameters	184	-	-	-	184
March 31, 2019	$ 3,726	$ -	$ -	$ -	$ 3,726
January 1, 2018	$ 3,571	$ -	$ -	$ -	$ 3,571
Changes in models/risk parameters	541	-	-	-	541
March 31, 2018	$ 4,112	$ -	$ -	$ -	$ 4,112

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	4	-	-	-	4
March 31, 2019	$ 49	$ -	$ -	$ -	$ 49
January 1, 2018	$ 68	$ -	$ -	$ -	$ 68
Changes in models/risk parameters	3	-	-	-	3
March 31, 2018	$ 71	$ -	$ -	$ -	$ 71

iv. 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	$ 52	$ -	$ -	$ -	$ -	$ -	$ 52
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	3	-	-	-	-	-	3
March 31, 2019	$ 55	$ -	$ -	$ -	$ -	$ -	$ 55
January 1, 2018	$ 45	$ -	$ -	$ -	$ 45	$ 3,079	$ 3,124
Financial assets that have been derecognized during the period	(3)	-	-	-	(3)	-	(3)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(425)	(425)
March 31, 2018	$ 42	$ -	$ -	$ -	$ 42	$ 2,654	$ 2,696

The change in carrying amount of the financial assets would not have material impact on the expected credit loss.

h) Receivable credit risk exposure and expected credit loss

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

March 31, 2019	Due	Over Due	Total
Carrying amount	$ 1,233,101	$ 433,539	$ 1,666,640
Expected loss rate	0.95%	11.11%	-
Lifetime expected credit losses	$ 11,773	48,172	59,945

December 31, 2018	Due	Over Due	Total
Carrying amount	$ 1,233,101	$ 433,539	$ 1,666,640
Expected loss rate	0.95%	11.11%	-
Lifetime expected credit losses	11,773	48,172	59,945

March 31, 2018	Due	Over Due	Total
Carrying amount	$ 1,233,101	$ 433,539	$ 1,666,640
Expected loss rate	0.95%	11.11%	-
Lifetime expected credit losses	11,773	48,172	59,945

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 capital liquidity management mechanism based on the business features and short-term cash flow. Considering the trading volume and holing position, the Company carefully manages the market liquidity risk.

Depending on the actual management need or special situation, the Company uses models to assess cash flow risk, such as cash flow model or stress testing model. 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 following table details the Group’s remaining contractual maturity for its financial liability. The amount disclosed may not be consistent with the consolidated financial statement since the table was based on contractual cash flow.

Other non-derivative and derivative financial liability analysis was based on the earliest date on which the Group can be required to pay.

March 31, 2019

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,237,090	$ 27,224	$ 4,367	$ 6,786	$ -
Derivative financial liabilities					
Foreign exchange forward contract	59,431	-	-	-	-

December 31, 2018

	Less than 6 Month	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					
Foreign exchange forward contract	50,041	-	-	-	-

March 31, 2018

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,285,784	$ 13,142	$ 2,466	$ 5,313	$ -
Preferred stock liabilities	1,000,000	-	-	-	-
Derivative financial liabilities					
Foreign exchange forward contract	515	-	-	-	-

26. TRANSACTIONS WITH RELATED PARTIES

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
Funds issued from Cathay Securities Investment Trust Co., Ltd.	Other related parties
Cathay Futures Co., Ltd.	Fellow subsidiary
San Ching Engineering Co., Ltd	Other related parties
Symphox Information Co., Ltd.	Other related parties
Others	Other related parties

b. Trading transactions

Line Item	Related Party Category/Name	For the Three Months Ended March 31 2019	2018
Net premium income	Fellow subsidiary	$ 132,625	$ 120,623
Operating cost			
Marketing cost	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd	$ 143,193	$ 134,353
Commission cost	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	7,075	$ 6,629
		$ 150,268	$ 140,982
Non-operating expenses	The Group's parent		
	Cathay Financial Holdings Co., Ltd	$ -	$ 4,586
Insurance reimbursement	Fellow subsidiary	$ -	$ 16,322
	Other related parties	-	5,500
		$ -	$ 21,822
Operating expenses			
Rent expenses	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ -	$ 27,275
Group insurance expenses	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	3,402	4,974
Marketing expenses	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	29,141	39,645
Other expenses	Other related parties		
	Symphox Information Co., Ltd.	19,356	11,256
		$ 51,899	$ 83,150

c. Receivable from related parties

Line Item	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Premiums receivable	Fellow subsidiary	$ 24,925	$ 58,833	$ 29,468

The outstanding receivable from related parties are unsecured. For the three months ended March 31, 2019 and 2018, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Other payable	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd	$ 66,371	$ 60,661	$ 69.196
	Other related parties	13,972	-	4,558
Current tax liabilities	The Group's parent			
	Cathay Financial Holdings Co., Ltd.	162,892	64,901	270,312
		$ 243,235	$ 125,562	$ 344,066

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

e. Cash in bank

Line Item	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 1,451,021	$ 2,100,993	$ 896,319
	Indovina Bank Ltd.	22,049	3,018	11,025
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	618,200	623,200	618,200
	Indovina Bank Ltd.	152,608	144,687	145,204
		$ 2,243,878	$ 2,871,898	$ 1,670,748

As of March 31, 2019, December 31, 2018 and March 31, 2018, time deposit pledged recognized in guarantee deposits were $23,133 thousand, $28,108 thousand and $22,821 thousand, respectively.

f. Interest revenue

Related Party Category/Name	March 31	
	2019	2018
Fellow subsidiary	$ 4,778	$ 3,141

g. Financial asset or at FVTPL (mutual funds)

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties	$ 356,935	$ 359,128	$ 328,081

h. Discretionary account management balance

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 938,552	$ 848,925	$ 906,383

i. Guarantee deposits

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiary	$ 72,375	$ 77,347	$ 57,398

j. Prepayments

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiary			
Cathay Life Insurance Co., Ltd.	$ -	$ -	$ 4,842

k. Prepayments for Investment

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 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 by the Investment Commission, Ministry of Economic Affairs on November 23, 2018 and was authorized by China Banking Regulatory Commission on January 23, 2019.

l. Preferred stock liabilities

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
The Group's parent			
Cathay Financial Holdings Co., Ltd	$ -	$ -	$ 1,000,000

m. Loans

	For the Three Months Ended March 31, 2019			
Related Party Category/Name	Maximum amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 24,723	$ 24,271	1.53-1.60%	$ 94

Related Party Category/Name	For the Three Months Ended March 31, 2018 Maximum amount	 Ending Balance	 Interest rate	 Interest income
Other related parties	$ 33,501	$ 27,000	1.53-1.60%	$ 113

n. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Lease liabilities	Associate			
	Cathay Life Insurance Co., Ltd.	$ 52,193	$ -	$ -

Related Party Category/Name	For the Three Months Ended March 31 2019	 2018
Interest expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd	$ 204	$ -
Lease expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd	$ -	$ 27,275

o. Foreign exchange forward contract

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

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiary			
Cathay United Bank Co., Ltd	US$ 84,700	US$ 88,700	US$ 88,700
	EUR 750	EUR 750	EUR 4,850

p. Compensation of key management personnel

The remuneration of directors and key executives for the three months ended March 31, 2019 and 2018 were as follows:

Related Party Category/Name	For the Three Months Ended March 31 2019	 2018
Short-term employee benefits	$ 33,802	$ 33,233
Post-employment benefits	1,630	1,692
	$ 35,432	$ 34,925

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

27. 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:

March 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 223,245	30.8250 (USD:NTD)	$ 6,881,872
EUR	4,593	34.6226 (EUR:NTD)	159,387
VND	125,004	0.0013 (GBP:NTD)	150,155
JPY	138,822	0.2774 (JPY:NTD)	38,520
HKD	3,664	3.9271 (HKD:NTD)	14,390
SGD	6	22.7550 (SGD:NTD)	146
CNY	81,501	4.5868 (CNY:NTD)	373,498
Non-monetary items			
USD	9,009	30.8250 (USD:NTD)	277,722
EUR	2,401	34.6226 (EUR:NTD)	83,118
HKD	120,483	3.9271 (HKD:NTD)	473,149
Investments accounted for using the equity method			
CNY	485,341	4.5868 (CNY:NTD)	2,226,162
Derivative instruments (Note)			
EUR	2,750	34.6226 (EUR:NTD)	914
Financial liabilities			
Monetary items			
USD	5,370	30.8250 (USD:NTD)	167,138
EUR	356	34.6226 (EUR:NTD)	12,619
JPY	1,655	0.2774 (JPY:NTD)	460
HKD	757	3.9271 (HKD:NTD)	2,969
CNY	1,894	4.5868 (CNY:NTD)	8,547
Non-monetary items			
Derivative instruments (Note)			
EUR	183,600	30.8250 (USD:NTD)	59,431

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	195,664	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	963,000	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

March 31, 2018

	Foreign Currency	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 218,201	29.1200	(USD:NTD)	$ 6,355,338
EUR	2,864	35.8860	(EUR:NTD)	102,743
VND	488,845,999	0.0013	(VND:NTD)	624,745
JPY	102,624	0.2737	(JPY:NTD)	28,102
HKD	20,900	3.7099	(HKD:NTD)	77,544
SGD	3	22.2040	(SGD:NTD)	64
CNY	332,088	4.6368	(CNY:NTD)	1,539,823
Non-monetary items				
USD	210,257	29.1200	(USD:NTD)	6,122,696
EUR	15,660	35.8860	(EUR:NTD)	561,990
HKD	109,442	3.7099	(HKD:NTD)	406,017
SGD	3,847	22.2040	(SGD:NTD)	85,409
Equity instruments investment				
CNY	241,552	4.6368	(CNY:NTD)	1,120,022
Derivative instruments				
USD	191,600	29.1200	(USD:NTD)	109,638
EUR	5,100	35.8860	(EUR:NTD)	576
Financial liabilities				
Monetary items				
USD	4,775	29.1200	(USD:NTD)	142,509
EUR	181	35.8860	(EUR:NTD)	6,392
JPY	161	0.2737	(JPY:NTD)	433
HKD	224	3.7099	(HKD:NTD)	850
CNY	1	4.6368	(CNY:NTD)	2
VND	467,814	0.0013	(VND:NTD)	561
Non-monetary items				
Derivatives (Note)				
USD	4,000	29.1200	(USD:NTD)	81
EUR	1,750	35.8860	(EUR:NTD)	434

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

For the three months ended March 31, 2019 and 2018 (realized and unrealized) net foreign exchange losses were $(42,538) and $(162,223), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

28. 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

29. SEGMENT INFORMATION

The Group did not need to disclose the segment information because the Group engaged in a single industry and the management made an operation decision based on the entire Company information.

30. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the three months ended March 31, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 690,829	$ 117,897	$ 440,265	$ 368,461	$ (85,128)	$ 453,589
Marine insurance	161,466	15,423	108,837	68,052	5,309	62,743
Land and air insurance	2,333,897	40	71,834	2,262,103	98,807	2,163,296
Liability insurance	370,007	433	122,394	248,046	17,647	230,399
Bonding insurance	41,682	530	29,697	12,515	3,608	8,907
Other property insurance	239,492	43,369	165,646	117,215	7,874	109,341
Accident insurance	783,408	3,543	68,244	718,707	(18,676)	737,383
Health insurance	91,230	-	-	91,230	(1,210)	92,440
Compulsory auto liability insurance	688,433	193,371	285,654	596,150	(1,899)	598,049
	$ 5,400,444	$ 374,606	$ 1,292,571	$ 4,482,479	$ 26,332	$ 4,456,147

For the three months ended March 31, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 567,988	$ 89,708	$ 328,641	$ 329,055	$ (60,013)	$ 389,068
Marine insurance	157,444	8,827	99,606	66,665	609	66,056
Land and air insurance	2,224,328	5	78,750	2,145,583	116,376	2,029,207
Liability insurance	319,149	728	108,229	211,648	15,768	195,880
Bonding insurance	44,792	457	33,626	11,623	2,765	8,858
Other property insurance	172,083	22,786	94,869	100,000	(5,548)	105,548
Accident insurance	771,310	2,905	72,983	701,232	24,902	676,330
Health insurance	78,167	-	-	78,167	3,613	74,554
Compulsory auto liability insurance	709,185	194,039	293,488	609,736	2,176	607,560
	$ 5,044,446	$ 319,455	$ 1,110,192	$ 4,253,709	$ 100,648	$ 4,153,061

b. Retained claims

Insurance by Type	For the Three Months Ended March 31, 2019 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ (173,820)	$ (67,559)	$ (85,009)	$ (156,370)
Marine insurance	(64,559)	(11,528)	(56,510)	(19,577)
Land and air insurance	(1,277,524)	(1,399)	(54,339)	(1,224,584)
Liability insurance	(157,325)	(14)	(56,904)	(100,435)
Bonding insurance	(2,100)	(552)	(2,011)	(641)
Other property insurance	(80,730)	(16,979)	(36,366)	(61,343)
Accident insurance	(356,106)	(593)	(21,497)	(335,202)
Health insurance	(12,868)	-	-	(12,868)
Compulsory auto liability insurance	(415,779)	(208,371)	(246,155)	(377,995)
	$ (2,540,811)	$ (306,995)	$ (558,791)	$ (2,289,015)

Insurance by Type	For the Three Months Ended March 31, 2018 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ (207,764)	$ (46,906)	$ (60,345)	$ (194,325)
Marine insurance	(59,348)	(8,573)	(39,780)	(28,141)
Land and air insurance	(1,298,872)	(9)	(54,037)	(1,244,844)
Liability insurance	(128,156)	(261)	(33,809)	(94,608)
Bonding insurance	(8,294)	(638)	(5,141)	(3,791)
Other property insurance	(75,429)	(26,599)	(18,374)	(83,654)
Accident insurance	(258,625)	(472)	(13,976)	(245,121)
Health insurance	(18,677)	-	-	(18,677)
Compulsory auto liability insurance	(422,950)	(319,001)	(244,611)	(497,340)
	$ (2,478,115)	$ (402,459)	$ (470,073)	$ (2,410,501)

c. Liability on policyholders' outstanding claims and incurred but not reported (IBNR) claims

Liability on policyholders' settled claims

Insurance by Type	The Settled Claim March 31, 2019	December 31, 2019	March 31, 2018
Fire insurance	$ 25,587	$ 44,225	$ 37,779
Marine insurance	8,608	12,631	22,101
Land and air insurance	53,931	46,598	51,311
Liability insurance	45,914	53,431	25,338
Bonding insurance	11	188	489
Other property insurance	19,151	19,525	21,375
Accident insurance	18,866	18,497	11,589
Health insurance	-	-	-
Compulsory auto liability insurance	146,086	154,031	163,680
	318,154	349,126	333,662
Less: Allowance for impairment loss	(3,182)	(3,491)	(3,337)
Net amount	$ 314,972	$ 345,635	$ 330,325

d. Accounts receivable and accounts payable under insurance contracts

Accounts receivable

Insurance by Type	Premiums Receivable March 31, 2019	December 31, 2018	March 31, 2018
Fire insurance	$ 501,861	$ 683,291	$ 451,708
Marine insurance	280,811	280,529	224,412
Land and air insurance	62,744	161,746	75,445
Liability insurance	187,538	209,834	167,332
Bonding insurance	44,460	30,796	39,873
Other property insurance	222,889	253,298	195,482
Accident insurance	124,326	113,629	144,113
Health insurance	8,173	7,979	7,524
Compulsory auto liability insurance	13,619	19,090	17,549
	1,446,421	1,760,192	1,323,438
Less: Allowance for impairment loss	(53,370)	(74,252)	(69,785)
Net amount	$ 1,393,051	$ 1,685,940	$ 1,253,653

Aging analysis of account receivables:

	March 31, 2019	December 31, 2018	March 31, 2018
Less than 90 days	$ 1,017,373	$ 1,533,285	$ 996,665
Over 90 days	429,048	226,907	326,773
	$ 1,446,421	$ 1,760,192	$ 1,323,438

The overdue amounts as of March 31, 2019, December 31, 2018 and March 31, 2018 in the above premiums receivable were $429,048 thousand, $226,131 thousand and $326,496 thousand, respectively, and their allowances for doubtful accounts were $43,681 thousand, $58,942 thousand and $59,915 thousand, respectively.

Accounts payable

	March 31, 2019		
Insurance by Type	**Commission Payable and Fee**	**Accrued Expense**	**Total**
Fire insurance	$ 30,042	$ 12,181	$ 42,223
Marine insurance	7,650	15,163	22,813
Land and air insurance	47,895	81,548	129,443
Liability insurance	14,432	19,981	34,413
Bonding insurance	5,366	684	6,050
Other property insurance	6,230	12,688	18,918
Accident insurance	9,152	31,557	40,709
Health insurance	2,755	3,882	6,637
Compulsory auto liability insurance	25,167	-	25,167
	$ 148,689	$ 177,684	$ 326,373

	December 31, 2018		
Insurance by Type	**Commission Payable and Fee**	**Accrued Expense**	**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

Insurance by Type	March 31, 2018 Commission Payable and Fee	Accrued Expense	Total
Fire insurance	$ 20,479	$ 14,932	$ 35,411
Marine insurance	6,377	15,832	22,209
Land and air insurance	24,292	97,358	121,650
Liability insurance	14,283	22,758	37,041
Bonding insurance	4,601	852	5,453
Other property insurance	4,839	12,833	17,672
Accident insurance	11,182	36,813	47,995
Health insurance	2,782	4,387	7,169
Compulsory auto liability insurance	36,032	-	36,032
	$ 124,867	$ 205,765	$ 330,632

Due from (to) reinsurers and ceding companies - reinsurance

	March 31, 2019 Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Non-Life Insurance Association of the R.O.C.	$ 135,866	$ 373,293
AON	47,329	48,230
Cathay(China)	36,651	3,088
Central Re	48,637	133,723
FP Marine Risks	43,828	9,429
Willis	48,185	16,912
Others	283,756	806,788
	644,252	1,391,463
Less: Allowance for impairment loss	(37,502)	-
Net amount	$ 606,750	$ 1,391,463

	December 31, 2018	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
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 Carpanter	33,344	18,508
Marsh	12,879	225,517
Willis	32,241	45,542
Others	145,710	627,165
	466,224	1,499,224
Less: Allowance for impairment loss	(17,818)	-
Net amount	$ 448,406	$ 1,499,224

	March 31, 2018	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Non-Life Insurance Association of the R.O.C.	$ 135,095	$ 355,835
Central Re	51,471	127,754
AON	39,732	73,954
TMR AG	36,502	43,902
Korean Re	33,961	55,733
Marsh	15,156	68,871
Others	246,400	602,475
	558,317	1,328,524
Less: Allowance for impairment loss	(25,002)	-
Net amount	$ 533,315	$ 1,328,524

The overdue amounts as of March 31, 2019, December 31, 2018 and March 31, 2018 in the above due from (to) reinsurers and ceding companies reinsurance were $11,156 thousand, $13,169 thousand and $19,609 thousand, respectively, and their allowances for doubtful accounts were $11,156 thousand, $13,169 thousand and $19,609 thousand, respectively.

The due from the reinsurers and ceding companies and the due to the reinsurers and ceding companies cannot be offset against each other, except for those receivables that are subject to the provisions of IAS 32 - Note 42.

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 March 31, 2019				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 42,533	$ 3,131	$ 21,191	$ 3,725	$ 70,580
Marine insurance	17,500	456	4,315	322	22,593
Land and air insurance	259,369	1	3	91,259	350,632
Liability insurance	40,495	34	32	2,664	43,225
Bonding insurance	4,492	1	15	-	4,508
Other property insurance	20,463	1,032	9,113	662	31,270
Accident insurance	94,762	114	143	23,049	118,068
Health insurance	15,633	-	-	3,201	18,834
Compulsory auto liability insurance	-	93,870	-	-	93,870
	$ 495,247	$ 98,639	$ 34,812	$ 124,882	$ 753,580

	For the Three Months Ended March 31, 2018				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 43,331	$ 1,764	$ 17,319	$ 2,827	$ 65,241
Marine insurance	17,051	248	2,070	292	19,661
Land and air insurance	259,373	-	13	83,755	343,141
Liability insurance	41,126	24	238	2,485	43,873
Bonding insurance	5,209	1	11	-	5,221
Other property insurance	20,499	460	5,063	607	26,629
Accident insurance	96,080	159	90	21,618	117,947
Health insurance	14,246	-	-	2,592	16,838
Compulsory auto liability insurance	-	101,648	-	-	101,648
	$ 496,915	$ 104,304	$ 24,804	$ 114,176	$ 740,199

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

Direct business

Insurance by Type	For the Three Months Ended March 31, 2019					
	Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 690,829	$ (158,105)	$ 49,389	$ 173,820	$ (38,152)	$ 663,877
Marine insurance	161,466	(7,923)	18,278	64,559	38,941	47,611
Land and air insurance	2,333,897	79,095	350,629	1,277,524	182,023	444,626
Liability insurance	370,007	17,882	43,193	157,325	56,171	95,436
Bonding insurance	41,682	13,198	4,493	2,100	14,781	7,110
Other property insurance	239,492	126,939	22,157	80,730	(50,988)	60,654
Accident insurance	783,408	17,638	117,925	356,106	(23,751)	315,490
Health insurance	91,230	3,161	18,834	12,868	487	55,880
Compulsory auto liability insurance	688,433	(6,373)	93,870	415,779	(11,805)	196,962
	$ 5,400,444	$ 85,512	$ 718,768	$ 2,540,811	$ 167,707	$ 1,887,646

Insurance by Type	For the Three Months Ended March 31, 2018					
	Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 567,988	$ (208,228)	$ 47,922	$ 207,764	$ (153,975)	$ 674,505
Marine insurance	157,444	7,752	17,591	59,348	(11,687)	84,440
Land and air insurance	2,224,328	106,354	343,128	1,298,872	15,727	460,247
Liability insurance	319,149	20,886	43,635	128,156	(8,325)	134,797
Bonding insurance	44,792	11,651	5,210	8,294	13,169	6,468
Other property insurance	172,083	(16,273)	21,566	75,429	55,846	35,515
Accident insurance	771,310	52,823	117,857	258,625	33,840	308,165
Health insurance	78,167	6,658	16,838	18,677	(1,801)	37,795
Compulsory auto liability insurance	709,185	(2,949)	101,648	422,950	(46,477)	234,013
	$ 5,044,446	$ (21,326)	$ 715,395	$ 2,478,115	$ (103,683)	$ 1,975,945

Reinsurance inward business

Insurance by Type	For the Three Months Ended March 31, 2019					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 117,897	$ (32,059)	$ 21,191	$ 67,559	$ 56,801	$ 4,405
Marine insurance	15,423	4,845	4,315	11,528	4,277	(9,542)
Land and air insurance	40	(583)	3	1,399	2,807	(3,586)
Liability insurance	433	(284)	32	14	468	203
Bonding insurance	530	131	15	552	1,123	(1,291)
Other property insurance	43,369	(12,492)	9,113	16,979	(24,305)	54,074
Accident insurance	3,543	178	143	593	238	2,391
Health insurance	-	(4,371)	-	-	111	4,260
Compulsory auto liability insurance	193,371	650	-	208,371	29,875	(45,525)
	$ 374,606	$ (43,985)	$ 34,812	$ 306,995	$ 71,395	$ 5,389

Insurance by Type	For the Three Months Ended March 31, 2018					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 89,708	$ 16,550	$ 17,319	$ 46,906	$ (952)	$ 9,885
Marine insurance	8,827	3,826	2,070	8,573	(313)	(5,329)
Land and air insurance	5	(1,009)	13	9	(803)	1,795
Liability insurance	728	194	238	261	122	(87)
Bonding insurance	457	(132)	11	638	414	(474)
Other property insurance	22,786	(4,159)	5,063	26,599	336	(5,053)
Accident insurance	2,905	371	90	472	97	1,875
Health insurance	-	(3,045)	-	-	(59)	3,104
Compulsory auto liability insurance	194,039	3,325	-	319,001	(1,997)	(126,290)
	$ 319,455	$ 15,921	$ 24,804	$ 402,459	$ (3,155)	$ (120,574)

Ceded reinsurance business

Insurance by Type	For the Three Months Ended March 31, 2019					
	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
Fire insurance	$ 440,265	$ (105,036)	$ 50,061	$ 85,009	(9,880)	$ 420,111
Marine insurance	108,837	(8,387)	15,865	56,510	12,323	32,526
Land and air insurance	71,834	(20,295)	21,497	54,339	(3,411)	19,704
Liability insurance	122,394	(49)	26,301	56,904	15,088	24,150
Bonding insurance	29,697	9,721	6,111	2,011	5,478	6,376
Other property insurance	165,646	106,573	26,699	36,366	(23,922)	19,930
Accident insurance	68,244	36,492	14,988	21,497	6,165	(10,898)
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	285,654	(3,824)	-	246,155	(7,111)	50,434
	$ 1,292,571	$ 15,195	$ 161,522	$ 558,791	$ (5,270)	$ 562,333

Insurance by Type	For the Three Months Ended March 31, 2018					
	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
Fire insurance	$ 328,641	$ (131,665)	$ 38,704	$ 60,345	$ (45,699)	$ 406,956
Marine insurance	99,606	10,969	13,921	39,780	(6,607)	41,543
Land and air insurance	78,750	(11,031)	25,164	54,037	(38,981)	49,561
Liability insurance	108,229	5,312	23,190	33,809	(16,341)	62,259
Bonding insurance	33,626	8,754	6,348	5,141	(1,128)	14,511
Other property insurance	94,869	(14,884)	18,275	18,374	62,686	10,418
Accident insurance	72,983	28,292	15,281	13,976	3,866	11,568
Health insurance	-	-	-	-	(324)	324
Compulsory auto liability insurance	293,488	(1,800)	-	244,611	(27,059)	77,736
	$ 1,110,192	$ (106,053)	$ 140,883	$ 470,073	$ (69,587)	$ 674,876

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.

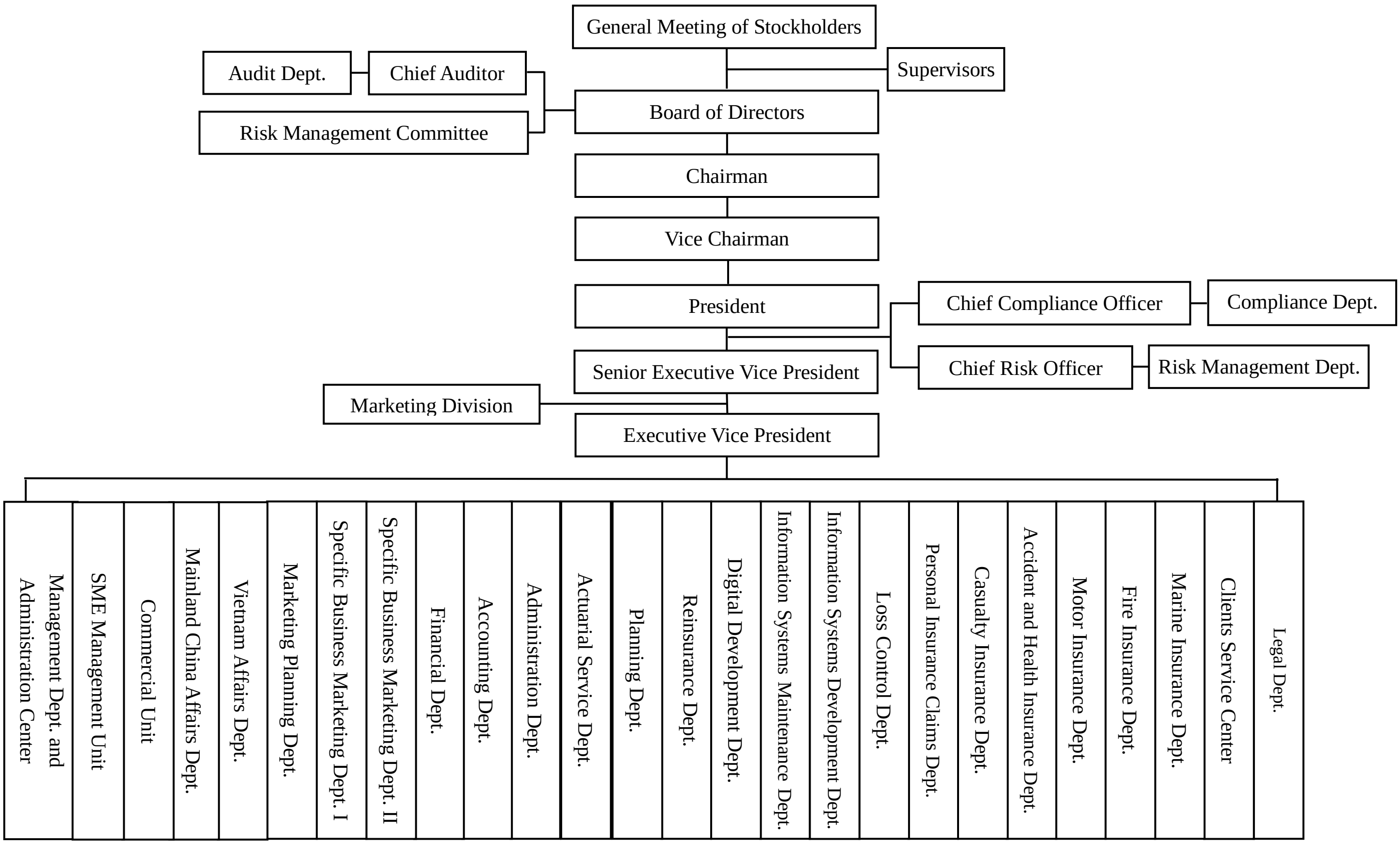
The Group, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the “Co-insurance Contract of Traveling Industry Performance Guarantee Insurance” agreed that the business should be fully included in the co-insurance, violators 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:

Board of directors

a) Should understand the various risks that the insurance business faces, ensure the effectiveness of risk management and assume responsibility for the entire risk management.

b) Should establish an adequate risk management mechanism and risk management culture, approve an appropriate risk management policy and allocate resources effectively.

c) Should not only follow up the risks that each substantial segment of the business faces but also consider the effect of the aggregated risks of each segment; 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. To formulate risk management policies, frameworks, and organizations; to build quantitative and qualitative management standards, regularly report to board of directors, reflect timely the execution of risk management and propose necessary steps for improvement.

ii. To execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for the Group as a whole on a regular basis.

iii. To assist and supervise various departments in risk management activities.

iv. To adjust risk category, allotment, and attribution in response to changes in the environment.

v. To coordinate the interaction and communication of risk management function across departments.

b) Chief risk officer

The Chief Risk Officer's appointment and removal are approved by the board of directors, which maintain the independence, and he could not concurrently play a business and financial role, and has the right to acquire any overview data that may affect the Group's risk profile.

i. Overall management of the Group's overall risk management related business.

ii. Discuss important company decisions and risk management point of view to give appropriate recommendations.

c) Risk management department

i. Risk management department is established independent of sales function to take charge of tasks such as the supervision and evaluation of various major risks.

ii. Responsibility of risk management division:

i) To assist in drafting risk management policies and the execution when approved by the board of directors.

ii) To assist in setting up risk limits according to the risk appetite.

iii) To compile risk information from various departments, coordinate and communicate with them to execute policies and limits.

iv) To propose risk management related reports on a regular basis.

v) To supervise risk limit and its use in each business unit on a regular basis.

vi) To assist in stress tests and conduct back-testing when necessary.

vii) To conduct other risk management related tasks.

Business unit

a) The responsibilities of business's risk management are as follows:

   i. To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.

   ii. To oversee the sharing of risk management information to risk management on a regular basis.

b) The business unit's responsibilities for risk management are as follows:

   i. To identify risk and report risk exposure.

   ii. To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.

   iii. To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.

   iv. To oversee risk exposure and report when over-limit occur, including measures taken against it.

   v. To assist in development of risk model to insure the evaluation of risk, use of model, and its assumption are conducted on a reasonable basis and is consistent with actual practice.

   vi. To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of the Group.

   vii. To assist in collecting information regarding operation risk.

Audit department

Audit the execution of risk management of each unit in the Group according to the existing relevant regulations.

n. Scope and nature of risk reporting and evaluation system of property insurance

1) Risks reporting

a) Each business unit within the Group should pass risk information to risk management unit for overseeing purpose, and propose over-limit report and responding measures when risk exposure is over limit.

b) Risk management unit compiles risk information from each department, examine and track the use of major risk limit, submit a monthly risk management report to the general manager, and make quarterly report to the risk management committee and board of director to oversee risks on a regular basis.

2) Scope and nature of risk evaluation system

The risk management unit of the Group and that of its parent company's, Cathay Financial Holdings, collaborate in building market risk management system. The structure will consider functionality, source of information, completeness of uploaded information, and the safety of the environment in which the system operates. Function-wise, risk management system focuses on the need of middle office to quantify risk, and it would only be authorized to risk management personnel.

o. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business. Policy in underwriting to assure proper risk categorization and fee standard.

In the Group, risk management department takes responsibilities in monitoring risks, integrate insurance risk of the Group as a whole, and set up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control. They report execution process to risk management department every month based on regulation, internal rules, and professional knowledge and experience of their respective field. Risk management department then propose insurance risk management report to the board of directors each quarter.

p. Evaluate risk from the perspective of enterprise as a whole and the scope in managing insurance risk

Scope of insurance risk management of the Group includes product design and pricing, underwriting, reinsurance, risks related to catastrophe, claim, and provision. Proper management mechanisms are set up and execute thoroughly.

q. Methods with which property insurance business limit insurance risk exposure and improper risk concentration

Before a business is introduced, the underwriting personnel will evaluate the quality of the business based on the underwriting guideline of each insurance to decide whether to undertake the business. Risk is properly avoided and controlled to reduce exposure.

In addition, as the Group undertakes reinsurance business, risk management mechanism is set up in accordance with "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" and the ability to undertake risk is taken into account for the establishment of reinsurance risk management plan which execution is based upon. 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 Group's risk management mechanism for reinsurance business, the maximum for the retained risk per risk unit is calculated as 10% of the summary amount of shareholder's equities and special reserves (excluding of Compulsory automobile insurance). The following table summarizes the underlying retention for each risk unit by types of insurance:

Insurance by Type	December 31 2019	December 31 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
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 strategy

Provisions are evaluated on a regular basis based on the Group's business characteristics to insure fund allocation and the liquidity of asset investment is sufficient to meet possible future claims. Cash flow management with comprehensive consideration of the amount of fund required and its timeline of every department is conducted through fund procurement department, which is independent of trading unit.

Operation standards under crisis are set up in accordance with the "Directions for Handling Financial Institute Crisis" issued by FSC. When tremendous sum of fund is lost or liquidity is severely compromised, the operation crisis team will be set up immediately to evaluate the impact on fund liquidity of the Group cautiously and assess the amount, timeline, and benefit of making up the funding gap so as to assure rights of clients and the Group.

s. Management, supervision, control process when additional liability or commitment to equity contribution is required for the property insurance business

The Group has established a management mechanism for capital adequacy, which includes capital adequacy indicators for regular review, and every six month a capital adequacy management report will be compiled to implement capital adequacy management.

If capital adequacy ratio exceeds control standard (risk limit) or in the case of unusual events, related departments will meet together to study counter-measures and report to the parent company, Cathay Financial Holdings, to review the impact on the Group's capital adequacy ratio.

t. Sensitivity to insurance risk

1) The Company

Insurance by Type	Premium Revenue	Rate of Expected Loss	Impact on the Income Statement of a Five Percent Change in Rate of Expected Loss	
			Before Reinsurance	After Reinsurance
Fire insurance	$ 616,856	39.51%	$ (30,843)	$ (25,922)
Marine insurance	159,969	38.86%	(7,998)	(3,425)
Land and air insurance	2,309,841	64.36%	(115,492)	(111,346)
Liability insurance	369,321	52.17%	(18,466)	(12,653)
Bonding insurance	41,681	192.86%	(2,084)	(1,368)
Other property insurance	238,571	67.45%	(11,929)	(8,986)
Accident insurance	776,707	42.49%	(38,835)	(36,473)
Health insurance	91,230	41.38%	(4,562)	(4,555)
Compulsory auto liability insurance	688,433	Not applicable	Not applicable	Not applicable

The chart above shows that with every 5% increase of the expected loss ratio of every insurance contract of the Company, certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

2) Cathay Insurance (Vietnam)

Insurance by Type	Premium Revenue	Rate of Expected Loss	Impact on the Income Statement of a Five Percent Change in Rate of Expected Loss	
			Before Reinsurance	After Reinsurance
Automobile insurance	$ 24,056	35.74%	$ (1,203)	$ (1,203)
Marine insurance	1,497	24.55%	(75)	(19)
Fire insurance	73,974	38.17%	(3,699)	(1,186)
Engineering insurance	921	-	(46)	-
Accident insurance	6,701	33.12%	(335)	(335)
Liability insurance	685	-	(34)	-

The chart above shows that with every 5% increase of the expected loss ratio of every insurance contract of Cathay Insurance (Vietnam), certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

u. Risk concentration

1) The Company

a) Situations that might cause concentration of insurance risk

i. Single insurance contract or few related contracts

For the three months ended March 31, 2019, the Company will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

ii. Exposure to unanticipated change in trend

For the three months ended March 31, 2019, the loss rates of the rest insurance categories are still within reasonable range.

iii. Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.

"Regulations for Assisting 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 compliance department of the Company will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the three months ended March 31, 2019, no material lawsuit or legal risks has taken place.

iv. Correlation and mutual influence between different risks

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of the Company being severely endangered by these derived risks, the Company has established "Operation standards under crisis" that set up crisis team in reaction to the event. The team will execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to guard financial order. For the three months ended March 31, 2019, there is no catastrophe has taken place.

v. When a certain key variable has approached a significantly non-linear relationship with future cash flow which could dramatically influence its performance

Since the 3rd stage of liberalization of property insurance fee took into effect, the Company has conducted regular fee reviews on car insurance, fire insurance, and residential fire insurance in accordance with regulation. Fee will be raised when actual loss rate exceeds expected loss rate by a certain percentage to avoid worsening of further losses. In addition, from time to time related departments would observe the change in trend for loss rates of different product categories and adjust pricing and coverage in a timely manner to effectively lower insurance risk.

In addition, investment in financial instruments in part, on a regular basis to monitor changes in the value of the site and the risk of cash flow analysis, and supplemented by stress testing, to control and management affecting fluctuations of major risk factors.

In addition, the implementation of stress tests for overall business every year, the impact assessment of the assets and the insurance risk of extreme financial position of the Company's situation, understand the major risk factors to adjust the response in advance.

vi. Concentration risks in geographic regions and operating segments

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

b) Following table summarizes the concentration risk of the Company before and after reinsurance by types of insurance for the three months ended March 31, 2019:

Insurance Type	For the Three Months Ended March 31, 2019				
	Direct Premium Income	Reinsurance Premium Income	Premiums Ceded To Reinsurers	Net Premium Income	%
Fire insurance	$ 616,856	$ 117,390	$ 370,113	$ 364,133	8.19
Marine insurance	159,969	15,423	107,825	67,567	1.52
Land and air insurance	2,309,841	41	71,810	2,238,072	50.34
Liability insurance	369,321	433	121,944	247,810	5.57
Bonding insurance	41,683	530	29,698	12,515	0.28
Other property insurance	238,571	43,369	165,093	116,847	2.63
Accident insurance	776,707	3,543	68,244	712,006	16.01
Health insurance	91,230	-	-	91,230	2.05
Compulsory automobile liability insurance	688,433	193,371	285,654	596,150	13.41
Total	5,292,611	374,100	1,220,381	4,446,330	100.00

c) Disclosure the prior management performance in the risk, which had huge effect but relative low occurrence frequency, to help financial statement user to evaluate the uncertainty of this risk related cash flow.

Catastrophes such as earthquake, typhoon, and flood, will bring tremendous insurance risk to property insurance business.

To control infrequent risk that impacts significantly, the Company assesses risk of natural disasters and specially covered item (e.g., independent power producer and abutment project). The Company also holds loss prevention seminars regularly to help customers reduce the incidence rate of disasters.

2) Cathay Insurance (Vietnam) Ltd.

a) Situations that might cause concentration of insurance risk:

i. Single insurance contract or few related contracts

For the three months ended March 31, 2019, Cathay Insurance (Vietnam) will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

ii. Exposure to unanticipated change in trend

For the three months ended March 31, 2019, the loss rates of the rest insurance categories are still within reasonable range.

iii. Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.

"The Procedure for Subrogation" and "The Proceedings of the Court" are set up to safeguard the rights of Cathay Insurance (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each compliance department of Cathay Insurance (Vietnam) will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the three months ended March 31, 2019, no material lawsuit or legal risks has taken place.

iv. Correlation and mutual influence between different risks

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of Cathay Insurance (Vietnam) being severely endangered by these derived risks, Cathay Insurance (Vietnam) has established "Points for Handling Major Events of Cathay Insurance (Vietnam)" that set up crisis team in reaction to the event. The team will execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Insurance (Vietnam) and to guard financial order. For the three months ended March 31, 2019, there is no catastrophe has taken place.

v. Concentration risks in geographic regions and operating segments

Cathay Insurance (Vietnam)'s catastrophe insurance for earthquakes and floods are centralized in the areas of Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

b) The disclosure of the concentration of insurance risk comprises both before and after reinsurance; to provide a better understanding of the mutual traits of the concentration of insurance risk and the related risk exposure index.

Following table summarizes the concentration risk of Cathay Insurance (Vietnam) before and after reinsurance by types of insurance for the three months ended March 31, 2019:

Insurance Type	For the Three Months Ended March 31, 2019				
	Direct Premium Income	Reinsurance Premium Income	Premiums Ceded to Reinsurers	Net Premium Income	%
Automobile insurance	$ 24,056	$ -	$ 23	$ 24,033	66.48%
Flood insurance	1,497	-	1,012	485	1.34%
Fire insurance	73,974	506	70,151	4,329	11.97%
Engineering insurance	921	-	552	369	1.02%
Accident insurance	6,701	-	-	6,701	18.54%
Liability insurance	685	-	450	235	0.65%
Total	$ 107,834	$ 506	$ 72,188	$ 36,152	100.00%

3) Disclose the prior management performance in the risk, which had huge effect but relative low occurrence frequency, to help financial statement user to evaluate the uncertainty of this risk related cash flow.

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control infrequent risk that impacts significantly, Cathay Insurance (Vietnam) assesses risk of natural disasters and specially covered item. Cathay Insurance (Vietnam) also holds loss prevention seminars regularly to help customers reduce the incidence rate of disasters.

v. Development trend of claims

1) The Company

Accident Year	2013 Q1	2013 Q2-2014Q1	2014 Q2-2015Q1	2015 Q2-2016Q1	2016 Q2-2017Q1	2017 Q2-2018Q1	2018 Q2-2019Q1	Total
Accumulated estimated claim payment								
End of the accident year	$ 15,161,318	$ 6,035,485	$ 7,121,019	$ 9,506,959	$ 8,538,079	$ 8,263,094	$ 9,050,572	
After the first year	17,214,877	6,560,065	7,302,356	11,069,320	8,079,805	8,288,495		
After the second year	16,912,002	6,616,375	7,184,946	10,544,031	8,228,317			
After the third year	17,080,413	6,467,960	7,202,830	10,370,284				
After the fourth year	17,142,796	6,493,699	7,126,433					
After the fifth year	17,146,516	6,485,778						
After the sixth year	17,393,676							
Final estimated claim payment	17,393,676	6,485,778	7,126,433	10,370,284	8,228,317	8,288,495	9,050,572	
Accumulated claim disbursed	17,016,972	6,427,926	6,863,483	10,201,658	7,776,587	7,494,505	5,033,751	
	376,704	57,851	262,950	168,626	451,730	793,990	4,016,821	6,128,672
Adjustment	-	-					141,764	141,764
Amount recognized in balance sheet	376,704	57,851	262,950	168,626	451,730	793,990	4,158,585	6,270,436

Note: The upper part of table illustrates the accumulated annual estimates. The lower part of table shows the estimated number after the accumulated actual claims disbursements were reconciled to the balance sheet.

The upper table excludes direct claim reserve of compulsory insurance $1,344,447 thousand and claim reserve of assumed reinsurance $726,132 thousand.

2) Cathay Insurance (Vietnam)

As Cathay Century (Vietnam) is still at the initial stage, there is no historical data for loss trends. Cathay Century (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QLBH for loss reserving method with incurred but not reported claims, which is calculated at a rate of 5% of its annual retained premium.

w. The following details the portfolios managed

1) The Company

	March 31, 2019	
	Carrying Amount	Fair Value
Listed stocks	$ 868,631	$ 868,631
Repurchase agreements collateralized by bonds	450,024	450,024
Bank deposit	328,709	328,709
Future margins	2,010	2,010
	$ 1,649,374	$ 1,649,374

	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

	March 31, 2018	
	Carrying Amount	Fair Value
Listed stocks	$ 1,231,917	$ 1,231,917
Repurchase agreements collateralized by bonds	300,148	300,148
Bank deposit	117,366	117,366
Future margins	2,009	2,009
	$ 1,651,440	$ 1,651,440

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

x. Credit risk of insurance contract

The main source of credit risk of insurance contract is reinsurance business. The Company arranges its reinsurance business under the regulations governing insurance enterprises engaged in operating reinsurance and other risk-diversification mechanisms. Most of the insurance enterprises chose have a certain level of credit rating and are qualified for reinsurance business. The Company regularly monitors the movement of the credit rating of these enterprises. The Company 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:

March 31, 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 BSC	Treaty reinsurance of marine, fire and accident insurance and Facultative reinsurance of marine, fire and miscellaneous 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 BSC	Treaty reinsurance of marine and fire insurance and Facultative reinsurance of marine, fire and liability insurance

March 31, 2018

Name	Type
Best RE (L) Limited	Treaty reinsurance of marine, miscellaneous, liability and automobile 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

2) For the three months ended March 31, 2019 and 2018, the unqualified ceded reinsurance expense is $28,019 thousand and $19,767 thousand respectively.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Unearned premium reserve	$ 14,010	$ 17,949	$ 9,884
Claims recoverable from reinsurers of paid claims overdue in nine month	60,527	60,165	17,556
Claims recoverable from reinsurers which were reported but unpaid	2,377	5,003	39,932
	$ 76,914	$ 83,117	$ 67,372

TABLE 1

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE
MARCH 31, 2019 AND 2018
(In New Taiwan Dollars)

Items	Amount			Items	Amount		
Asset	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities	March 31, 2019	December 31, 2018	March 31, 2018
Cash and bank deposit	$ 2,849,943	$ 2,530,596	$ 2,518,984	Notes payable	$ -	$ -	$ -
Notes receivable	7,739	11,554	12,505	Claims payable	-	-	-
Premiums receivable	6,156	9,924	6,463	Reinsurance indemnity payable	-	-	-
Claim recoverable from reinsures	146,086	154,031	163,680	Due to reinsurers and ceding companies	263,765	242,711	243,038
Due from reinsurers and ceding companies	126,075	125,994	129,970	Unearned premium reserves	1,726,705	1,732,429	1,755,513
Other receivables							
FVTOCI financial assets	752,887	1,045,844	1,040,918	Claims reserves	1,464,372	2,082,573	1,954,388
Reserve - ceded unearned premiums	753,050	756,874	760,403	Special reserves	2,100,644	1,478,016	1,490,801
				Temporary receivable	-	-	-
Reserve - ceded claim	881,218	888,328	804,146	Other liabilities	-	-	-
Temporary payments	32,332	12,584	6,671				
Other assets							
Total assets	$ 5,555,486	$ 5,535,729	$ 5,443,740	Total liabilities	$ 5,555,486	$ 5,535,729	$ 5,443,740

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In New Taiwan Dollars)

Item	For the Three Months Ended March 31	
	2019	2018
Operating revenues	$ 389,531	$ 391,598
Direct insurance premium revenues	476,090	489,147
Reinsurance premium inward	193,371	194,039
Premiums revenues	669,461	683,186
Less: Reinsurance premium outward	(285,654)	(293,488)
Net change in unearned premium reserve	1,900	(2,176)
Retained earned premium	385,707	387,522
Interest income	3,824	4,076
Operating costs	389,531	391,598
Retained claims	415,779	422,950
Reinsurance claims incurred	208,371	319,001
Less: Claim recoverable from reinsurers	(246,155)	(244,611)
Retained claims	377,995	497,340
Net change in claim reserve	25,181	(21,415)
Net change in special reserve	(13,645)	(84,327)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In New Taiwan Dollars)

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 (Vietnam)	1	Due from reinsurers and ceding companies - net	$ 2,657	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.

TABLE 4

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	January 1, 2019	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 623,869	$ 8,192	$ 8,192	Note 1

Note 1: Calculated based on financial statements which have been reviewed during the same period.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653)	(1)	$ 2,964,730	$ -	$ -	$ 2,964,730	$ (25,524)	24.5	$ (6,253)	$ 2,226,162	$ -

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 2,964,730 (CNY 2,632,653)	$ 2,964,730 (CNY 2,632,653)	$ 6,599,669

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on March 31, 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 unreviewed 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.