Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2020 and 2019 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 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.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 11, 2020

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

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6, 27 and 29)	$ 9,547,305	23	$ 10,685,599	25	$ 10,536,037	26
RECEIVABLES (Notes 4, 11, 27 and 34)	2,129,779	5	2,776,216	6	2,691,433	7
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	10,329,349	25	9,697,413	23	8,163,375	20
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	1,201,182	3	1,343,814	3	1,202,755	3
Financial assets at amortized cost (Notes 4, 5 and 9)	7,692,872	18	8,182,199	19	8,355,940	20
Investments accounted for using the equity method, net (Notes 4 and 14)	2,118,206	5	2,122,476	5	2,112,065	5
Loans (Notes 4, 10 and 27)	208,329	1	229,849	-	230,265	1
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 34)	7,192,672	17	6,714,726	16	6,202,566	15
PROPERTY AND EQUIPMENT (Notes 4 and 15)	185,622	1	172,082	-	157,935	-
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	138,739	-	209,498	1	239,228	1
INTANGIBLE ASSETS (Notes 4 and 17)	83,887	-	67,307	-	63,554	-
DEFERRED INCOME TAX ASSETS (Note 4)	168,874	-	134,204	-	115,943	-
OTHER ASSETS (Notes 18, 27 and 29)	658,709	2	672,669	2	687,351	2
TOTAL	$ 41,655,525	100	$ 43,008,052	100	$ 40,758,447	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 27 and 34)	$ 2,504,372	6	$ 3,403,811	8	$ 2,708,352	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	2,257	-	367	-	53,369	-
LEASE LIABILITIES (Notes 4, 16 and 27)	139,358	-	210,153	1	239,242	1
INSURANCE LIABILITIES (Notes 4, 5 and 20)	25,434,689	61	24,994,781	58	24,182,331	59
OTHER LIABILITIES	754,334	2	1,008,702	2	901,438	2
PROVISIONS	433,255	1	432,909	1	439,051	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	274,773	1	300,872	1	288,291	1
Total liabilities	29,543,038	71	30,351,595	71	28,812,074	71
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares						
Ordinary shares	3,057,052	7	3,057,052	7	3,057,052	7
Capital surplus						
Capital surplus	518,326	1	518,326	1	502,500	1
Retained earnings						
Legal reserve	3,132,813	8	2,711,555	6	2,711,555	7
Special reserve	4,372,430	11	4,993,030	12	4,455,458	11
Unappropriated earnings	1,867,198	4	1,568,714	4	1,647,724	4
Total retained earnings	9,372,441	23	9,273,299	22	8,814,737	22
Other equity	(835,332)	(2)	(192,220)	(1)	(427,916)	(1)
Total equity attributable to owners of the Company	12,112,487	29	12,656,457	29	11,946,373	29
Total equity	12,112,487	29	12,656,457	29	11,946,373	29
TOTAL	$ 41,655,525	100	$ 43,008,052	100	$ 40,758,447	100

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES								
Retained earned premium (Note 34)								
Direct insurance premium revenues (Notes 4 and 27)	$ 5,595,085	104	$ 5,597,579	106	$ 16,870,433	109	$ 16,986,323	112
Reinsurance premium inward	450,344	8	431,806	8	1,565,865	10	1,207,509	8
Premium revenues	6,045,429	112	6,029,385	114	18,436,298	119	18,193,832	120
Less: Reinsurance premium outward (Notes 4 and 34)	1,268,229	23	1,308,898	25	4,304,785	28	4,241,839	28
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	59,593	1	(85,299)	(2)	45,923	-	70,852	-
Total retained earned premium	4,717,607	88	4,805,786	91	14,085,590	91	13,881,141	92
Reinsurance commission earned (Note 34)	128,415	2	128,975	2	411,552	3	426,798	3
Handling fees earned	11,053	-	10,323	-	34,950	-	32,529	-
Net gains on investments								
Interest income (Notes 23 and 27)	136,238	3	142,104	3	417,055	3	411,384	3
Foreign exchange losses (Note 4)	(106,934)	(2)	(18,494)	-	(207,392)	(2)	78,411	-
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	350,752	6	193,187	3	259,152	2	660,145	4
Excluding net gain on financial assets measured at amortized cost (Notes 4 and 9)	(3,083)	-	153	-	(2,774)	-	431	-
Share of (loss) profit of associates and joint ventures accounted for using equity method (Notes 4 and 14)	31,200	1	3,427	-	34,490	-	(19,988)	-
Expected credit impairment losses on investment (Note 4)	4,991	-	42	-	(14,501)	-	(406)	-
Income or loss reclassified under the overlay approach (Note 7)	121,648	2	42,131	1	463,662	3	(366,328)	(2)
Total net gains on investments	534,812	10	362,550	7	949,692	6	763,649	5
Total operating revenues	5,391,887	100	5,307,634	100	15,481,784	100	15,104,117	100
OPERATING COSTS								
Retained claims (Notes 4, 27 and 34)								
Claims incurred	3,095,042	57	3,140,783	59	9,530,462	61	9,346,858	62
Less: Claims recovered from reinsurers (Note 34)	507,160	9	557,616	10	1,592,939	10	1,865,123	13
Total retained claims	2,587,882	48	2,583,167	49	7,937,523	51	7,481,735	49
Other net change in insurance liabilities (Note 20)	185,921	3	124,497	2	(127,197)	(1)	287,094	2
Commission expenses (Notes 4, 23, 27 and 34)	782,327	15	834,867	16	2,383,568	15	2,389,936	16
Other operating costs	21,754	-	(9,558)	-	62,248	1	4,193	-
Total operating costs	3,577,884	66	3,532,973	67	10,256,142	66	10,162,958	67

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
GROSS MARGIN	$ 1,814,003	34	$ 1,774,661	33	$ 5,225,642	34	$ 4,941,159	33
OPERATING EXPENSES (Notes 23 and 27)								
Operating	823,139	16	836,537	16	2,472,791	16	2,480,090	17
Administrative	166,937	3	172,404	3	554,663	4	490,543	3
Training	3,520	-	4,309	-	5,263	-	8,671	-
Total operating expenses	993,596	19	1,013,250	19	3,032,717	20	2,979,304	20
OPERATING INCOME	820,407	15	761,411	14	2,192,925	14	1,961,855	13
NON-OPERATING INCOME AND EXPENSES (Note 27)	(122)	-	(298)	-	472	-	(360)	-
PROFIT BEFORE INCOME TAX	820,285	15	761,113	14	2,193,397	14	1,961,495	13
INCOME TAX (Notes 4 and 24)	82,792	1	109,718	2	326,199	2	313,771	2
NET PROFIT	737,493	14	651,395	12	1,867,198	12	1,647,724	11
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 22)	(127,800)	(2)	25,800	1	(152,400)	(1)	43,200	-
	(127,800)	(2)	25,800	1	(152,400)	(1)	43,200	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 22)	(10,731)	-	1,755	-	(20,586)	-	5,933	-
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(Notes 4 and 14)	38,065	-	(66,223)	(1)	(38,760)	-	(38,811)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	3,871	-	(2,433)	-	14,877	-	13,006	-

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income reclassified under the overlay approach (Notes 4 and 22)	$ (121,648)	(2)	$ (42,131)	(1)	$ (463,662)	(3)	$ 366,328	2
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 24)	3,200	-	(7,116)	-	(17,419)	-	4,925	-
	(93,643)	(2)	(101,916)	(2)	(490,712)	(3)	341,531	2
Other comprehensive income (loss), net of income tax	(221,443)	(4)	(76,116)	(1)	(643,112)	(4)	384,731	2
TOTAL COMPREHENSIVE INCOME	$ 516,050	10	$ 575,279	11	$ 1,224,086	8	$ 2,032,455	13
NET PROFIT ATTRIBUTABLE TO:								
Owner of the Company	$ 737,493	14	$ 651,395	12	$ 1,867,198	12	$ 1,647,724	11
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 737,493	14	$ 651,395	12	$ 1,867,198	12	$ 1,647,724	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 516,050	10	$ 575,279	11	$ 1,224,086	8	$ 2,032,455	13
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 516,050	10	$ 575,279	11	$ 1,224,086	8	$ 2,032,455	13
EARNINGS PER SHARE (Note 25)								
Basic	$ 2.41		$ 2.13		$ 6.11		$ 5.39	

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
							Other Equity (Notes 4 and 22)				
			Capital Surplus	Retained Earnings (Note 22)							
	Shares (In Thousands)	Capital Stock (Notes 4 and 21)	(Notes 4 and 22)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Valuation Interest	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Method	Total Equity
BALANCE AT JANUARY 1, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,934,250	$ 907,615	$ (228,873)	$ (153,280)	$ (163,649)	$ (266,845)	$ 10,025,076
Appropriation of 2018 earnings											
Legal reserve	-	-	-	275,249	-	(275,249)	-	-	-	-	-
Special reserve	-	-	-	-	521,208	(521,208)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(111,158)	-	-	-	-	(111,158)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	1,647,724	-	-	-	-	1,647,724
Other comprehensive income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	(53,330)	76,658	-	361,403	384,731
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	1,647,724	(53,330)	76,658	-	361,403	2,032,455
BALANCE AT SEPTEMBER 30, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,711,555	$ 4,455,458	$ 1,647,724	$ (282,203)	$ (76,622)	$ (163,649)	$ 94,558	$ 11,946,373
BALANCE AT JANUARY 1, 2020	305,705	$ 3,057,052	$ 518,326	$ 2,711,555	$ 4,993,030	$ 1,568,714	$ (319,991)	$ 78,395	$ (158,735)	$ 208,111	$ 12,656,457
Appropriation of 2019 earnings											
Legal reserve	-	-	-	421,258	-	(421,258)	-	-	-	-	-
Special reserve	-	-	-	-	(620,600)	620,600	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,768,056)	-	-	-	-	(1,768,056)
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	1,867,198	-	-	-	-	1,867,198
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(42,472)	(154,397)	-	(446,243)	(643,112)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	1,867,198	(42,472)	(154,397)	-	(446,243)	1,224,086
BALANCE AT SEPTEMBER 30, 2020	305,705	$ 3,057,052	$ 518,326	$ 3,132,813	$ 4,372,430	$ 1,867,198	$ (362,463)	$ (76,002)	$ (158,735)	$ (238,132)	$ 12,112,487

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,193,397	$ 1,961,495
Adjustments for:		
Depreciation expenses	132,445	125,874
Amortization expenses	35,774	29,752
Net gain on valuation of financial assets and liabilities at fair value through profit or loss	(259,152)	(660,145)
Interest expense	2,273	1,409
Net loss (gain) on disposal of financial assets measured at amortized cost	2,774	(431)
Interest income	(417,055)	(411,384)
Net change in insurance liabilities	439,908	396,656
Expected credit impairment losses on investment	14,501	406
Share of (gain) loss of associates and joint ventures accounted for using the equity method	(34,490)	19,988
Income or loss reclassified under the overlay approach	(463,662)	366,328
(Gain) loss on disposal of property and equipment	(8)	1
Changes in operating assets and liabilities		
Decrease in notes receivable	11,095	29,953
Decrease (increase) in premiums receivable	517,797	(260,283)
Decrease (increase) in other receivables	133,103	(105,984)
Increase in financial instruments at fair value through profit or loss	(577,097)	(1,784,094)
Decrease in financial assets at fair value through other comprehensive income	5,077	304,975
Decrease in financial assets at amortized cost	472,109	170,251
Increase in reinsurance contract asset	(477,946)	(97,769)
Decrease in other assets	13,935	11,311
(Decrease) increase in claims outstanding	(406)	406
Increase in commissions payable and fees	3,702	58,664
Decrease in due to reinsurers and ceding companies	(513,853)	(66,256)
Decrease in other payables	(310,918)	(126,461)
Increase (decrease) in provisions	346	(1,031)
(Decrease) increase in other liabilities	(254,368)	168,097
Cash generated from operations	669,281	131,728
Interest received	402,001	415,869
Dividend received	206,203	170,752
Interest paid	(2,273)	(1,409)
Income tax paid	(447,909)	(78,629)
Net cash generated from operating activities	827,303	638,311

(Continued)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	**2019**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	$ (73,588)	$ (65,823)
Proceeds from disposal of property and equipment	33	-
Payments for intangible assets	(21,641)	(19,056)
Decrease in loans	21,520	6,551
Net cash used in investing activities	(73,676)	(78,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(103,655)	(104,004)
Cash dividends paid	(1,768,056)	(111,158)
Net cash used in financing activities	(1,871,711)	(215,162)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(20,210)	5,295
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,138,294)	350,116
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,685,599	10,185,921
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 9,547,305	$ 10,536,037

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 11, 2020.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

   The IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Group.

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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

IFRS 17 "Insurance Contracts" and related amendments

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

Level of aggregation for insurance contracts

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

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

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

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

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

Recognition

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

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

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

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

Measurement

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

This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from:

1) The initial recognition of an amount for the FCF;

2) Any cash flows arising from the contracts in the Group at that date;

3) The derecognition at that date of the following:

   a) The insurance acquisition cash flows assets;

   b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

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

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

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

Using the PAA, the liability for remaining coverage shall be initially recognized as:

1) The premiums received at initial recognition;

2) Minus any insurance acquisition cash flow;

3) Plus or minus any amount arising from the derecognition at that date of the following:

   a) The insurance acquisition cash flows assets;

   b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

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 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Investments in associates

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

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

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

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

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

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

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

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

g. Property and equipment

Property and equipment are initially 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 non-financial 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) Categories of financial assets, initial recognition and subsequent measurement

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 26.

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

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in debt instruments at FVTOCI

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

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Group:

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Reinsurance business

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

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

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

l. Reserves for liabilities

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

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

a) Special reserves for catastrophic event

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

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

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

b) Special reserves for fluctuation of risk

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

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

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

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

m. 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.

n. Premiums, commission expenses and processing fees

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

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.

o. Insurance claims

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

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

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

Provision for loss reserve is undiscounted.

p. Liability adequacy test

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

Liability adequacy test is calculated on the undiscounted basis.

q. 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.

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

The Company 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 Company, 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.

s. Contribution to the stabilization funds

The disbursement of voluntary insurance is made to “Property Insurance Stabilization Fund Committees” according to “Interpretation No. 10602506661 Financial-Supervisory-Property-Insurance-Corporate” and Standard of Life and Property Insurance Industry Stabilization Fund.

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.

t. Leases

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.

u. 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 other equity 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

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.

v. Share-based payment arrangements

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of the parent company's issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

w. 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.

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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 26.

b. Estimated impairment of investments in debt instruments

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

c. Adequacy test on loss reserve

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	$ 15,676	$ 18,324	$ 16,539
Checking accounts and demand deposits	2,348,401	2,362,830	1,682,345
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	4,745,599	6,149,864	6,784,288
Short-term transactions instruments	2,437,629	2,154,581	2,052,865
	$ 9,547,305	$ 10,685,599	$ 10,536,037

7. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange swaps (a)	$ 108,044	$ 105,561	$ 17,416
Non-derivative financial assets			
Listed shares	5,719,004	5,764,616	4,367,546
Mutual funds	4,187,854	3,059,041	3,006,379
Financial bonds	314,447	768,195	772,034
	$ 10,329,349	$ 9,697,413	$ 8,163,375
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange swaps (a)	$ 2,257	$ 367	$ 53,369

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

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2020			
Sell	USD/NTD	2020.10.13-2021.09.16	US$ 186,900
	EUR/NTD	2020.12.07-2021.02.24	EUR 2,750
December 31, 2019			
Sell	USD/NTD	2020.01.13-2020.11.23	US$ 179,100
	EUR/NTD	2020.02.24-2020.06.05	EUR 2,750
September 30, 2019			
Sell	USD/NTD	2019.10.09-2020.08.31	US$ 123,150
	EUR/NTD	2020.02.24-2020.06.05	EUR 2,750

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

b. The financial assets at FVTPL were not pledged.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily measured at FVTPL			
Listed shares	$ 5,719,004	$ 5,764,616	$ 4,367,546
Mutual funds	4,187,854	3,059,041	3,006,379
Financial bonds	314,447	768,195	772,034

For the nine months ended September 30, 2020 and 2019, none of financial assets held by the Group has changed conditions, been designated or been terminated.

Reclassification from profit or loss to other comprehensive income of the consolidated financial assets designated to apply the overlay approach for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Gains due to applying IFRS 9 to profit or loss	$ 16,589	$ (209,154)	$ 143,352	$ (824,796)
Gains if applying IAS 39 to profit or loss	105,059	251,285	320,310	458,468
Gains (loss) from reclassification using the overlay approach	$ 121,648	$ 42,131	$ 463,662	$ (366,328)

According to the adjustment by applying the overlay approach, gains (loss) from consolidated financial assets at FVTPL increased from $350,752 thousand to $472,400 thousand and increased from $193,187 thousand to $235,318 thousand for the three months ended September 30, 2020 and 2019, respectively, and gains (loss) from consolidated financial assets at FVTPL increased from $259,152 thousand to $722,814 thousand and decreased from $660,145 thousand to $293,817 thousand for the nine months ended September 30, 2020 and 2019, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in equity instruments at FVTOCI	$ 437,400	$ 589,800	$ 448,800
Investments in debt instruments at FVTOCI	763,782	754,014	753,955
	$ 1,201,182	$ 1,343,814	$ 1,202,755

a. Investments in equity instruments at FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Unlisted shares	$ 437,400	$ 589,800	$ 448,800

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

There was no dividend revenue recognized relating to investments in equity instrument at FVTOCI still held by the Group on the balance sheet date for the nine months ended September 30, 2020 and 2019. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Government bonds	$ 763,782	$ 754,014	$ 753,955

Refer to Note 26 for information relating to their credit risk management and impairment.

c. The financial assets at FVTOCI were not pledged.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Corporate bonds	$ 1,399,983	$ 1,399,988	$ 1,399,983
Government bonds	508,406	512,940	514,449
Foreign investments			
Corporate bonds	6,311,192	6,786,070	6,959,980
	8,219,581	8,698,998	8,874,412
Less: Loss allowance	(18,378)	(3,909)	(4,074)
Less: Statutory guarantee deposits	(508,331)	(512,890)	(514,398)
	$ 7,692,872	$ 8,182,199	$ 8,355,940

For the three and nine months ended September 30, 2020, the Group disposed of bonds before the maturity due to an increase in credit risk, and resulted in a loss on disposal of $3,344 thousand and $3,344 thousand, respectively. The Group's gains on disposal of bonds from repayments due for the three months ended September 30, 2020 and 2019 were $261 thousand and $153 thousand, respectively, and were $570 thousand and $431 thousand for the nine months ended September 30, 2020 and 2019 respectively.

Refer to Note 26 for information relating to their credit risk management and impairment. The financial assets at amortized cost were not pledged.

10. LOANS

	September 30, 2020	December 31, 2019	September 30, 2019
Secured Loans	$ 210,901	$ 232,652	$ 233,061
Less: Loss allowance	(2,572)	(2,803)	(2,796)
	$ 208,329	$ 229,849	$ 230,265

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 26 for information relating to the credit risk management and impairment for the nine months ended September 30, 2020 and 2019.

11. RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	$ 184,187	$ 196,787	$ 205,529
Premiums receivables	1,664,763	2,182,531	2,004,680
Other receivables	318,370	436,252	544,570
	2,167,320	2,815,570	2,754,779
Less: Loss allowance	(37,541)	(39,354)	(63,346)
	$ 2,129,779	$ 2,776,216	$ 2,691,433

The movements of allowance for impairment loss of receivables were as follows:

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 39,354	$ 79,324
Impairment losses recognized (reversed) on receivables	(1,813)	(15,978)
Ending balance	$ 37,541	$ 63,346

12. REINSURANCE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Claims recoverable from reinsurers, net	$ 350,804	$ 321,227	$ 335,715
Due from reinsurers and ceding companies, net	680,814	744,223	523,461
Reinsurance reserve assets			
Ceded unearned premium reserve	3,373,656	3,199,204	3,070,251
Ceded loss reserve	2,787,398	2,450,072	2,273,139
	$ 7,192,672	$ 6,714,726	$ 6,202,566

a. Claims recoverable from reinsurers

	September 30, 2020	December 31, 2019	September 30, 2019
Gross carrying amount	$ 369,267	$ 338,134	$ 339,106
Less: Loss allowance	(18,463)	(16,907)	(3,391)
	$ 350,804	$ 321,227	$ 335,715

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 16,907	$ 3,491
Impairment losses recognized (reversed) on receivables	1,556	(100)
Ending balance	$ 18,463	$ 3,391

b. Due from reinsurers and ceding companies

	September 30, 2020	December 31, 2019	September 30, 2019
Gross carrying amount	$ 724,839	$ 788,609	$ 557,448
Less: Loss allowance	(44,025)	(44,386)	(33,987)
	$ 680,814	$ 744,223	$ 523,461

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 44,386	$ 17,818
Impairment losses recognized (reversed) on receivables	(361)	16,169
Ending balance	$ 44,025	$ 33,987

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	September 30, 2020	December 31, 2019	September 30, 2019	Remark
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100	100	100	-

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in associates	$ 2,118,206	$ 2,122,476	$ 2,112,065

Aggregate information of associates that are not individually material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
The Group's share of:				
Profit (loss) from continuing operations	$ 31,200	$ 3,427	$ 34,490	$ (19,988)
Other comprehensive income (loss)	38,065	(66,223)	(38,760)	(38,811)
Total comprehensive income (loss) for the period	$ 69,265	$ (62,796)	$ (4,270)	$ (58,799)

The share of profit or loss, other comprehensive income or loss, that the Group investment in associates were calculated based on financial statements which have not been audited. Management believes there is no material adjustment on the financial statements of the subsidiary which have not been audited.

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

15. PROPERTY AND EQUIPMENT

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2020	$ 408,726	$ 180,038	$ 98,627	$ 687,391
Additions	19,375	6,794	47,419	73,588
Disposals	(785)	(210)	-	(995)
Reclassified	46,775	-	(77,705)	(30,930)
Foreign exchange	-	(2,411)	-	(2,411)
Balance at September 30, 2020	$ 474,091	$ 184,211	$ 68,341	$ 726,643
Accumulated depreciation and impairment				
Balance at January 1, 2020	$ 352,804	$ 162,505	$ -	$ 515,309
Disposals	(760)	(210)	-	(970)
Depreciation expenses	23,634	5,189	-	28,823
Foreign exchange	-	(2,141)	-	(2,141)
Balance at September 30, 2020	$ 375,678	$ 165,343	$ -	$ 541,021
Carrying amounts at September 30, 2020	$ 98,413	$ 18,868	$ 68,341	$ 185,622
Carrying amounts at December 31, 2019 and January 1, 2020	$ 55,922	$ 17,533	$ 98,627	$ 172,082
Cost				
Balance at January 1, 2019	$ 388,165	$ 177,041	$ 45,038	$ 610,244
Additions	3,108	3,225	59,490	65,823
Disposals	-	(65)	-	(65)
Reclassified	2,000	-	(10,878)	(8,878)
Foreign exchange	-	684	-	684
Balance at September 30, 2019	$ 393,273	$ 180,885	$ 93,650	$ 667,808
Accumulated depreciation and impairment				
Balance at January 1, 2019	$ 331,005	$ 157,054	$ -	$ 488,059
Disposals	-	(64)	-	(64)
Depreciation expenses	15,841	6,014	-	21,855
Foreign exchange	-	23	-	23
Balance at September 30, 2019	$ 346,846	$ 163,027	$ -	$ 509,873
Carrying amounts at September 30, 2019	$ 46,427	$ 17,858	$ 93,650	$ 157,935

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts			
Buildings	$ 133,092	$ 201,691	$ 230,465
Transportation equipment	5,647	7,807	8,763
	$ 138,739	$ 209,498	$ 239,228

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets	$ 16,637	$ -	$ 33,506	$ 222,047
Depreciation charge for right-of-use assets				
Buildings	$ 33,933	$ 33,355	$ 100,763	$ 101,162
Transportation equipment	953	956	2,859	2,857
	$ 34,886	$ 34,311	$ 103,622	$ 104,019

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts	$ 139,358	$ 210,153	$ 239,242

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	1.18%-8.57%	1.31%-8.57%	1.31%-8.57%
Transportation equipment	2.68%-3.49%	3.49%	3.49%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	$ 2,157	$ 1,443	$ 6,416	$ 3,709
Total cash outflow for leases	$ -	$ -	$ (111,824)	$ (108,721)

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

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2020	$ 245,615
Additions	21,641
Reclassified	30,930
Foreign exchange	(1,516)
Balance at September 30, 2020	$ 296,670
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ (178,308)
Amortization expenses	(35,774)
Foreign exchange	1,299
Balance at September 30, 2020	$ (212,783)
Carrying amounts at September 30, 2020	$ 83,887
Carrying amounts at December 31, 2019 and January 1, 2020	$ 67,307
Cost	
Balance at January 1, 2019	$ 203,514
Additions	19,056
Reclassified	8,878
Foreign exchange	270
Balance at September 30, 2019	$ 231,718

(Continued)

	Computer Software
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ (138,119)
Amortization expenses	(29,752)
Foreign exchange	(293)
Balance at September 30, 2019	$ (168,164)
Carrying amounts at September 30, 2019	$ 63,554

(Concluded)

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

Computer software	3 years

18. OTHER ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Statutory guarantee deposits (Note 29)	$ 508,331	$ 512,890	$ 514,398
Other deposits	94,266	99,103	123,614
Payment in advance	16,106	14,568	11,663
Others	40,006	46,108	37,676
	$ 658,709	$ 672,669	$ 687,351

The other assets were not pledged.

19. PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Claims outstanding	$ -	$ 406	$ 406
Commissions payable	184,798	181,096	173,844
Due to reinsurers and ceding companies	1,259,038	1,772,891	1,432,968
Other payables	1,060,536	1,449,418	1,101,134
	$ 2,504,372	$ 3,403,811	$ 2,708,352

20. INSURANCE LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Unearned premium reserve	$ 12,967,270	$ 12,736,870	$ 12,208,311
Loss reserve	9,733,877	9,357,750	8,858,502
Special reserve	2,732,231	2,898,057	3,110,341
Premium deficiency reserve	1,180	2,025	5,116
Policy reserve	131	79	61
	$ 25,434,689	$ 24,994,781	$ 24,182,331

a. Unearned premium reserve

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

	September 30, 2020			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,930,117	$ 237,061	$ 1,155,441	$ 1,011,737
Marine insurance	128,744	13,357	88,600	53,501
Land and air insurance	5,328,950	27,483	195,661	5,160,772
Liability insurance	812,657	2,246	272,449	542,454
Bonding insurance	56,573	3,837	37,888	22,522
Other property insurance	1,078,219	53,033	773,120	358,132
Accident insurance	1,520,464	8,117	109,356	1,419,225
Health insurance	65,728	2,624	10	68,342
Compulsory auto liability insurance	1,235,219	462,841	741,131	956,929
	$ 12,156,671	$ 810,599	$ 3,373,656	$ 9,593,614

	December 31, 2019			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,810,023	$ 140,335	$ 996,120	$ 954,238
Marine insurance	159,082	12,788	108,487	63,383
Land and air insurance	5,316,571	7,769	185,167	5,139,173
Liability insurance	799,822	684	257,398	543,108
Bonding insurance	42,170	2,579	25,346	19,403

(Continued)

	December 31, 2019			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Other property insurance	$ 1,074,161	$ 47,203	$ 795,157	$ 326,207
Accident insurance	1,519,503	7,657	79,478	1,447,682
Health insurance	72,356	1,345	-	73,701
Compulsory auto liability insurance	1,253,418	469,404	752,051	970,771
	$ 12,047,106	$ 689,764	$ 3,199,204	$ 9,537,666

(Concluded)

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

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

	For the Nine Months Ended September 30			
	2020		2019	
	Unearned Premium Reserves	Ceded Unearned Premium Reserve	Unearned Premium Reserves	Ceded Unearned Premium Reserve
Beginning balance	$ 12,736,870	$ 3,199,204	$ 12,027,482	$ 2,965,729
Provision	12,971,603	3,375,489	12,204,544	3,070,712
Recovery	(12,752,687)	(3,202,496)	(12,030,271)	(2,967,291)
Foreign exchange	11,484	1,459	6,556	1,101
Ending balance	$ 12,967,270	$ 3,373,656	$ 12,208,311	$ 3,070,251

b. Loss reserve

1) Loss reserve and ceded loss reserve

Items	September 30, 2020			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 4,551,125	$ 711,130	$ 1,579,265	$ 3,682,990
Not yet filed	4,014,750	456,872	1,208,133	3,263,489
	$ 8,565,875	$ 1,168,002	$ 2,787,398	$ 6,946,479

Items	December 31, 2019			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 4,097,036	$ 680,547	$ 1,241,241	$ 3,536,342
Not yet filed	4,122,117	458,050	1,208,831	3,371,336
	$ 8,219,153	$ 1,138,597	$ 2,450,072	$ 6,907,678

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

2) Net changes in loss reserve and ceded loss reserve

For the nine months ended September 30, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserves
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed but not yet paid	$ 4,570,971	$ 4,115,029	$ 711,130	$ 680,547	$ 486,525
Not yet filed	3,995,807	4,103,229	456,872	458,050	(108,600)
	$ 8,566,778	$ 8,218,258	$ 1,168,002	$ 1,138,597	$ 377,925

Items	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Recovery (7)	Net Changes in Ceded Loss Reserves (8)=(6)-(7)
Filed but not yet paid	$ 1,589,461	$ 1,250,564	$ 338,897
Not yet filed	1,198,609	1,199,002	(393)
	$ 2,788,070	$ 2,449,566	$ 338,504

For the nine months ended September 30, 2019

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

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

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

Insurance by Type	September 30, 2020 Liability Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,503,226	$ 23,499	$ 1,526,725
Marine insurance	313,960	89,099	403,059
Land and air insurance	1,607,357	1,336,740	2,944,097
Liability insurance	621,260	654,263	1,275,523
Bonding insurance	69,470	57,104	126,574
Other property insurance	527,233	105,622	632,855
Accident insurance	110,958	510,040	620,998
Health insurance	3,084	38,435	41,519
Compulsory auto liability insurance	505,707	1,656,820	2,162,527
	$ 5,262,255	$ 4,471,622	$ 9,733,877

Insurance by Type	December 31, 2019		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,154,505	$ 22,971	$ 1,177,476
Marine insurance	220,538	36,835	257,373
Land and air insurance	1,657,568	1,362,640	3,020,208
Liability insurance	536,470	702,702	1,239,172
Bonding insurance	69,074	53,566	122,640
Other property insurance	507,124	127,213	634,337
Accident insurance	111,467	537,695	649,162
Health insurance	3,125	60,533	63,658
Compulsory auto liability insurance	517,712	1,676,012	2,193,724
	$ 4,777,583	$ 4,580,167	$ 9,357,750

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

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

Insurance by Type	September 30, 2020		
	Liability		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 511,270	$ 7,993	$ 519,263
Marine insurance	204,545	54,391	258,936
Land and air insurance	46,343	38,551	84,894
Liability insurance	354,708	253,450	608,158
Bonding insurance	30,988	29,282	60,270
Other property insurance	254,226	45,017	299,243
Accident insurance	6,292	32,130	38,422
Health insurance	-	-	-
Compulsory auto liability insurance	170,893	747,319	918,212
	$ 1,579,265	$ 1,208,133	$ 2,787,398

Insurance by Type	December 31, 2019		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 268,711	$ 9,362	$ 278,073
Marine insurance	110,945	19,978	130,923
Land and air insurance	51,712	39,188	90,900
Liability insurance	345,774	271,171	616,945
Bonding insurance	31,591	24,672	56,263
Other property insurance	236,296	51,775	288,071
Accident insurance	7,878	35,908	43,786
Health insurance	-	-	-
Compulsory auto liability insurance	188,334	756,777	945,111
	$ 1,241,241	$ 1,208,831	$ 2,450,072

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

5) Reconciliation of loss reserve and ceded loss reserve

	For the Nine Months Ended September 30			
	2020		2019	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	$ 9,357,750	$ 2,450,072	$ 8,474,319	$ 2,345,027
Provision	9,734,780	2,788,070	8,858,984	2,273,843
Recovery	(9,356,855)	(2,449,566)	(8,477,642)	(2,347,951)
Foreign exchange	(1,798)	(1,178)	2,841	2,220
Ending balance	$ 9,733,877	$ 2,787,398	$ 8,858,502	$ 2,273,139

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 1,122,321	$ 1,478,016
Provision	12,521	48,082
Recovery	(178,347)	(210,219)
Ending balance	$ 956,495	$ 1,315,879

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

	For the Nine Months Ended September 30, 2020		
	Liability		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 430,719	$ 1,345,017	$ 1,775,736
Provision	-	-	-
Recovery	-	-	-
Ending balance	$ 430,719	$ 1,345,017	$ 1,775,736

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

If the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, Notice for enhancing the reserves of residential earthquake insurance pool members and Regulations governing the reserves of nuclear energy insurance were not applied, there is no material impact on the Group's pre-tax income/loss the special reserve under liabilities would decrease by $1,467,236 and $1,485,963 thousand, and special reserve under equity would increase by $441,141 and $508,108 thousand for the nine months ended September 30, 2020 and 2019, respectively.

d. Premium deficiency reserves

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

	September 30, 2020			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	211	745	-	956
Land and air insurance	88	136	-	224
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 299	$ 881	$ -	$ 1,180

	December 31, 2019			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	12	613	-	625
Land and air insurance	-	1,400	-	1,400
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 12	$ 2,013	$ -	$ 2,025

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

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

	For the Nine Months Ended September 30, 2020								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	211	12	745	613	331	-	-	-	331
Land and air insurance	88	-	136	1,400	(1,176)	-	-	-	(1,176)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 299	$ 12	$ 881	$ 2,013	$ (845)	$ -	$ -	$ -	$ (845)

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

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

	For the Nine Months Ended September 30			
	2020		2019	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	$ 2,025	$ -	$ 11,347	$ -
Provision	1,180	-	5,116	-
Recovery	(2,025)	-	(11,347)	-
Ending balance	$ 1,180	$ -	$ 5,116	$ -

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

September 30, 2020

	Policy Reserve		Ceded Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 131	$ -	$ -	$ 131

December 31, 2019

	Policy Reserve		Ceded Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 79	$ -	$ -	$ 79

September 30, 2019

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

2) Net changes in policy reserve and ceded policy reserve

For the nine months ended September 30, 2020

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	$ 78	$ 26	$ -	$ -	$ 52

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

For the nine months ended September 30, 2019

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

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

Pension under the defined contribution plan for the three months ended September 30, 2020 and 2019 were $20,249 thousand and $20,873 thousand, respectively, and were $63,140 thousand and $62,493 thousand for nine months ended September 30, 2020 and 2019, respectively.

b. Defined benefit plans

Pension under the defined benefit plans were calculated by actuarial determination of retirement cost ratio on December 31, 2019 and 2018, respectively, which were $8,246 thousand and $8,263 thousand for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019 were $24,738 thousand and $28,558 thousand, respectively.

22. EQUITY

a. Share capital

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	305,705	305,705	305,705
Shares authorized	$ 3,057,052	$ 3,057,052	$ 3,057,052
Number of shares issued and fully paid (in thousands)	305,705	305,705	305,705
Shares issued	$ 3,057,052	$ 3,057,052	$ 3,057,052

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	$ 502,500	$ 502,500	$ 502,500
May not be used for any purpose (2)			
Recognition of employee share options by the parent company	15,826	15,826	-
	$ 518,326	$ 518,326	$ 502,500

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

2) The Group's parent company, Cathay Financial Holdings Co., Ltd., resolved to issue ordinary shares on August 15, 2019 and retained 10% of the shares issued for the employee of Cathay Financial Holdings Co., Ltd. and its subsidiaries in accordance with the Company Act. The Company has recognized at the fair value on grant day of $15,826 thousand as salary expense and capital surplus in December 2019.

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 23.

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. 10804932431 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 2019 and 2018 that were approved by the board of directors, acting on behalf of the shareholders, on April 29, 2020 and May 3, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	**2018**
Legal reserve	$ 421,258	$ 275,249
Special reserve	(620,427)	513,659
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	537,572	468,632
Special reserve (FinTech development)	(173)	7,549
Cash dividends	1,768,056	111,158
Cash dividends per shares	5.78	0.36

d. Special reserve

	For the Nine Months Ended September 30, 2020				
	Special Reserve				
	Catastrophic Event	**Fluctuation of Risk**	**Others**	**Others**	**Total**
Balance at January 1, 2020	$ 1,625,133	$ 2,526,057	$ -	$ 841,840	$ 4,993,030
Provision	-	-	-	-	
Recovered/reversal	-	-	-	(620,600)	(620,600)
Balance at September 30, 2020	$ 1,625,133	$ 2,526,057	$	$ 221,240	$ 4,372,430

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

The newly recognized special reserve for catastrophic event and the special reserve for fluctuation of risk began to be reported as part of the special reserve under shareholders' equity at year-end. This portion of retained earnings cannot be used for any purpose. The accumulative recognized amount as of September 30, 2020 and 2019 was $4,151,190 thousand and $3,613,618 thousand, respectively.

e. Other equity items

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ (319,991)	$ (228,873)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(20,586)	5,933
Share from associates accounted for using the equity method	(21,886)	(59,263)
Other comprehensive income recognized for the period	(42,472)	(53,330)
Ending balance	$ (362,463)	$ (282,203)

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 78,395	$ (153,280)
Recognized for the period		
Unrealized gain (loss) - debt instruments	14,845	13,086
Unrealized gain (loss) - equity instruments	(152,400)	43,200
Adjustments of loss allowance in debt instruments	32	(80)
Shares from associates accounted for using the equity method	(16,874)	20,452
Other comprehensive income recognized for the period	(154,397)	76,658
Ending balance	$ (76,002)	$ (76,622)

3) Remeasurement of defined benefit plans

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ (158,735)	$ (163,649)
Changes in this period	-	-
Ending balance	$ (158,735)	$ (163,649)

4) Other comprehensive income reclassified under the overlay approach

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	$ 208,111	$ (266,845)
Recognized for the period	(62,850)	653,220
Reclassification adjustments		
Disposal of financial instruments	(400,812)	(286,892)
Related income tax	17,419	(4,925)
Other comprehensive income recognized for the period	(446,243)	361,403
Ending balance	$ 238,132	$ 94,558

23. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Bank deposits	$ 8,694	$ 14,989	$ 31,145	$ 46,739
Bills purchased under resale agreement	1,770	387	5,460	1,030
Financial instruments at FVTPL	28,732	20,848	82,146	46,578
Investments in debt instruments at FVTOCI	3,027	3,055	9,064	9,477
Financial assets at amortized cost	91,133	98,039	279,604	293,160
Loan	753	953	2,464	2,880
Compulsory insurance	2,116	3,824	7,138	11,473
Other financial assets	13	9	34	47
	$ 136,238	$ 142,104	$ 417,055	$ 411,384

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

	For the Three Months Ended September 30					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 71,334	$ 494,318	$ 565,652	$ 71,443	$ 531,275	$ 602,718
Labor and health insurance	-	52,223	52,223	-	54,405	54,405
Pension expenses	-	28,495	28,495	-	29,136	29,136
Remuneration of directors	-	2,019	2,019	-	1,854	1,854
Other employee benefits	-	14,082	14,082	-	13,175	13,175
	$ 71,334	$ 591,137	$ 662,471	$ 71,433	$ 629,845	$ 701,288
Depreciation	$ -	$ 46,355	$ 46,355	$ -	$ 41,728	$ 41,728
Amortization	$ -	$ 13,369	$ 13,369	$ -	$ 10,677	$ 10,677

	For the Nine Months Ended September 30					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 203,032	$ 1,563,221	$ 1,766,253	$ 218,382	$ 1,559,922	$ 1,778,304
Labor and health insurance	-	173,191	173,191	-	168,408	168,408
Pension expenses	-	87,878	87,878	-	91,051	91,051
Remuneration of directors	-	15,148	15,148	-	14,107	14,107
Other employee benefits	-	31,519	31,519	-	34,949	34,949
	$ 203,032	$ 1,870,957	$ 2,073,989	$ 218,382	$ 1,868,437	$ 2,086,819
Depreciation	$ -	$ 132,445	$ 132,445	$ -	$ 125,874	$ 125,874
Amortization	$ -	$ 35,774	$ 35,774	$ -	$ 29,752	$ 29,752

For the nine months ended September 30, 2020 and 2019, the Group's average number of employees were 2,265 and 2,239, respectively. There were 2,281 and 2,253 employees, which include 8 directors not serving concurrently as employees, in the Group as of September 30, 2020 and 2019.

c. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2020	**2019**
Employees' compensation	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Employees' compensation	$ 817	$ 761	$ 2,191	$ 1,963
Remuneration of directors and supervisors	$ -	$ -	$ -	$ -

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

The appropriation of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the board of directors on March 10, 2020 and March 20, 2019, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2019	**2018**
	Cash	**Cash**
Employees' compensation	$ 2,497	$ 1,861
Remuneration of directors and supervisors	$ 4,500	$ 4,474

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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	$ 101,228	$ 107,292	$ 365,264	$ 297,750
Income tax adjustment for prior periods	2,078	-	4,275	101
	103,306	107,292	369,539	297,851
Deferred tax				
In respect of the current period	(20,514)	2,426	(43,340)	15,920
Income tax expense recognized in profit or loss	$ 82,792	$ 109,718	$ 326,199	$ 313,771

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Deferred tax				
In respect of the current period:				
Other comprehensive losses or gains reclassification in overlay approach	$ 3,200	$ (7,116)	$ (17,419)	$ 4,925
Total income tax recognized in other comprehensive income	$ 3,200	$ (7,116)	$ (17,419)	$ 4,925

c. Income tax assessments

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

25. EARNINGS PER SHARE

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Profit for the year attributable to owners of the Company	$ 737,493	$ 651,395	$ 1,867,198	$ 1,647,724

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705	305,705	305,705

26. FINANCIAL INSTRUMENTS

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

September 30, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,398,309	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	6,294,563	-	7,260,394	-	7,260,394
	$ 7,692,872	$ -	$ 8,660,394	$ -	$ 8,660,394
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 508,331	$ -	$ 515,033	$ -	$ 515,033

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,399,038	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	6,783,161	-	7,422,914	-	7,422,914
	$ 8,182,199	$ -	$ 8,822,914	$ -	$ 8,822,914
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 512,890	$ -	$ 517,459	$ -	$ 517,459

September 30, 2019

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

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

1) Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 108,044	$ -	$ 108,044
Domestic listed shares	5,382,854	-	-	5,382,854
Foreign listed shares	336,150	-	-	336,150
Mutual funds	4,187,854	-	-	4,187,854
Domestic financial bonds	-	314,447	-	314,447
	$ 9,906,858	$ 422,491	$ -	$ 10,329,349
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 437,400	$ 437,400
Investments in debt instruments				
Domestic government bonds	-	763,782	-	763,782
	$ -	$ 763,782	$ 437,400	$ 1,201,182
Financial liabilities at FVTPL				
Derivatives	$ -	$ 2,257	$ -	$ 2,257

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 105,561	$ -	$ 105,561
Domestic listed shares	5,386,616	-	-	5,386,616
Foreign listed shares	378,000	-	-	378,000
Mutual funds	3,059,041	-	-	3,059,041
Domestic financial bonds	-	768,195	-	768,195
	$ 8,823,657	$ 873,756	$ -	$ 9,697,413
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 589,800	$ 589,800
Investments in debt instruments				
Domestic government bonds	-	754,014	-	754,014
	$ -	$ 754,014	$ 589,800	$ 1,343,814
Financial liabilities at FVTPL				
Derivatives	$ -	$ 367	$ -	$ 367

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 17,416	$ -	$ 17,416
Domestic listed shares	4,050,989	-	-	4,050,989
Foreign listed shares	316,557	-	-	316,557
Mutual funds	3,006,379	-	-	3,006,379
Domestic financial bonds	-	772,034	-	772,034
	$ 7,373,925	$ 789,450	$ -	$ 8,163,375
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 448,800	$ 448,800
Investments in debt instruments				
Domestic government bonds	-	753,955	-	753,955
	$ -	$ 753,955	$ 448,800	$ 1,202,755
Financial liabilities at FVTPL				
Derivatives	$ -	$ 53,369	$ -	$ 53,369

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

For the nine months ended September 30, 2020

Financial Assets	**Financial Assets at FVTOCI** **Equity Instrument**
Balance at January 1, 2020	$ 589,800
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	(152,400)
Balance at September 30, 2020	$ 437,400

For the nine months ended September 30, 2019

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

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

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

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

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

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

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
	September 30, 2020			
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability the lower the fair value of the stocks

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

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

c. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 10,329,349	$ 9,697,413	$ 8,163,375
Financial assets at amortized cost (1)	20,180,882	22,485,856	22,451,687
Financial assets at FVTOCI			
Equity instruments	437,400	589,800	448,800
Debt instruments	763,782	754,014	753,955
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	2,257	367	53,369
Amortized cost (2)	2,504,372	3,403,811	2,708,352

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

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

d. Financial risk management objectives and policies

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

1) Market risk analysis

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

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

a) Value at Risk

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

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

b) Stress testing

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

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

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

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

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

ii) Hypothetical scenario

The Group simulate rational expectations for possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing				
Risk Factors	**Changes (+/-)**	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**
Equity price risk (index)	-10%	$ (617,186)	$ (504,117)	$ (425,282)
Interest rate risk (yield curve)	+20bps	(135,761)	(150,339)	(155,032)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(113,539)	(115,390)	(91,972)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

i) Foreign currency risk

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

The carrying amounts of the Group’s foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

ii) Interest rate risk

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

iii) Price risk

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

iv) Sensitivity analysis

Risk Factors	Variation (+/-)	September 30, 2020 Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1 %	$ 21,191	$ 4,750
	CNY appreciates 1 %	2,561	-
	HKD appreciates 1 %	983	3,701
	EUR appreciates 1 %	120	285
	VND appreciates 1 %	-	6,112
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,020)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(54)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,053)	(734)
Equity securities price sensitivity	Increases 1% in equity price	-	61,719

Risk Factors	Variation (+/-)	December 31, 2019 Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	$ 24,084	$ 2,756
	CNY appreciates 1%	2,506	-
	HKD appreciates 1%	587	4,146
	EUR appreciates 1%	114	318
	VND appreciates 1%	-	6,154
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,513)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(81)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,189)	(811)
Equity securities price sensitivity	Increases 1% in equity price	-	50,412

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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

Note 4: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

2) Credit risk

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

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

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

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

b) Credit concentration risk analysis

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

September 30, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 9,247,560	$ -	$ -	$ -	$ 284,069	$ 9,531,629
Financial assets at FVTPL	422,491	-	-	-	-	422,491
Financial assets at FVTOCI	763,782	-	-	-	-	763,782
Financial assets at amortized cost	1,906,640	335,346	1,257,174	3,043,073	1,658,970	8,201,203
Total	$ 12,340,473	$ 335,346	$ 1,257,174	$ 3,043,073	$ 1,943,039	$ 18,919,105
Proportion	65.23%	1.77%	6.64%	16.09%	10.27%	100.00%

December 31, 2019

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,482,899	$ -	$ -	$ -	$ 184,376	$ 10,667,275
Financial assets at FVTPL	873,756	-	-	-	-	873,756
Financial assets at FVTOCI	754,014	-	-	-	-	754,014
Financial assets at amortized cost	1,911,928	347,998	1,461,335	3,171,747	1,802,081	8,695,089
Total	$ 14,022,597	$ 347,998	$ 1,461,335	$ 3,171,747	$ 1,986,457	$ 20,990,134
Proportion	66.81%	1.66%	6.96%	15.11%	9.46%	100.00%

September 30, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

e) Measurement of expected credit losses

i. Methods and assumptions adopted

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

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

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

ii. Consideration of forward-looking information

The Group take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly announced by the International Credit Rating Agency (Moody`s) and adjusted depends on general economic information.

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

i. Financial assets of the Group

	September 30, 2020					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 763,782	$ -	$ -	$ -	$ -	$ 763,782
Financial assets measured at amortized cost	8,075,372	-	-	-	(6,783)	8,068,589
Non-investment grade						
Financial assets measured at amortized cost	-	144,209	-	-	(11,595)	132,614

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 754,014	$ -	$ -	$ -	$ -	$ 754,014
Financial assets measured at amortized cost	8,698,998	-	-	-	(3,909)	8,695,089

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

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

ii. Secured loans

	September 30, 2020					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 210,901	$ -	$ -	$ -	$ (2,572)	$ 208,329

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 232,652	$ -	$ -	$ -	$ (2,803)	$ 229,849

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

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument investments at FVTOCI

	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, 2020	$ 66	$ -	$ -	$ -	$ 66
Changes in models/risk parameters	32	-	-	-	32
September 30, 2020	$ 98	$ -	$ -	$ -	$ 98
January 1, 2019	$ 148	$ -	$ -	$ -	$ 148
Changes in models/risk parameters	(80)	-	-	-	(80)
September 30, 2019	$ 68	$ -	$ -	$ -	$ 68

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, 2020	$ 3,909	$ -	$ -	$ -	$ 3,909
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Derecognition of financial assets in the current period	-	-	(8,854)	-	(8,854)
Changes in models/risk parameters	3,397	-	19,926	-	23,323
September 30, 2020	$ 6,783	$ -	$ 11,595	$ -	$ 18,378
January 1, 2019	$ 3,542	$ -	$ -	$ -	$ 3,542
Changes in models/risk parameters	480	-	-	-	480
September 30, 2019	$ 4,022	$ -	$ -	$ -	$ 4,022

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses Collectively Assessed	Lifetime Expected Credit Losses Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2020	$ 66	$ -	$ -	$ -	$ 66	$ 2,737	$ 2,803
Changes in models/risk parameters	229	-	-	-	229	-	229
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(460)	(460)
September 30, 2020	$ 295	$ -	$ -	$ -	$ 295	$ 2,277	$ 2,572
January 1, 2019	$ 53	$ -	$ -	$ -	$ 53	$ 2,832	$ 2,885
Changes in models/risk parameters	(4)	-	-	-	(4)	-	(4)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(85)	(85)
September 30, 2019	$ 49	$ -	$ -	$ -	$ 49	$ 2,747	$ 2,796

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

h) Exposure to credit risk and loss allowance of receivables

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

September 30, 2020	Due	Over Due	Total
Carrying amount	$ 1,160,737	$ 688,213	$ 1,848,950
Expected loss rate	0.99%	3.66%	
Lifetime expected credit losses	$ 11,495	$ 25,164	36,659

December 31, 2019	Due	Over Due	Total
Carrying amount	$ 1,654,354	$ 724,959	$ 2,379,313
Expected loss rate	0.97%	3.05%	
Lifetime expected credit losses	16,026	22,108	38,134

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

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

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

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

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

September 30, 2020

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,454,284	$ 14,142	$ 10,089	$ 25,443	$ 414
Lease liabilities	72,565	55,461	10,708	1,455	-
Derivative financial liabilities					
Swap	2,257	-	-	-	-

December 31, 2019

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,377,416	$ 12,401	$ 6,359	$ 7,635	$ -
Lease liabilities	66,810	63,716	81,377	538	-
Derivative financial liabilities					
Swap	367	-	-	-	-

September 30, 2019

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

27. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group, investors have significant influence 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)	Associate
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Life Insurance Co., Ltd.(Vietnam)	Fellow subsidiary
Indovina Bank Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Futures Co., Ltd.	Fellow subsidiary
Funds issued from Cathay Securities Investment Trust Co., Ltd.	Other related parties
Cathay Real Estate Development Co., Ltd.	Other related parties
Cathay Medical Care Corp.	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Seaward Card Co., Ltd	Other related parties
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

b. Trading transactions

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Net premium income	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ 4,927	$ 4,861	$ 110,070	$ 98,668
	Cathay United Bank Co., Ltd.	52,566	28,462	129,302	112,432
	Other related parties				
	San Ching Engineering Co., Ltd.	1,049	437	5,618	2,472
	Symphox Information Co., Ltd.	(115)	28	2,129	3,356
	Cathay Medical Care Corp.	3,616	2,752	4,012	3,095
	Cathay Real Estate Development Co., Ltd.	2,303	2,364	3,523	3,350
		$ 64,346	$ 38,904	$ 254,654	$ 223,373

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Operating cost					
Marketing cost	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ 148,430	$ 173,345	$ 467,601	$ 489,813
Commission cost	Fellow subsidiary				
	Cathay United Bank Co., Ltd.	6,445	7,580	20,221	21,919
		$ 154,875	$ 180,925	$ 487,822	$ 511,732
Retained claims	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ 7,652	$ 12,710	$ 7,652	$ 12,710
	Cathay United Bank Co., Ltd.	22	24,516	41	24,517
	Other related parties				
	San Ching Engineering Co., Ltd.	-	157	-	157
		$ 7,674	$ 37,383	$ 7,693	$ 37,384
Operating expenses					
Other equipment expenses	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ -	$ -	$ 4,343	$ 697
Group insurance expenses	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	6,641	5,080	$ 17,845	13,531
Building management fee	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	1,330	1,321	5,319	5,340
Marketing expenses	Fellow subsidiary				
	Cathay United Bank Co., Ltd.	28,707	31,875	84,813	91,556
	Cathay Life Insurance Co., Ltd.(Vietnam)	2,164		5,958	
Management fee	Fellow subsidiary				
	Cathay Securities Investment Trust Co., Ltd.	2,698	2,345	4,703	5,396
Other expenses	Other related parties				
	Symphox Information Co., Ltd.	10,356	13,590	48,756	56,398
	Seaward Card Co., Ltd	2,061	1,195	4,927	4,301
		$ 53,957	$ 55,406	$ 176,664	$ 177,219

c. Receivables from related parties

Line Item	Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Premiums receivable	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 19,006	$ 49,719	$ 19,413
	Other related parties			
	Cathay Medical Care Corp.	3,574	569	2,701
		$ 22,580	$ 50,288	$ 22,114

The outstanding receivables from related parties are unsecured. For the nine months ended September 30, 2020 and 2019, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Other payable	The Group's parent			
	Cathay Financial Holdings Co., Ltd.(Note)	$ 283,042	$ 362,812	$ 283,025
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	81,638	67,834	89,238
	Other related parties			
	Symphox Information Co., Ltd.	5,600	1,121	7,109
		$ 370,280	$ 431,767	$ 379,372

Note: Including Income tax payable under tax consolidation.

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

e. Cash in bank

Line Item	Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 1,780,076	$ 1,906,704	$ 1,348,055
	Indovina Bank Ltd.	17,087	8,180	7,837
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	281,800	567,600	600,800
	Indovina Bank Ltd.	253,630	150,726	184,687
		$ 2,332,593	$ 2,633,210	$ 2,141,379

As of September 30, 2020, December 31, 2019 and September 30, 2019, time deposits pledged recognized in guarantee deposits were $22,686 thousand, $22,949 thousand and $23,188 thousand, respectively.

f. Interest revenue

Related Party Category/Name	For the Three Months Ended September 30 2020	For the Three Months Ended September 30 2019	For the Nine Months Ended September 30 2020	For the Nine Months Ended September 30 2019
Fellow subsidiary				
Cathay United Bank Co., Ltd.	$ 757	$ 2,089	$ 3,745	$ 6,373
Indovina Bank Ltd.	3,134	5,151	9,348	9,160
	$ 3,891	$ 7,240	$ 13,093	$ 15,533

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Funds issued from Cathay Securities Investment Trust Co., Ltd.	$ 1,043,962	$ 712,949	$ 731,233

h. Discretionary account management balance

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 1,191,086	$ 1,081,258	$ 988,750

i. Guarantee deposits

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Fellow subsidiary			
Cathay Life Insurance Co., Ltd.	$ 26,580	$ 26,580	$ 25,167
Cathay United Bank Co., Ltd.	16,775	17,196	17,247
Cathay Futures Co., Ltd.	21,841	21,836	21,834
Indovina Bank Ltd.	7,821	7,949	8,188
	$ 73,017	$ 73,561	$ 72,436

j. Secured loans

Related Party Category/Name	For the Nine Months Ended September 30, 2020			
	Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 31,405	$ 30,996	1.25%	$ 277

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

k. Lease arrangements - Group is lessee

Related Party Category/Name	**For the Nine Months Ended September 30**	
	2020	**2019**
Acquisitions of right-of-use assets		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 930	$ 210,625
Cathay United Bank Co., Ltd.	12,167	1,595
	$ 13,097	$ 212,220

Line Item	**Related Party Category/Name**	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**
Lease liabilities	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	$ 98,051	$ 176,326	$ 202,435
	Cathay United Bank Co., Ltd.	9,652	3,226	5,438
		$ 107,703	$ 179,552	$ 207,873

Related Party Category/Name	**For the Three Months Ended September 30**		**For the Nine Months Ended September 30**	
	2020	**2019**	**2020**	**2019**
Interest expense				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 353	$ 177	$ 1,315	$ 490
Cathay United Bank Co., Ltd.	30	-	72	-
	$ 383	$ 177	$ 1,387	$ 490
Lease expense				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 649	$ 366	$ 2,101	$ 480
Cathay United Bank Co., Ltd.	-	226	-	480
	$ 649	$ 592	$ 2,101	$ 960

l. Foreign exchange swaps

As of September 30, 2020, December 31, 2019 and September 30, 2019, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 95,200	US$ 92,700	US$ 88,700
	EUR 750	EUR 750	EUR 750

m. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category/Name	2020	2019	2020	2019
Short-term employee benefits	$ 10,406	$ 10,401	$ 61,915	$ 55,045
Post-employment benefits	1,765	1,630	5,294	4,890
	$ 12,171	$ 12,031	$ 67,209	$ 59,935

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

28. THE ALLOCATION OF REVENUE AND EXPENSES ARISING FROM BUSINESS TRANSACTIONS, PROMOTION ACTIVITIES AND INFORMATION SHARING BETWEEN PARENT COMPANY AND OTHER SUBSIDIARIES

To elaborate the benefits of economic scale, Cathay Financial Holdings and its subsidiaries cooperate to launch promotion activities, and the related expenses are allocated to each subsidiary directly by the nature of business or on other reasonable basis.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. The Company

	September 30, 2020	December 31, 2019	September 30, 2019
Guarantee deposits paid - government bonds	$ 508,331	$ 512,890	$ 514,398
Guarantee deposits paid - time deposits	15,000	15,000	15,000
	$ 523,331	$ 527,890	$ 529,398

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Company provided government bonds amounting to $508,406 thousand, $512,940 thousand and $514,449 thousand as the “Guaranteed Depository Insurance” in accordance with the Insurance Act, respectively. The pledged assets are stated at book value. Loss allowance amounted to $75 thousand, $50 thousand and $51 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

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

	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Government deposits paid - time deposits	$ 7,686	$ 7,949	$ 8,188

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

30. OTHER ITEMS

a. Capital management

1) Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

2) Management policies

In order for sufficient capital to assume all types of risks, the Company applies RBC ratio as the management indicator for capital adequacy. The Company calculates RBC ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as reference for business objectives, asset allocation and dividend policy.

3) Management procedures

a) Periodical calculation

The Company provides RBC report every half year by the authority and analyzes the possible changes of owned capital and risk-based capital when making the next-year financial forecast of business and investment development plan at the end of every year, which ensure the soundness of capital structure and implement capital adequacy management.

b) Aperiodic calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

4) Current status of RBC ratio

The Company’s RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past two years, which complies with the regulations.

b. Total amount of assets and liabilities expected to recover or settle within/over 12 months

Items	September 30, 2020 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 9,547,305	$ -	$ 9,547,305
Receivables	2,129,779	-	2,129,779
Investments			
Financial assets at FVTPL	10,014,902	314,447	10,329,349
Financial assets at FVTOCI	-	1,201,182	1,201,182
Financial assets measured at amortized cost	504,116	7,118,756	7,692,872
Investments accounted for using the equity method	-	2,118,206	2,118,206
Loans	16	208,313	208,329
Total investments	10,349,972	11,199,966	21,549,938
Reinsurance assets	1,031,618	6,161,054	7,192,672
Property and equipment	-	185,622	185,622
Right-of-use assets	-	138,739	138,739
Intangible assets	-	83,887	83,887
Deferred tax assets	-	168,874	168,874
Other assets	40,006	618,703	658,709
Total assets	$ 23,098,680	$ 18,556,845	$ 41,655,525
Payables	$ 2,504,372	$ -	$ 2,504,372
Financial liabilities at FVTPL	2,257	-	2,257
Insurance liabilities			
Unearned premium reserve	-	12,967,270	12,967,270
Loss reserve	-	9,733,877	9,733,877
Policy reserve	-	131	131
Special reserve	-	2,732,231	2,733,231
Premium deficiency reserve	-	1,180	1,180
Total insurance liabilities	-	25,434,689	25,434,689
Provisions	-	433,255	433,255
Lease liabilities	124,259	15,099	139,358
Deferred tax liabilities	-	274,773	274,773
Other liabilities	740,937	13,397	754,334
Total liabilities	$ 3,371,825	$ 26,171,213	$ 29,543,038

Items	December 31, 2019 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 10,685,599	$ -	$ 10,685,599
Receivables	2,776,216	-	2,776,216
Investments			
Financial assets at FVTPL	9,383,549	313,864	9,697,413
Financial assets at FVTOCI	-	1,343,814	1,343,814
Financial assets measured at amortized cost	423,125	7,759,074	8,182,199
Investments accounted for using the equity method	-	2,122,476	2,122,476
Loans	314	229,535	229,849
Total investments	9,806,988	11,768,763	21,575,751
Reinsurance assets	1,065,450	5,649,276	6,714,726
Property and equipment	-	172,082	172,082
Right-of-use assets	-	209,498	209,498
Intangible assets	-	67,307	67,307
Deferred tax assets	-	134,204	134,204
Other assets	46,108	626,561	672,669
Total assets	$ 24,380,361	$ 18,627,691	$ 43,008,052
Payables	$ 3,403,811	$ -	$ 3,403,811
Financial liabilities at FVTPL	367	-	367
Insurance liabilities			
Unearned premium reserve	-	12,736,870	12,736,870
Loss reserve	-	9,357,750	9,357,750
Policy reserve	-	79	79
Special reserve	-	2,898,057	2,898,057
Premium deficiency reserve	-	2,025	2,025
Total insurance liabilities	-	24,994,781	24,994,781
Provisions	-	432,909	432,909
Lease liabilities	128,438	81,715	210,153
Deferred tax liabilities	-	300,872	300,872
Other liabilities	994,858	13,844	1,008,702
Total liabilities	$ 4,527,474	$ 25,824,121	$ 30,351,595

Items	September 30, 2020 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 10,536,037	$ -	$ 10,536,037
Receivables	2,691,433	-	2,691,433
Investments			
Financial assets at FVTPL	7,848,402	314,973	8,163,375
Financial assets at FVTOCI	-	1,202,755	1,202,755
Financial assets measured at amortized cost	77,842	8,278,098	8,355,940
Investments accounted for using the equity method	-	2,112,065	2,112,065
Loans	315	229,950	230,265
Total investments	7,926,559	12,137,841	20,064,400
Reinsurance assets	859,175	5,343,391	6,202,566
Property and equipment	-	157,935	157,935
Right-of-use assets	-	239,228	239,228
Intangible assets	-	63,554	63,554
Deferred tax assets	-	115,943	115,943
Other assets	37,675	649,676	687,351
Total assets	$ 22,050,879	$ 18,707,568	$ 40,758,447
Payables	$ 2,708,352	$ -	$ 2,708,352
Financial liabilities at FVTPL	53,369	-	53,369
Insurance liabilities			
Unearned premium reserve	-	12,208,311	12,208,311
Loss reserve	-	8,858,502	8,858,502
Policy reserve	-	61	61
Special reserve	-	3,110,341	3,110,341
Premium deficiency reserve	-	5,116	5,116
Total insurance liabilities	-	24,182,331	24,182,331
Provisions	-	439,051	439,051
Lease liabilities	129,298	109,944	239,242
Deferred tax liabilities	-	288,291	288,291
Other liabilities	887,779	13,659	901,438
Total liabilities	$ 3,778,798	$ 25,033,276	$ 28,812,074

c. Impact of COVID-19 pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of consolidated financial statements, there is no material impact on the Group. The Group will continue observing the relevant epidemic situation and evaluate its impact.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 211,391	29.126 (USD:NTD)	$ 6,159,180
EUR	6,321	34.171 (EUR:NTD)	215,355
HKD	72,426	3.757 (HKD:NTD)	309,513
CNY	7,637	4.276 (CNY:NTD)	28,896
Non-monetary items			
USD	43,613	29.126 (USD:NTD)	1,270,279
EUR	2,234	34.171 (EUR:NTD)	76,340
HKD	98,499	3.757 (HKD:NTD)	370,086
Investments accounted for using the equity method			
CNY	495,301	4.276 (CNY:NTD)	2,118,206
Derivative instruments (Note)			
USD	186,900	29.126 (USD:NTD)	108,044
Financial liabilities			
Monetary items			
USD	5,829	29.126 (USD:NTD)	174,371
EUR	290	34.171 (EUR:NTD)	10,041
HKD	218	3.757 (HKD:NTD)	844
CNY	3,257	4.276 (CNY:NTD)	13,867
Non-monetary items			
Derivative instruments (Note)			
EUR	2,750	34.171 (EUR:NTD)	2,257

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 234,225	30.106 (USD:NTD)	$ 7,055,376
EUR	5,197	33.749 (EUR:NTD)	175,530
HKD	7,738	3.866 (HKD:NTD)	29,989
CNY	66,860	4.323 (CNY:NTD)	290,361
Non-monetary items			
USD	23,606	30.106 (USD:NTD)	710,684
EUR	2,431	33.749 (EUR:NTD)	82,028
HKD	107,244	3.866 (HKD:NTD)	414,562
Investments accounted for using the equity method			
CNY	491,121	4.323 (CNY:NTD)	2,122,476
Derivative instruments (Note)			
USD	170,600	30.106 (USD:NTD)	103,085
EUR	2,750	33.749 (EUR:NTD)	2,476

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 4,075	30.106 (USD:NTD)	$ 126,838
EUR	174	33.749 (EUR:NTD)	6,005
HKD	2,081	3.866 (HKD:NTD)	8,097
CNY	1,084	4.323 (CNY:NTD)	4,782
Non-monetary items			
Derivative instruments (Note)			
USD	8,500	30.106 (USD:NTD)	367

(Concluded)

September 30, 2019

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

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

For the nine months ended September 30, 2020 and 2019 (realized and unrealized) net foreign exchange (losses) gains were $(207,392) thousand and $78,411 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

32. 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: (Table 3)

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 4)

7) Information on investees (Table 5)

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 6)

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) For transactions involving each other’s main business, such as underwriting an insurance policy where the proposer is the investee, the amount and percentage of transactions and the balance and percentage of the related payables at the end of the period.

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

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

d) 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 receiving of services

e) The amount or balance of transactions mentioned in subitems a - d above that reaches 10% or more of the insurance enterprise’s total amount or balance of such transactions shall be separately presented, while the rest may be added up and reported as an aggregate amount.

c. Information of major shareholders︰the insurance enterprise whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the insurance enterprise's equity. For this purpose, the insurance enterprise may request the centralized securities depository enterprise to provide relevant information: None

33. SEGMENT INFORMATION

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

34. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the three months ended September 30, 2020

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 769,883	$ 161,955	$ 443,986	$ 487,852	$ (62,849)	$ 550,701
Marine insurance	118,148	9,090	58,484	68,754	3,615	65,139
Land and air insurance	2,489,589	33,717	84,493	2,438,813	45,093	2,393,720
Liability insurance	475,599	908	201,798	274,709	11,478	263,231
Bonding insurance	25,377	7,097	14,258	18,216	161	18,055
Other property insurance	155,803	38,935	91,363	103,375	17,008	86,367
Accident insurance	767,700	3,585	58,863	712,422	41,410	671,012
Health insurance	42,789	2,735	9	45,515	7,225	38,290
Compulsory auto liability insurance	750,197	192,322	314,975	627,544	(3,548)	631,092
	$ 5,595,085	$ 450,344	$ 1,268,229	$ 4,777,200	$ (59,593)	$ 4,717,607

For the three months ended September 30, 2019

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

For the nine months ended September 30, 2020

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 2,740,931	$ 668,419	$ 1,700,633	$ 1,708,717	$ 57,320	$ 1,651,397
Marine insurance	450,986	38,941	306,883	183,044	(9,955)	192,999
Land and air insurance	7,254,973	73,776	281,574	7,047,175	12,071	7,035,104
Liability insurance	1,127,768	3,703	374,797	756,674	(653)	757,327
Bonding insurance	92,356	26,055	58,377	60,034	3,119	56,915
Other property insurance	756,987	168,777	520,501	405,263	31,988	373,275
Accident insurance	2,187,906	10,661	180,156	2,018,411	(28,766)	2,047,177
Health insurance	147,445	19,873	13	167,305	(5,359)	172,664
Compulsory auto liability insurance	2,111,081	555,660	881,851	1,784,890	(13,842)	1,798,732
	$ 16,870,433	$ 1,565,865	$ 4,304,785	$ 14,131,513	$ 45,923	$ 14,085,590

For the nine months ended September 30, 2019

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

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

For the nine months ended September 30, 2020

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,111,081	$ 555,660	$ 881,851	$ 1,784,890
Non-compulsory insurance	14,759,352	1,010,205	3,422,934	12,346,623
	$ 16,870,433	$ 1,565,865	$ 4,304,785	$ 14,131,513

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,235,219	$ 1,253,418	$ 462,841	$ 469,404	$ (24,762)
Non-compulsory insurance	10,925,786	10,809,506	347,757	220,359	243,678
	$ 12,161,005	$ 12,062,924	$ 810,598	$ 689,763	$ 218,916

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	$ 741,131	$ 752,051	$ (10,920)	$ 1,798,732
Non-compulsory insurance	2,634,358	2,450,445	183,913	12,286,858
	$ 3,375,489	$ 3,202,496	$ 172,993	$ 14,085,590

For the nine months ended September 30, 2019

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

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

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

b. Retained claims

Insurance by Type	For the Three Months Ended September 30, 2020			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 81,773	$ 95,781	$ 20,274	$ 157,280
Marine insurance	90,008	7,570	45,325	52,253
Land and air insurance	1,425,680	23,623	35,919	1,413,384
Liability insurance	147,794	210	30,671	117,333
Bonding insurance	11,508	1,782	3,012	10,278
Other property insurance	105,706	23,586	54,002	75,290
Accident insurance	324,272	1,028	17,588	307,712
Health insurance	16,970	7,573	-	24,543
Compulsory auto liability insurance	505,148	225,030	300,369	429,809
	$ 2,708,859	$ 386,183	$ 507,160	$ 2,587,882

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

Insurance by Type	For the Nine Months Ended September 30, 2020 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 335,651	$ 336,796	$ 82,643	$ 589,804
Marine insurance	184,948	30,715	112,241	103,422
Land and air insurance	4,226,570	43,347	109,680	4,160,237
Liability insurance	535,601	354	197,898	338,057
Bonding insurance	(58,588)	3,570	(71,304)	16,286
Other property insurance	306,340	158,379	172,044	292,675
Accident insurance	1,063,076	4,090	51,407	1,015,759
Health insurance	66,300	20,318	-	86,618
Compulsory auto liability insurance	1,599,965	673,030	938,330	1,334,665
	$ 8,259,863	$ 1,270,599	$ 1,592,939	$ 7,937,523

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

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance by Type	For the Nine Months Ended September 30, 2020 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,599,965	$ 673,030	$ 938,330	$ 1,334,665
Non-compulsory insurance	6,659,898	597,569	654,609	6,602,858
	$ 8,259,863	$ 1,270,599	$ 1,592,939	$ 7,937,523

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

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

Claims and payments recoverable for policyholders' claims filed and paid

Insurance by Type	Claims Filed and Paid		
	September 30, 2020	December 31, 2020	September 30, 2019
Fire insurance	$ 12,573	$ 11,803	$ 27,656
Marine insurance	19,974	14,046	21,532
Land and air insurance	35,919	41,335	43,883
Liability insurance	27,498	48,045	34,045
Bonding insurance	2,935	3,952	(456)
Other property insurance	41,756	21,993	31,359
Accident insurance	14,575	18,354	13,796
Health insurance	-	-	-
Compulsory auto liability insurance	214,037	178,606	167,291
	369,267	338,134	339,106
Less: Loss allowance	(18,463)	(16,907)	(3,391)
	$ 350,804	$ 321,227	$ 335,715

d. Receivables and payables of insurance contracts

Receivables

Insurance by Type	Premiums Receivable		
	September 30, 2020	December 31, 2019	September 30, 2019
Fire insurance	$ 686,708	$ 832,679	$ 666,450
Marine insurance	236,606	280,050	236,263
Land and air insurance	161,678	165,238	171,821
Liability insurance	258,649	252,358	279,939
Bonding insurance	32,190	24,869	29,632
Other property insurance	154,478	466,437	418,816
Accident insurance	110,214	130,202	154,261
Health insurance	5,091	9,748	12,337
Compulsory auto liability insurance	19,149	20,950	35,161
	1,664,763	2,182,531	2,004,680
Less: Loss allowance	(33,138)	(33,108)	(58,457)
	$ 1,631,625	$ 2,149,423	$ 1,946,223

Aging analysis of premiums receivable:

	September 30, 2020	December 31, 2019	September 30, 2019
Less than 90 days	$ 978,246	$ 1,460,661	$ 1,416,059
Over 90 days	686,517	721,870	588,621
	$ 1,664,763	$ 2,182,531	$ 2,004,680

The overdue amounts as of September 30, 2020, December 31, 2019 and September 30, 2019 in the above premiums receivable were $686,517 thousand, $721,870 thousand and $588,621, respectively, and loss allowance of $23,468 thousand, $19,019 thousand and $44,344 thousand were provided, respectively.

Accounts payable

	September 30, 2020		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 27,985	$ 12,516	$ 40,501
Marine insurance	8,658	11,526	20,184
Land and air insurance	86,181	95,288	181,469
Liability insurance	9,885	21,737	31,622
Bonding insurance	4,648	586	5,234
Other property insurance	6,668	9,930	16,598
Accident insurance	9,828	29,401	39,229
Health insurance	1,362	901	2,263
Compulsory auto liability insurance	29,583	-	29,583
	$ 184,798	$ 181,885	$ 366,683

	December 31, 2019		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 28,685	$ 13,250	$ 41,935
Marine insurance	8,300	15,052	23,352
Land and air insurance	73,939	99,854	173,793
Liability insurance	21,674	24,333	46,007
Bonding insurance	2,601	451	3,052
Other property insurance	5,452	13,266	18,718
Accident insurance	10,629	33,141	43,770
Health insurance	2,576	3,471	6,047
Compulsory auto liability insurance	27,240	-	27,240
	$ 181,096	$ 202,818	$ 383,914

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

Due from (to) reinsurers and ceding companies - reinsurance

	September 30, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 343,296	$ 343,064
AON	71,327	80,175
Central Re	19,594	120,847
Guy Carpenter	50,572	16,995
Marsh	19,937	81,011
Swiss Re	20,144	84,616
Others (individually below 5%)	199,969	532,330
	724,839	1,259,038
Less: Loss allowance	(44,025)	-
	$ 680,814	$ 1,259,038

	December 31, 2019	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 329,413	$ 314,263
AON	72,042	415,823
Willis	49,804	4,216
Central Re	16,758	105,805
Others (individually below 5% of the total amount)	320,592	932,784
	788,609	1,772,891
Less: Loss allowance	(44,386)	-
	$ 744,223	$ 1,772,891

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

The overdue amounts as of September 30, 2020, December 31, 2019 and September 30, 2019 in the above due from (to) reinsurers and ceding companies were $13,093 thousand, $10,483 thousand and $12,323 thousand, respectively, and loss allowances of $13,093 thousand, $10,483 thousand and $12,323 thousand were provided, respectively.

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

e. Reserve required for specific assets

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

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

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

1) Government bonds but not exchangeable government bonds;

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

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

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

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

1) Treasury bills.

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

3) Government bonds under repurchase agreement.

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

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

If the total amount of unearned premium reserve and loss 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 of insurance contracts

	For the Three Months Ended September 30, 2020				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 52,867	$ 3,981	$ 34,848	$ 4,539	$ 96,235
Marine insurance	12,180	227	1,983	381	14,771
Land and air insurance	251,744	210	7,920	95,765	355,639
Liability insurance	51,382	129	(42)	6,764	58,233
Bonding insurance	2,656	69	1,889	55	4,669
Other property insurance	19,559	962	6,617	925	28,063
Accident insurance	90,999	419	(310)	19,420	110,528
Health insurance	8,577	69	273	291	9,210
Compulsory auto liability insurance	-	104,979	-	-	104,979
	$ 489,964	$ 111,045	$ 53,178	$ 128,140	$ 782,327

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

Insurance by Type	For the Nine Months Ended September 30, 2020				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 148,787	$ 15,920	$ 130,965	$ 13,872	$ 309,544
Marine insurance	41,322	1,021	7,448	1,264	51,055
Land and air insurance	776,273	980	31,843	306,748	1,115,844
Liability insurance	126,315	195	315	20,617	147,442
Bonding insurance	9,807	268	7,408	184	17,667
Other property insurance	57,665	4,912	28,293	3,431	94,301
Accident insurance	257,676	1,100	(186)	62,748	321,338
Health insurance	28,001	497	1,987	3,226	33,711
Compulsory auto liability insurance	-	292,666	-	-	292,666
	$ 1,445,846	$ 317,559	$ 208,073	$ 412,090	$ 2,383,568

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

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

Direct underwriting business

Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
	For the Three Months Ended September 30, 2020					
Fire insurance	$ 769,883	$ (141,034)	$ 61,386	$ 81,773	$ 242,797	$ 524,961
Marine insurance	118,148	(35,053)	12,786	90,008	(42,562)	92,969
Land and air insurance	2,489,589	23,239	347,719	1,425,680	(7,059)	700,010
Liability insurance	475,599	96,120	58,275	147,794	82,893	90,517
Bonding insurance	25,377	(464)	2,780	11,508	(11,474)	23,027
Other property insurance	155,803	(77,372)	21,449	105,706	(10,987)	117,007
Accident insurance	767,700	36,437	110,839	324,272	1,157	294,995
Health insurance	42,789	8,351	8,936	16,970	(7,901)	16,433
Compulsory auto liability insurance	750,197	1,500	104,979	505,148	8,371	130,199
	$ 5,595,085	$ (88,276)	$ 729,149	$ 2,708,859	$ 255,235	$ 1,990,118

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

Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
	For the Nine Months Ended September 30, 2020					
Fire insurance	$ 2,740,931	$ 118,595	$ 178,578	$ 335,651	$ 333,633	$ 1,774,474
Marine insurance	450,986	(30,655)	43,606	184,948	146,696	106,391
Land and air insurance	7,254,973	2,852	1,084,000	4,226,570	(94,549)	2,036,100
Liability insurance	1,127,768	12,840	147,127	535,601	35,146	397,054
Bonding insurance	92,356	14,403	10,259	(58,588)	10,791	115,491
Other property insurance	756,987	4,220	66,010	306,340	2,774	377,643
Accident insurance	2,187,906	652	321,525	1,063,076	(29,092)	831,745
Health insurance	147,445	(6,628)	31,724	66,300	(22,223)	78,272
Compulsory auto liability insurance	2,111,081	(18,199)	292,666	1,599,965	(34,656)	271,305
	$ 16,870,433	$ 98,080	$ 2,175,495	$ 8,259,863	$ 348,520	$ 5,988,475

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

Reinsurance inward business

Insurance by Type	For the Three Months Ended September 30, 2020					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 161,955	$ (5,596)	$ 34,848	$ 95,781	$ 36,091	$ 831
Marine insurance	9,090	(5,359)	1,983	7,570	(47)	4,943
Land and air insurance	33,717	11,199	7,920	23,623	5,280	(14,305)
Liability insurance	908	347	(42)	210	(120)	513
Bonding insurance	7,097	(1,473)	1,889	1,782	(23,413)	28,312
Other property insurance	38,935	1,022	6,617	23,586	12,807	(5,097)
Accident insurance	3,585	490	(310)	1,028	91	2,286
Health insurance	2,735	(1,120)	273	7,573	70	(4,061)
Compulsory auto liability insurance	192,322	(4,149)	-	225,030	(2,090)	(26,469)
	$ 450,344	$ (4,639)	$ 53,178	$ 386,183	$ 28,669	$ (13,047)

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

Insurance by Type	For the Nine Months Ended September 30, 2020					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 668,419	$ 96,726	$ 130,964	$ 336,796	$ 17,049	$ 86,884
Marine insurance	38,941	569	7,448	30,715	(959)	1,168
Land and air insurance	73,776	19,713	31,842	43,347	19,489	(40,615)
Liability insurance	3,703	1,562	315	354	1,210	262
Bonding insurance	26,055	1,258	7,408	3,570	(6,856)	20,675
Other property insurance	168,777	5,831	28,295	158,379	(4,188)	(19,540)
Accident insurance	10,661	460	(186)	4,090	117	6,180
Health insurance	19,873	1,279	1,987	20,318	84	(3,795)
Compulsory auto liability insurance	555,660	(6,563)	-	673,030	3,459	(114,266)
	$ 1,565,865	$ 120,835	$ 208,073	$ 1,270,599	$ 29,405	$ (63,047)

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

Ceded reinsurance business

Insurance by Type	For the Three Months Ended September 30, 2020					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 443,986	$ (83,781)	$ 35,189	$ 20,274	$ 70,508	$ 401,796
Marine insurance	58,484	(44,027)	9,583	45,325	(23,979)	71,582
Land and air insurance	84,493	(10,655)	21,403	35,919	1,105	36,721
Liability insurance	201,798	84,989	21,059	30,671	59,217	5,862
Bonding insurance	14,258	(2,098)	2,706	3,012	(5,976)	16,614
Other property insurance	91,363	(93,358)	23,553	54,002	(31,167)	138,333
Accident insurance	58,863	(4,483)	14,918	17,588	419	30,421
Health insurance	9	6	4	-	-	(1)
Compulsory auto liability insurance	314,975	899	-	300,369	(973)	14,680
	$ 1,268,229	$ (152,508)	$ 128,415	$ 507,160	$ 69,154	$ 716,008

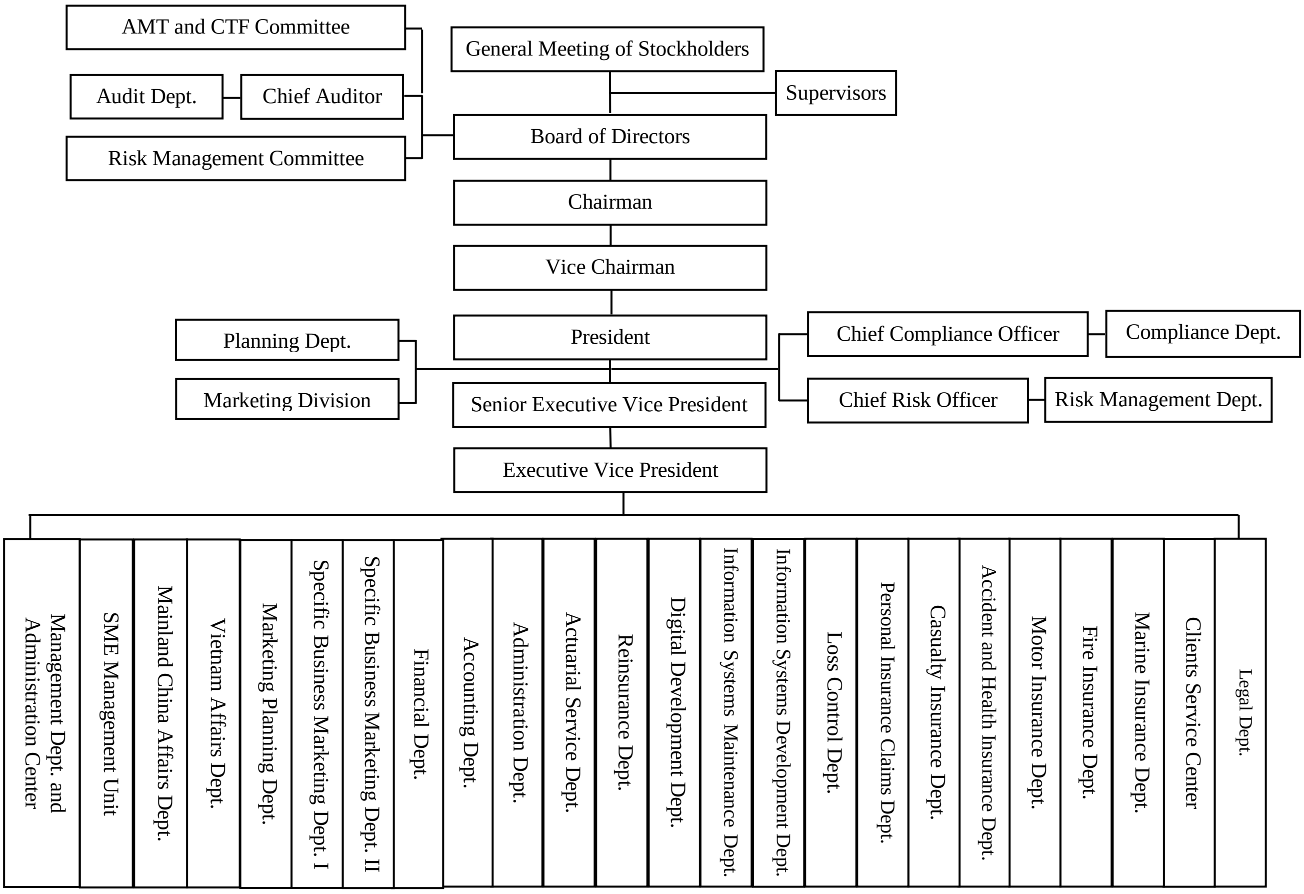
	For the Three Months Ended September 30, 2019					
Insurance by Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 326,409	$ (256,084)	$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

	For the Nine Months Ended September 30, 2020					
Insurance by Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 1,700,633	$ 158,001	$ 113,746	$ 82,643	$ 242,254	$ 1,103,989
Marine insurance	306,883	(20,131)	34,560	112,241	128,060	52,153
Land and air insurance	281,574	10,494	66,516	109,680	(6,005)	100,889
Liability insurance	374,797	15,055	62,963	197,898	(8,784)	107,665
Bonding insurance	58,377	12,542	10,802	(71,304)	4,006	102,331
Other property insurance	520,501	(21,937)	78,511	172,044	11,237	280,646
Accident insurance	180,156	29,878	44,449	51,407	(5,365)	59,787
Health insurance	13	10	5	-	-	(2)
Compulsory auto liability insurance	881,851	(10,920)	-	938,330	(26,899)	(18,660)
	$ 4,304,785	$ 172,992	$ 411,552	$ 1,592,939	$ 338,504	$ 1,788,798

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

h. Organization chart and responsibilities of risk management

1) Organization chart of risk management



2) Responsibility of each department:

<u>Board of directors</u>

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

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

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

Risk management department

a) Risk management committee

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

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

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

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

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

b) Chief risk officer

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

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

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

c) Risk management department

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

   ii. Duties of risk management department are as follows:

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

      ii) Propose the risk limits based on risk appetite.

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

      iv) Regularly present risk management reports.

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

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

      vii) Other risk management related issues.

Business units

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

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

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

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

   i. Identify and measure risks and report risk exposures.

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

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

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

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

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

   vii. Assist to collect data related to operational risk.

Audit department

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

i. Risk reporting and range and nature of risk assessment for property insurance business

1) Risks report

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

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

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

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

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

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

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

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

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

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

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

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

The risk management department and Insurance department examine the accumulative retained risks of each risk unit every fiscal year, based on the benchmark about the maximum of the retained risks of each risk unit in the Group's reinsurance risk management plan. The accumulative retained risks was approved by general manager then followed by the Group. The following table summarizes the maximum of the retained risks of each risk unit by types of insurance:

Insurance by Type	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Fire insurance	$ 1,200,000	$ 1,182,000
Marine insurance	1,200,000	1,182,000
Engineering insurance	1,200,000	1,182,000
Miscellaneous insurance/liability insurance	1,200,000	1,182,000
Healthy and accident insurance	1,200,000	1,182,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

m. Asset liability management

1) Asset liability management with risk identification and measurement

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

2) Asset liability management with risk response

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

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

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

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose reactions to the risk management committee and inform the parent company, Cathay Financial Holdings Co., Ltd., to review the impact on the Group's risk-based capital.

o. Sensitivity to insurance risk

1) The Company

For the nine months ended September 30, 2020

Insurance by Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss Resulting from A 5% Increase in Expected Loss Rate: Before Reinsurance	After Reinsurance
Fire insurance	$ 2,623,507	42.72%	$ (131,175)	$ (131,175)
Marine insurance	443,777	36.22%	(22,189)	(10,761)
Land and air insurance	7,107,779	63.32%	(355,389)	(344,895)
Liability insurance	1,126,793	50.58%	(56,340)	(35,979)
Bonding insurance	92,356	265.16%	(4,618)	(2,712)
Other property insurance	752,173	63.64%	(37,609)	(29,579)
Accident insurance	2,166,816	42.68%	(108,341)	(102,606)
Health insurance	147,445	36.07%	(7,372)	(7,372)
Compulsory auto liability insurance	2,150,832	Not applicable	Not applicable	Not applicable
	$ 16,571,726		$ (723,033)	$ (665,079)

For the nine months ended September 30, 2019

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

Note: Expected loss rate is calculated base on the average loss rate of the past five years.

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

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

For the nine months ended September 30, 2020

Insurance by Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	$ 147,194	30.61%	$ (7,360)	$ (7,328)
Marine insurance	7,209	15.16%	(360)	(83)
Fire insurance	117,424	53.38%	(5,871)	(1,364)
Engineering insurance	4,815	28.25%	(241)	(73)
Accident insurance	21,089	36.75%	(1,054)	(1,054)
Liability insurance	975	14.24%	(49)	(16)
	$ 298,706		$ (14,935)	$ (9,918)

For the nine months ended September 30, 2019

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

Note: Expected loss rate is calculated base on the average loss rate of the past five years.

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

p. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

For the nine months ended September 30, 2020, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department, reinsurance department and risk management department have reviewed or discussed in project meeting.

ii. Exposure to unanticipated change in trend

For the nine months ended September 30, 2020, both the loss amount and the loss rate of comprehensive travel insurance have increased due to the COVID-19 pandemic.

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” is set up to safeguard the rights of the Company and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of September 30, 2020, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the Company established “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to keep financial stability. For the nine months ended September 30, 2020, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

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

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

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

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

vi. Concentration of geographic regions and operating segments

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

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

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

Insurance Type	For the Three Months Ended September 30, 2020				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Fire insurance	$ 718,851	$ 174,356	$ 411,825	$ 481,382	10.20
Marine insurance	115,474	9,090	56,617	67,947	1.44
Land and air insurance	2,448,467	33,717	84,493	2,397,691	50.82
Liability insurance	475,423	908	201,666	274,665	5.82
Bonding insurance	25,377	7,098	14,258	18,217	0.39
Other property insurance	153,595	38,909	90,150	102,354	2.17
Accident insurance	757,837	3,585	58,863	702,559	14.89
Health insurance	42,789	2,735	9	45,515	0.97
Compulsory automobile liability insurance	750,196	192,322	314,975	627,543	13.30
Total	$ 5,488,009	$ 462,720	$ 1,232,856	$ 4,717,873	100.00

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

Insurance Type	For the Nine Months Ended September 30, 2020				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Fire insurance	$ 2,623,507	$ 679,798	$ 1,610,295	$ 1,693,010	12.14
Marine insurance	443,777	38,941	301,835	180,883	1.30
Land and air insurance	7,107,779	73,776	281,538	6,900,017	49.49
Liability insurance	1,126,793	3,703	374,163	756,333	5.42
Bonding insurance	92,356	26,055	58,377	60,034	0.43
Other property insurance	752,173	168,752	517,485	403,440	2.89
Accident insurance	2,166,816	10,661	180,156	1,997,321	14.33
Health insurance	147,445	19,873	13	167,305	1.20
Compulsory automobile liability insurance	2,111,080	555,660	881,851	1,784,889	12.80
Total	$ 16,571,726	$ 1,577,219	$ 4,205,713	$ 13,943,232	100.00

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

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

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

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

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

a) Situations that may cause concentration of insurance risk:

i. Single insurance contract or several related contracts

For the nine months ended September 30, 2020, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department and reinsurance department have reviewed or discussed in project meeting.

ii. Exposure to unanticipated change in trend

For the nine months ended September 30, 2020, the premium revenue of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19, but there is no effect for insurance risk, Cathay Insurance Co., Ltd. (Vietnam) would observe risk exposure continuously.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance Co., Ltd. (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of September 30, 2020, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. For the nine months ended September 30, 2020, there is no interaction among risks resulting from a catastrophe.

v. Concentration of geographic regions and operating segments

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

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

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

Insurance Type	For the Three Months Ended September 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 41,123	$ -	$ -	$ 41,123	69.31
Flood insurance	2,674	-	1,867	807	1.36
Fire insurance	51,032	2,600	47,162	6,470	10.91
Engineering insurance	2,209	26	1,214	1,021	1.72
Accident insurance	9,862	-	-	9,862	16.62
Liability insurance	175	-	130	45	0.08
Total	$ 107,075	$ 2,626	$ 50,373	$ 59,328	100.00

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

Insurance Type	For the Nine Months Ended September 30, 2020				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Automobile insurance	$ 147,194	$ -	$ 36	$ 147,158	78.16
Flood insurance	7,209	-	5,048	2,161	1.15
Fire insurance	117,424	3,622	105,339	15,707	8.34
Engineering insurance	4,815	26	3,016	1,825	0.97
Accident insurance	21,089	-	-	21,089	11.20
Liability insurance	975	-	633	342	0.18
Total	$ 298,706	$ 3,648	$ 114,072	$ 188,282	100.00

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

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

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

q. Development trend of claims

1) The Company

<u>September 30, 2020</u>

Accident Year	≦2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 7,066,945	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	$ 7,152,507	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,099,791	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,483,677	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	7,993,330	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,172,800	-	-	-	-	
After the fifth year	-	7,145,756	7,454,367	-	-	-	-	-	
After the sixth year	-	7,171,701	-	-	-	-	-	-	
Final estimated claim payment	-	7,171,701	7,454,367	11,172,800	7,993,330	8,483,677	10,099,791	7,152,507	
Accumulated claim disbursed	-	6,945,582	7,414,320	11,084,660	7,831,854	8,070,718	8,196,533	3,252,361	
	92,794	226,119	40,047	88,140	161,476	412,959	1,903,258	3,900,146	$ 6,824,939
Adjustment	-	-	-	-	-	-	-	143,233	143,233
Amount recognized in balance sheet	$ 92,794	$ 226,119	$ 40,047	$ 88,140	$ 161,476	$ 412,959	$ 1,903,258	$ 4,043,379	$ 6,968,172

December 31, 2019

Accident Year	≦2012	2013	2014	2015	2016	2017	2018	2019	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 5,773,901	$ 7,066,945	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	
After the first year	-	6,109,827	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	-	
After the second year	-	6,169,858	7,156,309	7,548,387	10,970,548	7,965,701	-	-	
After the third year	-	6,103,460	7,135,341	7,495,744	11,133,431	-	-	-	
After the fourth year	-	6,135,016	7,133,873	7,449,663	-	-	-	-	
After the fifth year	-	6,114,404	7,145,756	-	-	-	-	-	
After the sixth year	-	6,042,254	-	-	-	-	-	-	
Final estimated claim payment	-	6,042,254	7,145,756	7,449,663	11,133,431	7,965,701	8,574,948	10,190,448	
Accumulated claim disbursed	-	5,998,507	6,931,391	7,397,712	10,898,450	7,725,188	7,787,018	5,394,920	
	56,981	43,747	214,365	51,951	234,981	240,513	787,930	4,795,528	$ 6,425,996
Adjustment	-	-	-	-	-	-	-	144,920	144,920
Amount recognized in balance sheet	$ 56,981	$ 43,747	$ 214,365	$ 51,951	$ 234,981	$ 240,513	$ 787,930	$ 4,940,448	$ 6,570,916

September 30, 2019

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

Note 1: The upper part of table illustrates claim payments estimated in underwriting years by property insurance business. The lower part of the table illustrates the reconciliation of the accumulated claims disbursed to the balance sheet.

Note 2: The above tables excludes direct loss reserve of compulsory insurance and inward loss reserve of $1,540,932 thousand and $1,168,001 thousand as of September 30, 2020, $1,575,588 thousand and $1,138,597 thousand as of December 31, 2019, $1,425,807 thousand and $950,690 thousand as of September 30, 2019.

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

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still immature, the historical experience for development trend of claim are not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance 2842/BTC/QLBH.

r. Credit risk of insurance contract

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

1) The major unqualified reinsurance counterparties are listed below:

September 30, 2020

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Trust International Insurance and Reinsurance Company BSC	Treaty reinsurance of marine insurance and Facultative reinsurance of miscellaneous insurance
Asia Capital Reinsurance Group Pte Ltd	Treaty reinsurance of marine, fire and miscellaneous insurance and Facultative reinsurance of marine, fire, engineering and miscellaneous insurance

December 31, 2019

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

September 30, 2019

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

2) For the nine months ended September 30, 2020 and 2019, the unqualified ceded reinsurance expense is $9,120 thousand and $10,031 thousand, respectively.

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

	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Unearned premium reserve	$ 4,560	$ 18,058	$ 5,015
Claims recoverable from reinsurers of paid claims overdue in nine month	4,354	35,736	67,285
Claims recoverable from reinsurers which were reported but unpaid	2,073	1,941	1,667
	$ 10,987	$ 55,735	$ 73,967

35. DETAILS OF THE PORTFOLIOS MANAGED

a. The Company

	September 30, 2020	December 31, 2019	September 30, 2019
Listed stocks	$ 1,305,051	$ 1,249,637	$ 1,043,039
Short-term transactions instruments	150,047	370,220	400,045
Bank deposit	558,052	216,196	228,531
Future margins	2,011	2,010	2,010
	$ 2,015,161	$ 1,838,063	$ 1,673,625

The fair value of the Group's financial assets of discretionary account management contracts are as same as their carrying amount.

b. As of September 30, 2020, December 31, 2019 and September 30, 2019 the Group entered into discretionary account management contracts in the amount of $1,200,000 thousand.

36. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

a. Unconsolidated structured entities

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

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

b. Details of the carrying amount of assets recognized by the Group relating to its interests in unconsolidated structured entities as of September 30, 2020, December 31, 2019 and September 30, 2019, are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Securitization vehicle			
Financial assets at FVTPL	$ 31,730	$ 79,951	$ 72,637
Financial assets at amortized cost	541,995	591,412	618,546
	$ 573,725	$ 671,363	$ 691,183

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

Items	Amount			Items	Amount		
Asset	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**	**Liabilities**	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**
Cash and bank deposit	$ 2,273,249	$ 2,489,225	$ 2,643,836	Notes payable	$ -	$ -	$ -
Notes receivable	5,168	7,028	7,531	Claims payable	-	-	-
Premiums receivable	8,877	7,580	6,538	Reinsurance indemnity payable	-	-	-
Claims recoverable from reinsures	214,037	178,606	167,291	Due to reinsurers and ceding companies	238,505	232,036	234,741
Due from reinsurers and ceding companies	124,063	125,611	125,762	Unearned premium reserves	1,698,060	1,722,822	1,723,344
Other receivables	-	-	-	Loss reserves	2,162,527	2,193,724	2,043,694
FVTOCI financial assets	763,782	754,014	753,955	Special reserves	956,495	1,122,321	1,315,878
Ceded unearned premium reserve	741,131	752,051	751,865	Temporary receivable	-	-	-
Ceded loss reserve	918,212	945,111	854,856	Other liabilities	-	-	-
Temporary payments	7,068	11,677	6,023				
Other assets	-	-	-				
Total assets	$ 5,055,587	$ 5,270,903	$ 5,317,657	Total liabilities	$ 5,055,587	$ 5,270,903	$ 5,317,657

TABLE 2

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

Item	For the Nine Months Ended September 30	
	2020	**2019**
Operating revenues	$ 1,164,541	$ 1,180,736
Direct insurance premium income	1,469,752	1,497,304
Reinsurance premium inward	555,660	566,264
Premiums income	2,052,412	2,063,568
Less: Reinsurance premium outward	881,851	898,382
Net changes in unearned premium reserve	(13,842)	(4,077)
Earned retained premium	1,157,403	1,169,263
Interest income	7,138	11,473
Operating costs	1,164,541	1,180,736
Retained claims	1,599,965	1,640,365
Reinsurance claims incurred	673,030	659,232
Less: Claim recoverable from reinsurers	938,330	951,316
Retained claims	1,334,665	1,348,281
Net change in loss reserve	(4,298)	(5,407)
Net change in special reserve	(165,826)	(162,138)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE.
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company Involving Main Business Items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Century Insurance Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	Premiums income	$ 110,070	0.60	Based on agreement	$ -	-	$ 517	0.03	
	Cathay United Bank Co., Ltd.	Fellow subsidiary	Premiums income	129,302	0.77	Based on agreement	-	-	19,006	1.03	

Note 1: If the transaction terms of related parties are different with the general terms, the differences and reasons should be described in the column of unit price and payment terms.

Note 2: If there is any payments (receipts) in advance, it should be stated the reason, contractual terms, amount, and differences from the general transaction type in the remarks column.

Note 3: Paid-up capital refers to the paid-up capital of the Company.

TABLE 4

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	1	Claims incurred	$ 15,001	Based on agreement	-
				Due from reinsurers and ceding companies	7,043	Based on agreement	1

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

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

Note 2: Transaction flows are as follows:

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

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 611,172	$ 16,329	$ 16,329	1

Note 1: Share of profit or loss and OCI are recognized on the basis of the reviewed financial statements.

TABLE 6

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	(1)	$ 2,964,730	$ -	$ -	$ 2,964,730	$ 140,775	24.5	$ 34,490	$ 2,118,206	$ -

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
$ 2,964,730 (CNY645,000 thousand)	$ 4,027,148 (CNY890,000 thousand)	$ 7,267,492

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on September 30, 2020.

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.

Note 5: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company US$28,963 thousand to establish an insurance subsidiary, engaging in the business of property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC) authorized the Company to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, each amount of Cathay Century Insurance Company's remittance was CNY100,000 thousand and was authorized by CIRC. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 issued by the MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. As of September 30, 2020, the Company has remitted US$97,292 thousand in total.