Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020 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 sheets of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2021, and 2020, the related consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the three 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 March 31, 2021 and 2020, its consolidated financial performance for the three months ended March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 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

May 12, 2021

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

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6, 27 and 29)	$ 10,597,515	23	$ 10,253,572	23	$ 8,880,072	22
RECEIVABLES (Notes 4, 11, 27 and 34)	2,133,070	5	2,674,034	6	1,876,994	5
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	12,399,407	27	11,665,436	26	10,049,315	25
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	1,182,347	3	1,226,184	3	1,349,683	3
Financial assets at amortized cost (Notes 4, 5 and 9)	7,404,490	16	7,398,956	17	8,105,238	20
Investments accounted for using the equity method, net (Notes 4 and 14)	2,239,401	5	2,203,664	5	2,078,300	5
Loans (Notes 4, 10 and 27)	205,557	-	195,316	-	217,739	-
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 34)	8,441,667	19	7,445,937	17	7,129,335	17
PROPERTY AND EQUIPMENT (Notes 4 and 15)	187,322	-	197,086	1	168,234	-
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	90,821	-	105,864	-	178,355	-
INTANGIBLE ASSETS (Notes 4 and 17)	93,930	-	91,180	-	61,656	-
DEFERRED INCOME TAX ASSETS (Note 4)	185,738	-	175,329	-	183,943	1
OTHER ASSETS (Notes 18, 27 and 29)	687,823	2	665,823	2	675,999	2
TOTAL	$ 45,849,088	100	$ 44,298,381	100	$ 40,954,863	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 27 and 34)	$ 2,926,581	6	$ 3,362,916	7	$ 2,740,796	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	22,438	-	2,700	-	16,523	-
LEASE LIABILITIES (Notes 4, 16 and 27)	91,200	-	106,037	-	178,685	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	27,602,472	60	26,226,284	59	24,900,631	61
OTHER LIABILITIES	672,860	2	730,028	2	583,517	1
PROVISIONS	453,959	1	454,164	1	433,256	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	271,282	1	286,426	1	271,074	1
Total liabilities	32,040,792	70	31,168,555	70	29,124,482	71
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares						
Ordinary shares	3,057,052	7	3,057,052	7	3,057,052	8
Capital surplus						
Capital surplus	518,326	1	518,326	1	518,326	1
Retained earnings						
Legal reserve	3,132,813	7	3,132,813	7	2,711,555	7
Special reserve	4,796,064	10	4,796,064	11	4,993,030	12
Unappropriated earnings	2,241,606	5	1,750,310	4	2,145,899	5
Total retained earnings	10,170,483	22	9,679,187	22	9,850,484	24
Other equity	62,435	-	(124,739)	-	(1,595,481)	(4)
Total equity attributable to owners of the Company	13,808,296	30	13,129,826	30	11,830,381	29
Total equity	13,808,296	30	13,129,826	30	11,830,381	29
TOTAL	$ 45,849,088	100	$ 44,298,381	100	$ 40,954,863	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 March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES				
Retained earned premium (Note 34)				
Direct insurance premium revenues (Notes 4 and 27)	$ 5,573,730	108	$ 5,326,938	106
Reinsurance premium inward	482,855	9	520,294	10
Premium revenues	6,056,585	117	5,847,232	116
Less: Reinsurance premium outward (Notes 4 and 34)	1,447,260	28	1,299,404	26
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	59,197	1	(191,443)	(4)
Total retained earned premium	4,550,128	88	4,739,271	94
Reinsurance commission earned (Note 34)	142,084	3	143,915	3
Handling fees earned	11,624	-	12,605	-
Net gains on investments				
Interest income (Notes 23 and 27)	135,683	3	141,016	3
Foreign exchange losses (Note 4)	(3,960)	-	24,714	1
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	533,861	10	(1,400,846)	(28)
Excluding net gain on financial assets measured at amortized cost (Notes 4 and 9)	858	-	150	-
Share of (loss) profit of associates and joint ventures accounted for using equity method (Notes 4 and 14)	65,029	1	9,697	-
Expected credit impairment losses on investment (Note 4)	4,735	-	(11,426)	-
Income or loss reclassified under the overlay approach (Notes 4 and 7)	(255,731)	(5)	1,387,192	27
Total net gains on investments	480,475	9	150,497	3
Total operating revenues	5,184,311	100	5,046,288	100
OPERATING COSTS				
Retained claims (Notes 4, 27 and 34)				
Claims incurred	2,933,957	57	3,262,255	65
Less: Claims recovered from reinsurers (Note 34)	459,980	9	639,381	13
Total retained claims	2,473,977	48	2,622,874	52
Other net change in insurance liabilities (Note 20)	241,904	5	(116,708)	(2)
Commission expenses (Notes 4, 23, 27 and 34)	802,122	15	788,193	16
Other operating costs	34,360	-	18,104	-
Total operating costs	3,552,363	68	3,312,463	66

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 23 and 27)				
Operating	$ 851,426	17	$ 822,228	16
Administrative	215,916	4	197,753	4
Training	698	-	783	-
Total operating expenses	1,068,040	21	1,020,764	20
OPERATING INCOME	563,908	11	713,061	14
NON-OPERATING INCOME AND EXPENSES (Note 27)	(1,259)	-	421	-
PROFIT BEFORE INCOME TAX	562,649	11	713,482	14
INCOME TAX (Notes 4 and 24)	71,353	2	136,297	2
NET PROFIT	491,296	9	577,185	12
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)	(31,800)	-	(3,000)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 22)	556	-	(7,570)	-
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)	(29,292)	(1)	(53,873)	(1)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	(10,348)	-	10,538	-

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Other comprehensive income reclassified under the overlay approach (Notes 4, 7 and 22)	$ 255,731	5	$ (1,387,192)	(28)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 24)	(2,327)	-	(37,836)	(1)
	218,974	4	(1,400,261)	(28)
Other comprehensive income (loss), net of income tax	187,174	4	(1,403,261)	(28)
TOTAL COMPREHENSIVE INCOME	$ 678,470	13	$ (826,076)	(16)
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 491,296	9	$ 577,185	11
Non-controlling interests	-	-	-	-
	$ 491,296	9	$ 577,185	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 678,470	13	$ (826,076)	(16)
Non-controlling interests	-	-	-	-
	$ 678,470	13	$ (826,076)	(16)
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.61		$ 1.89	

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										
				Retained Earnings (Note 22)			Other Equity (Notes 4 and 22)				
	Shares (In Thousands)	Capital Stock (Notes 4 and 21)	Capital Surplus (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, 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
Net profit for the three months ended March 31, 2020	-	-	-	-	-	577,185	-	-	-	-	577,185
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(35,173)	(18,732)	-	(1,349,356)	(1,403,261)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	577,185	(35,173)	(18,732)	-	(1,349,356)	(826,076)
BALANCE AT MARCH 31, 2020	305,705	$ 3,057,052	$ 518,326	$ 2,711,555	$ 4,993,030	$ 2,145,899	$ (355,164)	$ 59,663	$ (158,735)	$ (1,141,245)	$ 11,830,381
BALANCE AT JANUARY 1, 2021	305,705	$ 3,057,052	$ 518,326	$ 3,132,813	$ 4,796,064	$ 1,750,310	$ (331,574)	$ (36,212)	$ (175,461)	$ 418,508	$ 13,129,826
Net profit for the three months ended March 31, 2021	-	-	-	-	-	491,296	-	-	-	-	491,296
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(3,728)	(67,156)	-	258,058	187,174
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	491,296	(3,728)	(67,156)	-	258,058	678,470
BALANCE AT MARCH 31, 2021	305,705	$ 3,057,052	$ 518,326	$ 3,132,813	$ 4,796,064	$ 2,241,606	$ (335,302)	$ (103,368)	$ (175,461)	$ 676,566	$ 13,808,296

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 Three Months Ended March 31 2021	For the Three Months Ended March 31 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 562,649	$ 713,482
Adjustments for:		
Depreciation expenses	46,358	42,478
Amortization expenses	14,224	10,884
Net (gain) loss on valuation of financial assets and liabilities at fair value through profit or loss	(533,861)	1,400,846
Interest expense	928	796
Net gain on disposal of financial assets measured at amortized cost	(858)	(150)
Interest income	(135,683)	(141,016)
Net change in insurance liabilities	1,376,188	(94,150)
Expected credit impairment (reversed gain) losses on investment	(4,735)	11,426
Share of gain of associates and joint ventures accounted for using the equity method	(65,029)	(9,697)
Income or loss reclassified under the overlay approach	255,731	(1,387,192)
Changes in operating assets and liabilities		
Decrease in notes receivable	1,627	18,219
Decrease in premiums receivable	493,559	755,713
Decrease in other receivables	54,605	138,671
Increase in financial instruments at fair value through profit or loss	(182,541)	(1,739,498)
Decrease in financial assets at fair value through other comprehensive income	1,691	1,675
Decrease in financial assets at amortized cost	55	65,673
Increase in reinsurance contract asset	(995,730)	(414,609)
Increase in other assets	(21,998)	(3,324)
Decrease in claims outstanding	(1,809)	(406)
Increase (decrease) in commissions payable and fees	3,718	(1,401)
Decrease in due to reinsurers and ceding companies	(84,833)	(218,249)
Decrease in other payables	(446,385)	(618,869)
(Decrease) increase in provisions	(205)	347
Decrease in other liabilities	(57,168)	(425,185)
Cash generated from (used in) operations	280,498	(1,893,536)
Interest received	127,591	127,635
Dividend received	1,434	2,906
Interest paid	(928)	(796)
Income tax paid	(1,601)	(2,081)
Net cash generated from (used in) operating activities	406,994	(1,765,872)

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2021	**2020**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	$ (11,354)	$ (6,067)
Payments for intangible assets	(7,238)	(3,007)
(Increase) decrease in loans	(10,241)	12,110
Net cash (used in) generated from investing activities	(28,833)	3,036
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(34,272)	(35,039)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	54	(7,652)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	343,943	(1,805,527)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,253,572	10,685,599
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 10,597,515	$ 8,880,072

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act of the Republic of China (“R.O.C.”). On April 22, 2002, the Company became a subsidiary of Cathay Financial Holdings Co., Ltd. (“Cathay Financial Holdings”) by adopting the stock conversion method under the R.O.C. Financial Holdings Company Act and other pertinent acts of the R.O.C. On 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 May 12, 2021.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to 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)

   Initial application of 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 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 8)
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 will be 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 IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be 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 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.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after 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.

<u>Recognition</u>

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.

<u>Measurement</u>

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.

<u>Subsequent measurement</u>

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

e. Foreign currencies

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

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

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

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

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

f. Investments in associates

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

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

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

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

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

The entire carrying amount of an investment 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 property and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use asset 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 is subsequently 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 on 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 at 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.

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.

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.

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.

<u>The Group as lessee</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	$ 19,871	$ 16,857	$ 19,714
Checking accounts and demand deposits	2,554,278	2,567,203	1,725,914
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	4,443,789	4,599,645	6,168,656
Short-term transactions instruments	3,579,577	3,069,867	965,788
	$ 10,597,515	$ 10,253,572	$ 8,880,072

7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange swaps (a)	$ 79,128	$ 154,047	$ 41,884
Non-derivative financial assets			
Listed shares	6,857,572	6,436,201	5,508,910
Mutual funds	5,150,018	4,761,826	3,730,378
Financial bonds	312,689	313,362	768,143
	$ 12,399,407	$ 11,665,436	$ 10,049,315
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange swaps (a)	$ 22,438	$ 2,700	$ 16,523

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)
March 31, 2021			
Foreign exchange swaps	USD/NTD	2021.04.15-2022.3.15	USD 181,900
	EUR/NTD	2022.2.24	EUR 750
December 31, 2020			
Foreign exchange swaps	USD/NTD	2021.01.13-2021.12.21	USD 181,900
	EUR/NTD	2021.2.24	EUR 750
March 31, 2020			
Foreign exchange swaps	USD/NTD	2020.04.15-2021.03.15	USD 186,900
	EUR/NTD	2020.06.05-2021.02.24	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:

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets mandatorily measured at FVTPL			
Listed shares	$ 6,857,572	$ 6,436,201	$ 5,508,910
Mutual funds	5,150,018	4,761,826	3,730,378
Financial bonds	312,689	313,362	768,143

For the three months ended March 31, 2021 and 2020, none of financial assets held by the Group has changed conditions, been designated or been terminated.

Reclassification from profit or loss to other comprehensive income of the consolidated financial assets designated to apply the overlay approach for the three months ended March 31, 2021 and 2020 were as follows:

	For the Three Months Ended March 31	
	2021	2020
(Gains) loss due to applying IFRS 9 to profit or loss	$ (572,385)	$ 1,349,066
Gains if applying IAS 39 to profit or loss	316,654	38,126
(Loss) gains from reclassification using the overlay approach	$ (255,731)	$ 1,387,192

According to the adjustment by applying the overlay approach, gains (loss) from consolidated financial assets at FVTPL decreased from $533,861 thousand to $278,130 thousand and decreased from $(1,400,846) thousand to $(13,654) thousand for the three months ended March 31, 2021 and 2020, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in equity instruments at FVTOCI	$ 430,200	$ 462,000	$ 586,800
Investments in debt instruments at FVTOCI	752,147	764,184	762,883
	$ 1,182,347	$ 1,226,184	$ 1,349,683

a. Investments in equity instruments at FVTOCI

	March 31, 2021	December 31, 2020	March 31, 2020
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 three months ended March 31, 2021 and 2020. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	March 31, 2021	December 31, 2020	March 31, 2020
Domestic investments			
Government bonds	$ 430,200	$ 462,000	$ 586,800

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

	March 31, 2021	December 31, 2020	March 31, 2020
Domestic investments			
Corporate bonds	$ 1,599,970	$ 1,599,988	$ 1,399,969
Government bonds	505,379	506,883	511,436
Foreign bonds investments	5,816,152	5,815,331	6,720,566
	7,921,501	7,922,202	8,631,971
Less: Loss allowance	(11,698)	(16,431)	(15,341)
Less: Statutory guarantee deposits	(505,313)	(506,815)	(511,392)
	$ 7,404,490	$ 7,398,956	$ 8,105,238

The Group's gains on disposal of bonds from repayments due for the three months ended March 31, 2021 and 2020 were $858 thousand and $150 thousand, 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

	March 31, 2021	December 31, 2020	March 31, 2020
Secured Loans	$ 208,213	$ 197,791	$ 220,378
Less: Loss allowance	(2,656)	(2,475)	(2,639)
	$ 205,557	$ 195,316	$ 217,739

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 three months ended March 31, 2021 and 2020.

11. RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	$ 172,062	$ 173,822	$ 178,284
Premiums receivables	1,688,264	2,182,055	1,416,655
Other receivables	314,019	359,546	311,088
	2,174,345	2,715,423	1,906,027
Less: Loss allowance	(41,275)	(41,389)	(29,033)
	$ 2,133,070	$ 2,674,034	$ 1,876,994

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ 41,389	$ 39,354
Impairment losses recognized (reversed) on receivables	(114)	(10,321)
Ending balance	$ 41,275	$ 29,033

12. REINSURANCE ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
Claims recoverable from reinsurers, net	$ 277,205	$ 289,389	$ 396,875
Due from reinsurers and ceding companies, net	662,239	708,643	881,412
Reinsurance reserve assets			
Ceded unearned premium reserve	3,543,004	3,626,938	3,160,840
Ceded loss reserve	3,959,219	2,820,967	2,690,208
	$ 8,441,667	$ 7,445,937	$ 7,129,335

a. Claims recoverable from reinsurers

	March 31, 2021	December 31, 2020	March 31, 2020
Gross carrying amount	$ 291,795	$ 304,620	$ 417,763
Less: Loss allowance	(14,590)	(15,231)	(20,888)
	$ 277,205	$ 289,389	$ 396,875

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ 15,231	$ 16,907
Impairment losses recognized (reversed) on receivables	(641)	3,981
Ending balance	$ 14,590	$ 20,888

b. Due from reinsurers and ceding companies

	March 31, 2021	December 31, 2020	March 31, 2020
Gross carrying amount	$ 707,053	$ 752,144	$ 931,816
Less: Loss allowance	(44,814)	(43,501)	(50,404)
	$ 662,239	$ 708,643	$ 881,412

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ 43,501	$ 44,386
Impairment losses recognized (reversed) on receivables	1,313	6,018
Ending balance	$ 44,814	$ 50,404

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
Investor	**Investee**	**Nature of Activities**	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
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

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in associates	$ 2,239,401	$ 2,203,664	$ 2,078,300

Aggregate information of associates that are not individually material:

	For the Three Months Ended March 31	
	2021	2020
The Group's share of:		
Profit from continuing operations	$ 65,029	$ 9,697
Other comprehensive income (loss)	(29,292)	(53,873)
Total comprehensive income (loss) for the period	$ 35,737	$ (44,176)

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 reviewed. Management believes there is no material adjustment on the financial statements of the subsidiary which have not been reviewed.

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, 2021	$ 487,354	$ 183,630	$ 77,290	$ 748,274
Additions	1,689	692	8,973	11,354
Disposals	(207)	(25)	-	(232)
Reclassified	17,460	-	(27,188)	(9,728)
Foreign exchange	-	59	-	59
Balance at March 31, 2021	$ 506,296	$ 184,356	$ 59,075	$ 749,727
Accumulated depreciation and impairment				
Balance at January 1, 2021	$ 385,163	$ 166,025	$ -	$ 551,188
Disposals	(207)	(25)	-	(232)
Depreciation expenses	9,734	2,146	-	11,880
Foreign exchange	-	(431)	-	(431)
Balance at March 31, 2021	$ 394,690	$ 167,715	$ -	$ 562,405
Carrying amounts at March 31, 2021	$ 111,606	$ 16,641	$ 59,075	$ 187,322
Carrying amounts at December 31, 2020 and January 1, 2021	$ 102,191	$ 17,605	$ 77,290	$ 197,086

(Continued)

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2020	$ 408,726	$ 180,038	$ 98,627	$ 687,391
Additions	458	235	5,374	6,067
Disposals	(44)	(182)	-	(226)
Reclassified	-	-	(2,270)	(2,270)
Foreign exchange	-	(952)	-	(952)
Balance at March 31, 2020	$ 409,140	$ 179,139	$ 101,731	$ 690,010
Accumulated depreciation and impairment				
Balance at January 1, 2020	$ 352,804	$ 162,505	$ -	$ 515,309
Disposals	(44)	(182)	-	(226)
Depreciation expenses	5,854	1,907	-	7,761
Foreign exchange	-	(1,068)	-	(1,068)
Balance at March 31, 2020	$ 358,614	$ 163,162	$ -	$ 521,776
Carrying amounts at March 31, 2020	$ 50,526	$ 15,977	$ 101,731	$ 168,234

(Concluded)

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts			
Buildings	$ 86,295	$ 101,130	$ 170,802
Transportation equipment	4,526	4,734	7,553
	$ 90,821	$ 105,864	$ 178,355

	For the Three Months Ended March 31	
	2021	2020
Additions to right-of-use assets	$ 19,757	$ 4,063
Depreciation charge for right-of-use assets		
Buildings	$ 33,570	$ 33,764
Transportation equipment	908	953
	$ 34,478	$ 34,717

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts	$ 91,200	$ 106,037	$ 178,685

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	1.18%-8.47%	1.18%-8.57%	1.18%-8.57%
Transportation equipment	2.68%-3.49%	2.68%-3.49%	2.68-3.49%

c. Other lease information

	For the Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases	$ 2,596	$ 2,153
Total cash outflow for leases	$ (37,510)	$ (37,856)

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, 2021	$ 316,888
Additions	7,238
Reclassified	9,728
Foreign exchange	47
Balance at March 31, 2021	$ 333,901
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 225,708
Amortization expenses	14,224
Foreign exchange	39
Balance at March 31, 2021	$ 239,971
Carrying amounts at March 31, 2021	$ 93,930
Carrying amounts at December 31, 2020 and January 1, 2021	$ 91,180
Cost	
Balance at January 1, 2020	$ 245,615
Additions	3,007
Reclassified	2,270
Foreign exchange	(565)
Balance at March 31, 2020	$ 250,327
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 178,308
Amortization expenses	10,884
Foreign exchange	(521)
Balance at March 31, 2020	$ 188,671
Carrying amounts at March 31, 2020	$ 61,656

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

	March 31, 2021	December 31, 2020	March 31, 2020
Statutory guarantee deposits	$ 505,313	$ 506,815	$ 511,392
Other deposits	104,034	100,587	99,506
Payment in advance	16,258	16,637	13,793
Others	62,218	41,784	51,308
	$ 687,823	$ 665,823	$ 675,999

The other assets were not pledged.

19. PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Claims outstanding	$ 994	$ 2,803	$ -
Commissions payable	227,841	222,174	179,695
Due to reinsurers and ceding companies	1,693,794	1,778,193	1,554,642
Income tax payable under tax consolidation	440,573	351,509	538,721
Other payables	563,379	1,008,237	467,738
	$ 2,926,581	$ 3,362,916	$ 2,740,796

20. INSURANCE LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
Unearned premium reserve	$ 13,733,102	$ 13,737,655	$ 12,519,412
Loss reserve	11,274,318	9,862,265	9,518,907
Special reserve	2,590,295	2,622,047	2,861,745
Premium deficiency reserve	4,644	4,198	458
Policy reserve	113	119	109
	$ 27,602,472	$ 26,226,284	$ 24,900,631

a. Unearned premium reserve

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

	March 31, 2021			
	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	$ 1,551,898	$ 260,890	$ 917,193	$ 895,595
Marine insurance	191,412	16,042	124,269	83,185
Land and air insurance	5,749,483	33,408	179,831	5,603,060
Liability insurance	900,915	2,212	232,300	670,827
Bonding insurance	41,056	3,840	21,498	23,398
Other property insurance	1,352,291	55,025	990,545	416,771
Accident insurance	1,558,860	7,859	119,340	1,447,379
Health insurance	64,504	1,576	98	65,982
Policy-related residential earthquake insurance	220,880	28,908	220,880	28,908
Compulsory auto liability insurance	1,228,417	463,626	737,050	954,993
	$ 12,859,716	$ 873,386	$ 3,543,004	$ 10,190,098

	December 31, 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	$ 1,841,551	$ 182,263	$ 1,008,169	$ 1,015,645
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Bonding insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488
Policy-related residential earthquake insurance	225,463	26,857	225,463	26,857
Compulsory auto liability insurance	1,227,564	460,947	736,539	951,972
	$ 12,980,350	$ 757,305	$ 3,626,938	$ 10,110,717

Insurance by Type	March 31, 2020 Unearned Premium Reserve Direct Underwriting Business (1)	 Reinsurance Inward Business (2)	 Ceded Unearned Premium Reserve Ceded Reinsurance Business (3)	 Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,372,647	$ 148,002	$ 654,423	$ 866,226
Marine insurance	143,357	9,298	105,669	46,986
Land and air insurance	5,268,095	9,906	161,372	5,116,629
Liability insurance	776,615	1,116	233,643	544,088
Bonding insurance	41,339	5,793	23,966	23,166
Other property insurance	1,175,696	48,946	902,827	321,815
Accident insurance	1,497,536	8,753	116,453	1,389,836
Health insurance	62,495	572	-	63,067
Policy-related residential earthquake insurance	216,483	27,763	216,483	27,763
Compulsory auto liability insurance	1,243,340	461,660	746,004	958,996
	$ 11,797,603	$ 721,809	$ 3,160,840	$ 9,358,572

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

	For the Three Months Ended March 31 2021 Unearned Premium Reserves	 Ceded Unearned Premium Reserve	 2020 Unearned Premium Reserves	 Ceded Unearned Premium Reserve
Beginning balance	$ 13,737,655	$ 3,626,938	$ 12,736,870	$ 3,199,204
Provision	13,732,487	3,542,776	12,521,745	3,161,960
Recovery	(13,765,640)	(3,635,126)	(12,754,906)	(3,203,677)
Foreign exchange	28,600	8,416	15,703	3,353
Ending balance	$ 13,733,102	$ 3,543,004	$ 12,519,412	$ 3,160,840

b. Loss reserve

1) Loss reserve and ceded loss reserve

Items	March 31, 2021 Loss Reserve Direct Underwriting Business (1)	 Reinsurance Inward Business (2)	 Ceded Loss Reserve Ceded Reinsurance Business (3)	 Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 5,902,068	$ 840,269	$ 2,679,500	$ 4,062,837
Not yet filed	4,097,134	434,847	1,279,719	3,252,262
	$ 9,999,202	$ 1,275,116	$ 3,959,219	$ 7,315,099

Items	December 31, 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	$ 4,577,293	$ 786,091	$ 1,582,443	$ 3,780,941
Not yet filed	4,043,812	455,069	1,238,524	3,260,357
	$ 8,621,105	$ 1,241,160	$ 2,820,967	$ 7,041,298

Items	March 31, 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	$ 4,306,917	$ 655,538	$ 1,489,650	$ 3,472,805
Not yet filed	4,076,697	479,755	1,200,558	3,355,894
	$ 8,383,614	$ 1,135,293	$ 2,690,208	$ 6,828,699

2) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2021

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	$ 5,919,046	$ 4,597,775	$ 840,269	$ 786,091	$ 1,375,449
Not yet filed	4,079,459	4,023,236	434,847	455,069	36,001
	$ 9,998,505	$ 8,621,011	$ 1,275,116	$ 1,241,160	$ 1,411,450

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserves
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed but not yet paid	$ 2,687,860	$ 1,590,819	$ 1,097,041
Not yet filed	1,271,293	1,230,100	41,193
	$ 3,959,153	$ 2,820,919	$ 1,138,234

For the three months ended March 31, 2020

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	$ 4,326,910	$ 4,115,756	$ 655,538	$ 680,547	$ 186,145
Not yet filed	4,057,357	4,103,229	479,755	458,050	(24,167)
	$ 8,384,267	$ 8,218,985	$ 1,135,293	$ 1,138,597	$ 161,978

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	$ 1,499,947	$ 1,250,974	$ 248,973
Not yet filed	1,190,866	1,199,002	(8,136)
	$ 2,690,813	$ 2,449,976	$ 240,837

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

Insurance by Type	March 31, 2021 Liability Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 2,957,079	$ 23,524	$ 2,980,603
Marine insurance	252,984	120,520	373,504
Land and air insurance	1,722,819	1,316,965	3,039,784
Liability insurance	632,689	663,308	1,295,997
Bonding insurance	75,633	34,963	110,596
Other property insurance	463,817	121,457	585,274
Accident insurance	125,996	497,185	623,181
Health insurance	2,423	27,311	29,734
Policy-related residential earthquake insurance	12	-	12
Compulsory auto liability insurance	508,885	1,726,748	2,235,633
	$ 6,742,337	$ 4,531,981	$ 11,274,318

Insurance by Type	December 31, 2020 Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,524,317	$ 35,616	$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Bonding insurance	71,574	32,880	104,454

(Continued)

Insurance by Type	December 31, 2020		
	Filed But Not Yet Paid	Not Yet Filed	Total
Other property insurance	$ 528,177	$ 105,129	$ 633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-related residential earthquake insurance	-	-	-
Compulsory auto liability insurance	517,204	1,746,771	2,263,975
	$ 5,363,384	$ 4,498,881	$ 9,862,265

(Concluded)

Insurance by Type	March 31, 2020		
	Liability		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,322,870	$ 22,113	$ 1,344,983
Marine insurance	262,499	41,938	304,437
Land and air insurance	1,607,565	1,375,339	2,982,904
Liability insurance	496,718	665,389	1,162,107
Bonding insurance	69,654	72,883	142,537
Other property insurance	571,022	144,848	715,870
Accident insurance	131,528	514,841	646,369
Health insurance	3,118	57,115	60,233
Policy-related residential earthquake insurance	136	-	136
Compulsory auto liability insurance	497,345	1,661,986	2,159,331
	$ 4,962,455	$ 4,556,452	$ 9,518,907

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

Insurance by Type	March 31, 2021		
	Liability		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,690,603	$ 6,385	$ 1,696,988
Marine insurance	133,993	70,778	204,771
Land and air insurance	53,859	37,414	91,273
Liability insurance	369,578	257,992	627,570
Bonding insurance	32,154	17,488	49,642
Other property insurance	232,417	63,766	296,183
Accident insurance	9,093	29,400	38,493
Health insurance	-	(3,000)	(3,000)
Policy-related residential earthquake insurance	-	-	-
Compulsory auto liability insurance	157,803	799,496	957,299
	$ 2,679,500	$ 1,279,719	$ 3,959,219

Insurance by Type	December 31, 2020 Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 518,834	$ 7,832	$ 526,666
Marine insurance	182,974	60,591	243,565
Land and air insurance	51,255	36,432	87,687
Liability insurance	352,700	241,410	594,110
Bonding insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	-
Compulsory auto liability insurance	178,296	801,641	979,937
	$ 1,582,443	$ 1,238,524	$ 2,820,967

Insurance by Type	March 31, 2020 Liability Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 480,279	$ 9,161	$ 489,440
Marine insurance	147,230	24,455	171,685
Land and air insurance	45,383	40,327	85,710
Liability insurance	291,952	257,881	549,833
Bonding insurance	31,437	24,342	55,779
Other property insurance	314,793	62,925	377,718
Accident insurance	7,399	31,097	38,496
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	-
Compulsory auto liability insurance	171,177	750,370	921,547
	$ 1,489,650	$ 1,200,558	$ 2,690,208

5) Reconciliation of loss reserve and ceded loss reserve

	For the Three Months Ended March 31			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	$ 9,862,265	$ 2,820,967	$ 9,357,750	$ 2,450,072
Provision	11,273,621	3,959,153	9,519,560	2,690,813
Recovery	(9,862,171)	(2,820,919)	(9,357,582)	(2,449,976)
Foreign exchange	603	18	(821)	(701)
Ending balance	$ 11,274,318	$ 3,959,219	$ 9,518,907	$ 2,690,208

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ 865,038	$ 1,122,321
Provision	24,209	19,329
Recovery	(55,960)	(55,641)
Ending balance	$ 833,287	$ 1,086,009

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

	For the Three Months Ended March 31, 2021		
	Liability		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 411,992	$ 1,345,017	$ 1,757,009
Provision	-	-	-
Recovery	-	-	-
Ending balance	$ 411,992	$ 1,345,017	$ 1,757,009

	For the Three Months Ended March 31, 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

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 $1,448,509 and $1,467,236 thousand, and special reserve under equity would increase by $371,511 and $441,141 thousand for the three months ended March 31, 2021 and 2020, respectively.

d. Premium deficiency reserves

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

	March 31, 2021			
	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	3,769	875	-	4,644
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 3,769	$ 875	$ -	$ 4,644

	December 31, 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	3,082	916	-	3,998
Land and air insurance	118	82	-	200
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 3,200	$ 998	$ -	$ 4,198

Insurance by Type	March 31, 2020			
	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	38	385	-	423
Land and air insurance	-	35	-	35
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 38	$ 420	$ -	$ 458

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

	For the Three Months Ended March 31, 2021								
	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	3,769	3,082	875	916	646	-	-	-	646
Land and air insurance	-	118	-	82	(200)	-	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 3,769	$ 3,200	$ 875	$ 998	$ 446	$ -	$ -	$ -	$ 446

	For the Three Months Ended March 31, 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	38	12	385	613	(202)	-	-	-	(202)
Land and air insurance	-	-	35	1,400	(1,365)	-	-	-	(1,365)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 38	$ 12	$ 420	$ 2,013	$ (1,567)	$ -	$ -	$ -	$ (1,567)

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

	For the Three Months Ended March 31			
	2021		2020	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	$ 4,198	$ -	$ 2,025	$ -
Provision	4,644	-	458	-
Recovery	(4,198)	-	(2,025)	-
Ending balance	$ 4,644	$ -	$ 458	$ -

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

March 31, 2021

	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	$ 113	$ -	$ -	$ 113

December 31, 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	$ 119	$ -	$ -	$ 119

March 31, 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	$ 109	$ -	$ -	$ 109

2) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2021

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	$ 13	$ 19	$ -	$ -	$ (6)

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

For the three months ended March 31, 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	$ 39	$ 9	$ -	$ -	$ 30

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 March 31, 2021 and 2020 were $22,325 thousand and $21,176 thousand, respectively.

b. Defined benefit plans

Pension under the defined benefit plans were calculated by actuarial determination of retirement cost ratio on December 31, 2020 and 2019, respectively, which were $7,632 thousand and $8,246 thousand for the three months ended March 31, 2021 and 2020, respectively.

22. EQUITY

a. Share capital

	March 31, 2021	December 31, 2020	March 31, 2020
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

	March 31, 2021	December 31, 2020	March 31, 2020
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	15,826
	$ 518,326	$ 518,326	$ 518,326

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. The Company chose to maintain the appropriation of legal reserve in order to enrich the Company's own 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 2020 and 2019 that were approved by the board of directors, acting on behalf of the shareholders, on April 28, 2021 and April 29, 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	**2019**
Legal reserve	$ 434,789	$ 421,258
Special reserve	(67,481)	(620,427)
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	423,634	537,572
Special reserve (FinTech development)	(419)	(173)
Cash dividends	1,383,421	1,768,056
Cash dividends per shares	4.53	5.78

d. Special reserve

	For the Three Months Ended March 31, 2021				
	Special Reserve				
	Catastrophic Event	**Fluctuation of Risk**	**Others**	**Others**	**Total**
Balance at January 1, 2021	$ 1,862,329	$ 2,712,495	$ -	$ 221,240	$ 4,796,064
Provision	-	-	-	-	-
Recovered/reversal	-	-	-	-	-
Balance at March 31, 2021	$ 1,862,329	$ 2,712,495	$ -	$ 221,240	$ 4,796,064

	For the Three Months Ended March 31, 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	-	-	-	-	-
Balance at March 31, 2020	$ 1,625,133	$ 2,526,057	$ -	$ 841,840	$ 4,993,030

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 March 31, 2021 and 2020 was $4,574,824 thousand and $4,151,190 thousand, respectively.

e. Other equity items

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ (331,574)	$ (319,991)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	556	(7,570)
Share from associates accounted for using the equity method	(4,284)	(27,603)
Other comprehensive income recognized for the period	(3,728)	(35,173)
Ending balance	$ (335,302)	$ (355,164)

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ (36,212)	$ 78,395
Recognized for the period		
Unrealized gain (loss) - debt instruments	(10,346)	10,544
Unrealized gain (loss) - equity instruments	(31,800)	(3,000)
Adjustments of loss allowance in debt instruments	(2)	(6)
Shares from associates accounted for using the equity method	(25,008)	(26,270)
Other comprehensive income recognized for the period	(67,156)	(18,732)
Ending balance	$ (103,368)	$ 59,663

3) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ (175,461)	$ (158,735)
Changes in this period	-	-
Ending balance	$ (175,461)	$ (158,735)

4) Other comprehensive income reclassified under the overlay approach

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	$ 418,508	$ 208,111
Recognized for the period	570,215	(1,351,971)
Reclassification adjustments		
Disposal of financial instruments	(314,484)	(35,221)
Related income tax	2,327	37,836
Other comprehensive income recognized for the period	258,058	(1,349,356)
Ending balance	$ 676,566	$ (1,141,245)

23. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended March 31	
	2021	2020
Bank deposits	$ 7,600	$ 11,799
Bills purchased under resale agreement	1,676	2,200
Financial instruments at FVTPL	37,176	25,172
Investments in debt instruments at FVTOCI	2,962	3,018
Financial assets at amortized cost	83,942	94,981
Loan	686	936
Compulsory insurance	1,633	2,904
Other financial assets	8	6
	$ 135,683	$ 141,016

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

	For the Three Months Ended March 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 72,516	$ 567,744	$ 640,260	$ 66,263	$ 549,053	$ 615,316
Labor and health insurance	-	65,044	65,044	-	62,380	62,380
Pension expenses	-	29,957	29,957	-	29,422	29,422
Remuneration of directors	-	17,537	17,537	-	11,276	11,276
Other employee benefits	-	9,276	9,276	-	8,903	8,903
	$ 72,516	$ 689,558	$ 762,074	$ 66,263	$ 661,034	$ 727,297
Depreciation	$ -	$ 46,358	$ 46,358	$ -	$ 42,478	$ 42,478
Amortization	$ -	$ 14,224	$ 14,224	$ -	$ 10,884	$ 10,884

For the three months ended March 31, 2021 and 2020, the Group's average number of employees were 2,332 and 2,272, respectively. There were 2,319 and 2,261 employees, which include 8 directors not serving concurrently as employees, in the Group as of March 31, 2021 and 2020.

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 March 31, 2021 and 2020, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2021	2020
Employees' compensation	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended March 31	
	2021	2020
Employees' compensation	$ 559	$ 714
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 2020 and 2019 that were resolved by the board of directors on March 9, 2021 and March 10, 2020, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	$ 2,557	$ 2,497
Remuneration of directors and supervisors	$ 4,500	$ 4,500

There is no difference between the actual amounts of employees' compensation and the remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 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 March 31	
	2021	2020
Current tax		
In respect of the current period	$ 94,575	$ 177,990
Deferred tax		
In respect of the current period	(23,222)	(41,693)
Income tax expense recognized in profit or loss	$ 71,353	$ 136,297

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2021	2020
Deferred tax		
In respect of the current period:		
Other comprehensive losses or gains reclassification in overlay approach	$ (2,327)	$ (37,836)
Total income tax recognized in other comprehensive income	$ (2,327)	$ (37,836)

c. Income tax assessments

Income tax returns through 2015 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 March 31	
	2021	2020
Profit for the year attributable to owners of the Company	$ 491,296	$ 577,185

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

	For the Three Months Ended March 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705

26. FINANCIAL INSTRUMENTS

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

March 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,598,543	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	5,805,947	-	6,652,485	-	6,652,485
	$ 7,404,490	$ -	$ 8,052,485	$ -	$ 8,052,485
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 505,313	$ -	$ 510,393	$ -	$ 510,393

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,597,941	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	5,801,015	-	6,905,643	-	6,905,643
	$ 7,398,956	$ -	$ 8,305,643	$ -	$ 8,305,643
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 506,815	$ -	$ 513,182	$ -	$ 513,182

March 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,399,085	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	6,706,153	-	7,329,322	-	7,329,322
	$ 8,105,238	$ -	$ 8,729,322	$ -	$ 8,729,322
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 511,392	$ -	$ 517,433	$ -	$ 517,433

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

1) Fair value hierarchy

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 79,128	$ -	$ 79,128
Domestic listed shares	6,392,681	-	-	6,392,681
Foreign listed shares	464,891	-	-	464,891
Mutual funds	5,150,018	-	-	5,150,018
Domestic financial bonds	-	312,689	-	312,689
	$ 12,007,590	$ 391,817	$ -	$ 12,399,407
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 430,200	$ 430,200
Investments in debt instruments				
Domestic government bonds	-	752,147	-	752,147
	$ -	$ 752,147	$ 430,200	$ 1,182,347
Financial liabilities at FVTPL				
Derivatives	$ -	$ 22,438	$ -	$ 22,438

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 154,047	$ -	$ 154,047
Domestic listed shares	6,036,357	-	-	6,036,357
Foreign listed shares	399,844	-	-	399,844
Mutual funds	4,761,826	-	-	4,761,826
Domestic financial bonds	-	313,362	-	313,362
	$ 11,198,027	$ 467,409	$ -	$ 11,665,436

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments	$ -	$ -	$ 462,000	$ 462,000
Domestic unlisted shares				
Investments in debt instruments	-	764,184	-	764,184
Domestic government bonds				
	$ -	$ 764,184	$ 462,000	$ 1,226,184
Financial liabilities at FVTPL				
Derivatives	$ -	$ 2,700	$ -	$ 2,700

(Concluded)

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 41,884	$ -	$ 41,884
Domestic listed shares	5,176,515	-	-	5,176,515
Foreign listed shares	332,395	-	-	332,395
Mutual funds	3,730,378	-	-	3,730,378
Domestic financial bonds	-	768,143	-	768,143
	$ 9,239,288	$ 810,027	$ -	$ 10,049,315
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 586,800	$ 586,800
Investments in debt instruments				
Domestic government bonds	-	762,883	-	762,883
	$ -	$ 762,883	$ 586,800	$ 1,349,683
Financial liabilities at FVTPL				
Derivatives	$ -	$ 16,523	$ -	$ 16,523

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

For the three months ended March 31, 2021

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Balance at January 1, 2021	$ 462,000
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	(31,800)
Balance at March 31, 2021	$ 430,200

For the three months ended March 31, 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)	(3,000)
Balance at March 31, 2020	$ 586,800

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:

	March 31, 2021			
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability the lower the fair value of the stocks

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
	December 31, 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
	March 31, 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

c. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 12,399,407	$ 11,665,436	$ 10,049,315
Financial assets at amortized cost (1)	20,949,979	21,129,280	19,690,941
Financial assets at FVTOCI			
Equity instruments	430,200	462,000	586,800
Debt instruments	752,147	764,184	762,883
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	22,438	2,700	16,523
Amortized cost (2)	2,926,581	3,362,916	2,740,796

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.

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 (+/-)**	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Equity price risk (index)	-10%	$ (1,058,621)	$ (936,002)	$ (579,850)
Interest rate risk (yield curve)	+20bps	(133,995)	(139,733)	(138,171)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(127,044)	(133,032)	(96,805)

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

	March 31, 2021		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 23,465	$ 6,714
	CNY appreciates 1 %	2,651	-
	HKD appreciates 1 %	1,121	4,366
	EUR appreciates 1 %	9	472
	VND appreciates 1 %	-	6,195
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,860)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(45)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,154)	(695)
Equity securities price sensitivity	Increases 1% in equity price	-	105,862

	December 31, 2020		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1%	$ 23,146	$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

	March 31, 2020		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 20,444	$ 3,385
	CNY appreciates 1 %	2,496	-
	HKD appreciates 1 %	674	3,668
	EUR appreciates 1 %	100	231
	VND appreciates 1 %	-	6,075
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,991)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(65)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,133)	(786)
Equity securities price sensitivity	Increases 1% in equity price	-	57,985

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:

March 31, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,342,857	$ -	$ -	$ -	$ 234,787	$ 10,577,644
Financial assets at FVTPL	391,817	-	-	-	-	391,817
Financial assets at FVTOCI	752,147	-	-	-	-	752,147
Financial assets at amortized cost	2,103,856	71,513	1,235,789	2,915,441	1,583,204	7,909,803
Total	$ 13,590,677	$ 71,513	$ 1,235,789	$ 2,915,441	$ 1,817,991	$ 19,631,411
Proportion	69.23%	0.36%	6.30%	14.85%	9.26%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 9,987,740	$ -	$ -	$ -	$ 248,975	$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Financial assets at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,905,771
Total	$ 13,324,089	$ 71,512	$ 1,231,351	$ 2,916,059	$ 1,831,068	$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

March 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 8,653,408	$ -	$ -	$ -	$ 206,950	$ 8,860,358
Financial assets at FVTPL	810,027	-	-	-	-	810,027
Financial assets at FVTOCI	762,883	-	-	-	-	762,883
Financial assets at amortized cost	1,910,478	349,345	1,456,523	3,176,469	1,723,815	8,616,630
Total	$ 12,136,796	$ 349,345	$ 1,456,523	$ 3,176,469	$ 1,930,765	$ 19,049,898
Proportion	63.71%	1.83%	7.65%	16.67%	10.14%	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

	March 31, 2021					
			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	$ 752,147	$ -	$ -	$ -	$ -	$ 752,147
Financial assets measured at amortized cost	7,780,147	-	-	-	(4,732)	7,775,415
Non-investment grade						
Financial assets measured at amortized cost	-	141,354	-	-	(6,966)	134,388

	December 31, 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	$ 764,184	$ -	$ -	$ -	$ -	$ 764,184
Financial assets measured at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
Non-investment grade						
Financial assets measured at amortized cost	-	141,195	-	-	(10,311)	130,884

	March 31, 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	$ 762,883	$ -	$ -	$ -	$ -	$ 762,883
Financial assets measured at amortized cost	8,332,807	-	-	-	(3,016)	8,329,791
Non-investment grade						
Financial assets measured at amortized cost	-	299,164	-	-	(12,325)	286,839

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

	March 31, 2021					
			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	$ 208,213	$ -	$ -	$ -	$ (2,656)	$ 205,557

	December 31, 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	$ 197,791	$ -	$ -	$ -	$ (2,475)	$ 195,316

	March 31, 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	$ 220,378	$ -	$ -	$ -	$ (2,639)	$ 217,739

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument investments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2021	$ 91	$ -	$ -	$ -	$ 91
Changes in models/risk parameters	(2)	-	-	-	(2)
March 31, 2021	$ 89	$ -	$ -	$ -	$ 89
January 1, 2020	$ 66	$ -	$ -	$ -	$ 66
Changes in models/risk parameters	(6)	-	-	-	(6)
March 31, 2020	$ 60	$ -	$ -	$ -	$ 60

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, 2021	$ 6,120	$ -	$ 10,311	$ -	$ 16,431
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	-	-	-	-	-
Derecognition of financial assets in the current period	-	-	-	-	-
Changes in models/risk parameters	(1,388)	-	(3,345)	-	(4,733)
March 31, 2021	$ 4,732	$ -	$ 6,966	$ -	$ 11,698
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	-	-
Changes in models/risk parameters	(370)	-	11,802	-	11,432
March 31, 2020	$ 3,016	$ -	$ 12,325	$ -	$ 15,341

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, 2021	$ 22	$ -	$ -	$ -	$ 22	$ 2,453	$ 2,475
Changes in models/risk parameters	(10)	-	-	-	(10)	-	(10)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	191	191
March 31, 2021	$ 12	$ -	$ -	$ -	$ 12	$ 2,644	$ 2,656
January 1, 2020	$ 66	$ -	$ -	$ -	$ 66	$ 2,737	$ 2,803
Changes in models/risk parameters	39	-	-	-	39	-	39
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(203)	(203)
March 31, 2020	$ 105	$ -	$ -	$ -	$ 105	$ 2,534	$ 2,639

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:

March 31, 2021	**Due**	**Over Due**	**Total**
Carrying amount	$ 1,258,787	$ 601,539	$ 1,860,326
Expected loss rate	1.04%	4.44%	-
Lifetime expected credit losses	$ 13,121	$ 26,715	$ 39,836

December 31, 2020	**Due**	**Over Due**	**Total**
Carrying amount	$ 2,017,873	$ 338,004	$ 2,355,877
Expected loss rate	1.00%	5.95%	-
Lifetime expected credit losses	$ 20,087	$ 20,115	40,202

March 31, 2020	**Due**	**Over Due**	**Total**
Carrying amount	$ 1,217,459	$ 377,480	$ 1,594,939
Expected loss rate	0.99%	4.14%	-
Lifetime expected credit losses	$ 12,044	$ 15,642	$ 27,686

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.

March 31, 2021

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,884,527	$ 21,302	$ 6,341	$ 9,801	$ 4,610
Lease liabilities	61,998	12,231	12,883	6,164	-
Derivative financial liabilities					
Swap	22,438	-	-	-	-

December 31, 2020

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,322,801	$ 18,618	$ 8,438	$ 8,209	$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
Derivative financial liabilities					
Swap	2,700	-	-	-	-

March 31, 2020

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,706,788	$ 18,194	$ 7,305	$ 8,509	$ -
Lease liabilities	65,640	61,887	52,065	2,120	-
Derivative financial liabilities					
Swap	16,523	-	-	-	-

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 Futures Co., Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
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
Cathay Hospitality Management Co., Ltd.	Other related parties
Cathay Hospitality Consulting Co., Ltd.	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
Tien-Chi Power Co., Ltd.	Other related parties
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

(Concluded)

b. Trading transactions

Line Item	Related Party Category/Name	For the Three Months Ended March 31 2021	2020
Net premium income	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 93,153	$ 100,536
	Cathay United Bank Co., Ltd.	47,835	43,582
		$ 140,988	$ 144,118
Operating cost			
Marketing cost	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 155,603	$ 162,583
Commission cost	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	3,659	7,054
		$ 159,262	$ 169,637
Operating expenses			
Group insurance expenses	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 4,580	$ 4,504
Marketing expenses	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	27,874	27,577
Other expenses	Other related parties		
	Symphox Information Co., Ltd.	10,372	24,262
		$ 42,826	$ 56,343

c. Receivables from related parties

Line Item	Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Premiums receivable	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 29,994	$ 49,492	$ 24,046
	Other related parties			
	Cathay Hospitality Management Co., Ltd.	-	4,664	-
	Tien-Chi Power Co., Ltd.	459	3,687	-
		$ 30,453	$ 57,843	$ 24,046

The outstanding receivables from related parties are unsecured. For the three months ended March 31, 2021 and 2020, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Other payable	The Group's parent			
	Cathay Financial Holdings Co., Ltd. (Note)	$ 445,073	$ 356,009	$ 538,721
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	71,974	58,764	56,845
	Other related parties			
	Symphox Information Co., Ltd.	3,030	-	16,872
		$ 520,077	$ 414,773	$ 612,438

Note: Including Income tax payable under tax consolidation and remuneration of Directors and Supervisors

The outstanding payables from related parties are unsecured.

e. Cash in bank

Line Item	Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 1,816,725	$ 1,845,214	$ 1,443,407
	Indovina Bank Ltd.	5,748	6,151	11,776
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	22,907	165,007	609,500
	Indovina Bank Ltd.	229,522	237,068	169,534
		$ 2,074,902	$ 2,253,440	$ 2,234,217

As of March 31, 2021, December 31, 2020 and March 31, 2020, time deposits pledged recognized in guarantee deposits were $27,571 thousand, $27,565 thousand and $22,839 thousand, respectively.

f. Interest revenue

Related Party Category/Name	For the Three Months Ended March 31 2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ 167	$ 1,793
Indovina Bank Ltd.	3,952	3,136
	$ 4,119	$ 4,929

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Funds issued from Cathay Securities Investment Trust Co., Ltd.	$ 1,211,336	$ 1,119,265	$ 915,595

h. Discretionary account management balance

Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 1,462,000	$ 1,357,146	$ 901,342

i. Guarantee deposits

Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiary			
Cathay Life Insurance Co., Ltd.	$ 26,580	$ 26,580	$ 26,580
Cathay United Bank Co., Ltd.	21,782	21,782	17,196
Cathay Futures Co., Ltd.	21,842	21,841	21,839
Indovina Bank Ltd.	7,564	7,558	7,839
	$ 77,768	$ 77,761	$ 73,454

j. Secured loans

Related Party Category/Name	For the Three Months Ended March 31, 2021 Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 39,642	$ 34,763	1.25-1.35%	$ 110

Related Party Category/Name	For the Three Months Ended March 31, 2020 Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 22,145	$ 21,437	1.53-1.60%	$ 84

k. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Lease liabilities	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	$ 44,764	$ 71,586	$ 149,816
	Cathay United Bank Co., Ltd.	6,303	7,931	1,007
		$ 51,067	$ 79,517	$ 150,823

Related Party Category/Name	For the Three Months Ended March 31 2021	2020
Interest expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 177	$ 524
Cathay United Bank Co., Ltd.	20	6
	$ 197	$ 530
Lease expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 654	$ 765
Cathay United Bank Co., Ltd.	144	-
	$ 798	$ 765

Lease expenses included expenses relating to short-term leases, low-value asset leases and variable lease payments that do not depend on an index or a rate. Future lease payables related to short-term leases, low-value asset leases are as follows:

Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Future lease payables	$ 3,171	$ 3,171	$ 3,047

l. Foreign exchange swaps

As of March 31, 2021, December 31, 2020 and March 31, 2020, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 95,200	US$ 95,200	US$ 95,200
	EUR 750	EUR 750	EUR 750

m. Compensation of key management personnel

Related Party Category/Name	For the Three Months Ended March 31	
	2021	2020
Short-term employee benefits	$ 42,561	$ 40,772
Post-employment benefits	1,810	1,765
	$ 44,371	$ 42,537

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

	March 31, 2021	December 31, 2020	March 31, 2020
Guarantee deposits paid - government bonds	$ 505,313	$ 506,815	$ 511,392
Guarantee deposits paid - time deposits	20,007	20,007	15,000
	$ 525,320	$ 526,822	$ 526,392

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company provided government bonds amounting to $505,379 thousand, $506,883 thousand and $511,436 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 $66 thousand, $68 thousand and $44 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Government deposits paid - time deposits	$ 7,564	$ 7,558	$ 7,839

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	March 31, 2021		
	Recovery/ Settlement within 12 Months	**Recovery/ Settlement Over 12 Months**	**Total**
Cash and cash equivalents	$ 10,597,515	$ -	$ 10,597,515
Receivables	2,133,070	-	2,133,070
Investments			
Financial assets at FVTPL	12,289,349	110,058	12,399,407
Financial assets at FVTOCI	-	1,182,347	1,182,347
Financial assets measured at amortized cost	550,539	6,853,951	7,404,490
Investments accounted for using the equity method	-	2,239,401	2,239,401
Loans	-	205,557	205,557
Total investments	12,839,888	10,591,314	23,431,202
Reinsurance assets	939,444	7,502,223	8,441,667
Property and equipment	-	187,322	187,322
Right-of-use assets	-	90,821	90,821
Intangible assets	-	93,930	93,930
Deferred tax assets	-	185,738	185,738
Other assets	62,218	625,605	687,823
Total assets	$ 26,572,136	$ 19,276,952	$ 45,849,088
Payables	$ 2,926,581	$ -	$ 2,926,581
Financial liabilities at FVTPL	22,438	-	22,438
Insurance liabilities			
Unearned premium reserve	-	13,733,102	13,733,102
Loss reserve	-	11,274,318	11,274,318
Policy reserve	-	113	113
Special reserve	-	2,590,295	2,590,295
Premium deficiency reserve	-	4,644	4,644
Total insurance liabilities	-	27,602,472	27,602,472
Provisions	-	453,959	453,959
Lease liabilities	70,923	20,277	91,200
Deferred tax liabilities	-	271,282	271,282
Other liabilities	657,627	15,233	672,860
Total liabilities	$ 3,677,596	$ 28,363,223	$ 32,040,792

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 10,253,572	$ -	$ 10,253,572
Receivables	2,674,034	-	2,674,034
Investments			
Financial assets at FVTPL	11,555,228	110,208	11,665,436
Financial assets at FVTOCI	-	1,226,184	1,226,184
Financial assets measured at amortized cost	174,504	7,224,452	7,398,956
Investments accounted for using the equity method	-	2,203,664	2,203,664
Loans	63	195,253	195,316
Total investments	11,729,795	10,959,761	22,689,556
Reinsurance assets	998,032	6,447,905	7,445,937
Property and equipment	-	197,086	197,086
Right-of-use assets	-	105,864	105,864
Intangible assets	-	91,180	91,180
Deferred tax assets	-	175,329	175,329
Other assets	41,784	624,039	665,823
Total assets	$ 25,697,217	$ 18,601,164	$ 44,298,381
Payables	$ 3,362,916	$ -	$ 3,362,916
Financial liabilities at FVTPL	2,700	-	2,700
Insurance liabilities			
Unearned premium reserve	-	13,737,655	13,737,655
Loss reserve	-	9,862,265	9,862,265
Policy reserve	-	119	119
Special reserve	-	2,622,047	2,622,047
Premium deficiency reserve	-	4,198	4,198
Total insurance liabilities	-	26,226,284	26,226,284
Provisions	-	454,164	454,164
Lease liabilities	94,049	11,988	106,037
Deferred tax liabilities	-	286,426	286,426
Other liabilities	716,498	13,530	730,028
Total liabilities	$ 4,176,163	$ 26,992,392	$ 31,168,555

Items	March 31, 2020 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 8,880,072	$ -	$ 8,880,072
Receivables	1,876,994	-	1,876,994
Investments			
Financial assets at FVTPL	10,049,315	-	10,049,315
Financial assets at FVTOCI	-	1,349,683	1,349,683
Financial assets measured at amortized cost	349,115	7,756,123	8,105,238
Investments accounted for using the equity method	-	2,078,300	2,078,300
Loans	362	217,377	217,739
Total investments	10,398,792	11,401,483	21,800,275
Reinsurance assets	1,278,287	5,851,048	7,129,335
Property and equipment	-	168,234	168,234
Right-of-use assets	-	178,355	178,355
Intangible assets	-	61,656	61,656
Deferred tax assets	-	183,943	183,943
Other assets	51,308	624,691	675,999
Total assets	$ 22,485,453	$ 18,469,410	$ 40,954,863
Payables	$ 2,740,796	$ -	$ 2,740,796
Financial liabilities at FVTPL	16,523	-	16,523
Insurance liabilities			
Unearned premium reserve	-	12,519,412	12,519,412
Loss reserve	-	9,518,907	9,518,907
Policy reserve	-	109	109
Special reserve	-	2,861,745	2,861,745
Premium deficiency reserve	-	458	458
Total insurance liabilities	-	24,900,631	24,900,631
Provisions	-	433,256	433,256
Lease liabilities	7,817	170,868	178,685
Deferred tax liabilities	-	271,074	271,074
Other liabilities	569,461	14,056	583,517
Total liabilities	$ 3,334,597	$ 25,789,885	$ 29,124,482

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:

March 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 187,907	28.531 (USD:NTD)	$ 5,641,118
EUR	8,216	33.473 (EUR:NTD)	275,821
HKD	2,762	3.669 (HKD:NTD)	10,133
CNY	70,208	4.351 (CNY:NTD)	305,545
Non-monetary items			
USD	51,880	28.531 (USD:NTD)	1,480,176
EUR	3,442	33.473 (EUR:NTD)	115,213
HKD	118,985	3.669 (HKD:NTD)	436,565
Investments accounted for using the equity method			
CNY	514,627	4.351 (CNY:NTD)	2,239,401
Derivative instruments (Note)			
USD	117,800	28.531 (USD:NTD)	78,834
EUR	750	33.473 (EUR:NTD)	294
Financial liabilities			
Monetary items			
USD	4,838	28.531 (USD:NTD)	140,248
EUR	219	33.473 (EUR:NTD)	7,504
HKD	64	3.669 (HKD:NTD)	233
CNY	4,537	4.351 (CNY:NTD)	19,682
Non-monetary items			
Derivative instruments (Note)			
USD	64,100	28.531 (USD:NTD)	22,438

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 207,079	28.508 (USD:NTD)	$ 5,905,798
EUR	7,257	35.056 (EUR:NTD)	252,393
HKD	3,896	3.678 (HKD:NTD)	14,342
CNY	73,098	4.359 (CNY:NTD)	318,046

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items			
USD	$ 49,842	28.508 (USD:NTD)	$ 1,420,899
EUR	3,379	35.056 (EUR:NTD)	118,458
HKD	119,536	3.678 (HKD:NTD)	439,597
Investments accounted for using the equity method			
CNY	505,520	4.359 (CNY:NTD)	2,203,664
Derivative instruments (Note)			
USD	165,100	28.508 (USD:NTD)	154,047
Financial liabilities			
Monetary items			
USD	10,371	28.508 (USD:NTD)	301,999
EUR	121	35.056 (EUR:NTD)	4,077
CNY	4,046	4.359 (CNY:NTD)	17,440
Non-monetary items			
Derivative instruments (Note)			
USD	16,800	28.508 (USD:NTD)	1,040
EUR	750	35.056 (EUR:NTD)	1,660

(Concluded)

March 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 219,907	30.254 (USD:NTD)	$ 6,654,222
EUR	6,005	33.269 (EUR:NTD)	199,750
HKD	4,202	3.903 (HKD:NTD)	16,396
CNY	63,456	4.266 (CNY:NTD)	273,076
Non-monetary items			
USD	33,140	30.254 (USD:NTD)	1,002,621
EUR	2,055	33.269 (EUR:NTD)	68,384
HKD	93,976	3.903 (HKD:NTD)	366,768
Investments accounted for using the equity method			
CNY	487,258	4.266 (CNY:NTD)	2,078,300
Derivative instruments (Note)			
USD	96,500	30.254 (USD:NTD)	39,382
EUR	2,000	33.269 (USD:NTD)	2,502

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 6,026	30.254 (USD:NTD)	$ 184,854
EUR	215	33.269 (EUR:NTD)	7,278
HKD	7	3.903 (HKD:NTD)	28
CNY	1,953	4.266 (CNY:NTD)	8,397
Non-monetary items			
Derivative instruments (Note)			
USD	90,400	30.254 (USD:NTD)	16,253
EUR	750	33.269 (EUR:NTD)	270

(Concluded)

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

For the three months ended March 31, 2021 and 2020 (realized and unrealized) net foreign exchange (losses) gains were $(3,960) thousand and $24,714 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: None

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

5) Trading in derivative instruments (Note 7)

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

7) Information on investees (Table 4)

b. Information on investments in mainland China

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

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

   a) 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 March 31, 2021

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	$ 523,296	$ 160,969	$ 433,024	$ 251,241	$ (120,924)	$ 372,165
Marine insurance	168,341	12,442	102,738	78,045	8,913	69,132
Land and air insurance	2,577,806	38,060	80,723	2,535,143	92,333	2,442,810
Liability insurance	433,530	1,428	83,873	351,085	85,881	265,204
Bonding insurance	18,387	(1,487)	9,854	7,046	(7,887)	14,933
Other property insurance	326,936	61,689	283,945	104,680	(3,069)	107,749
Accident insurance	710,570	3,741	66,624	647,687	(4,616)	652,303
Health insurance	37,144	3,478	108	40,514	3,494	37,020
Policy-related residential earthquake insurance	106,789	14,941	106,789	14,941	2,051	12,890
Compulsory auto liability insurance	670,931	187,594	279,582	578,943	3,021	575,922
	$ 5,573,730	$ 482,855	$ 1,447,260	$ 4,609,325	$ 59,197	$ 4,550,128

For the three months ended March 31, 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	$ 512,242	$ 200,004	$ 265,443	$ 446,803	$ (62,925)	$ 509,728
Marine insurance	149,559	7,016	105,111	51,464	(16,497)	67,961
Land and air insurance	2,326,901	20,763	65,569	2,282,095	(33,908)	2,316,003
Liability insurance	346,951	1,089	101,237	246,803	981	245,822
Bonding insurance	23,663	14,756	13,747	24,672	3,763	20,909
Other property insurance	361,874	72,102	285,982	147,994	(4,373)	152,367
Accident insurance	756,942	2,983	75,546	684,379	(58,401)	742,780
Health insurance	74,038	7,155	-	81,193	(10,634)	91,827
Policy-related residential earthquake insurance	111,100	14,891	111,100	14,891	2,325	12,566
Compulsory auto liability insurance	663,668	179,535	275,669	567,534	(11,774)	579,308
	$ 5,326,938	$ 520,294	$ 1,299,404	$ 4,547,828	$ (191,443)	$ 4,739,271

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

For the three months ended March 31, 2021

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 670,931	$ 187,594	$ 279,582	$ 578,943
Non-compulsory insurance	4,902,799	295,261	1,167,678	4,030,382
	$ 5,573,730	$ 482,855	$ 1,447,260	$ 4,609,325

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	$ 1,228,417	$ 1,227,564	$ 463,626	$ 460,947	$ 3,532
Non-compulsory insurance	11,630,684	11,780,771	409,760	296,358	(36,685)
	$ 12,859,101	$ 13,008,335	$ 873,386	$ 757,305	$ (33,153)

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	$ 737,050	$ 736,539	$ 511	$ 575,922
Non-compulsory insurance	2,805,726	2,898,587	(92,861)	3,974,206
	$ 3,542,776	$ 3,635,126	$ (92,350)	$ 4,550,128

For the three months ended March 31, 2020

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 663,668	$ 179,535	$ 275,669	$ 567,534
Non-compulsory insurance	4,663,270	340,759	1,023,735	3,980,294
	$ 5,326,938	$ 520,294	$ 1,299,404	$ 4,547,828

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	$ 1,243,340	$ 1,253,418	$ 461,660	$ 469,404	$ (17,822)
Non-compulsory insurance	10,542,826	10,793,220	260,149	220,359	(210,604)
	$ 11,786,166	$ 12,046,638	$ 721,809	$ 689,763	$ (228,426)

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	$ 746,004	$ 752,051	$ (6,047)	$ 579,309
Non-compulsory insurance	2,415,956	2,446,892	(30,936)	4,159,962
	$ 3,161,960	$ 3,198,943	$ (36,983)	$ 4,739,271

b. Retained claims

Insurance by Type	For the Three Months Ended March 31, 2021			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 28,846	$ 92,493	$ 46,551	$ 74,788
Marine insurance	55,491	16,920	32,429	39,982
Land and air insurance	1,427,403	16,719	34,242	1,409,880
Liability insurance	148,447	(104)	29,006	119,337
Bonding insurance	(31,127)	805	(32,661)	2,339
Other property insurance	101,327	57,499	59,667	99,159
Accident insurance	315,140	744	16,747	299,137
Health insurance	16,537	2,767	-	19,304
Policy-related residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	474,199	209,851	273,999	410,051
	$ 2,536,263	$ 397,694	$ 459,980	$ 2,473,977

Insurance by Type	For the Three Months Ended March 31, 2020			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 96,692	$ 106,155	$ 27,914	$ 174,933
Marine insurance	51,543	6,316	37,423	20,436
Land and air insurance	1,409,650	2,025	38,137	1,373,538
Liability insurance	242,388	1	125,902	116,487
Bonding insurance	3,300	1,705	96	5,101
Other property insurance	76,564	78,606	47,044	108,126
Accident insurance	374,093	648	15,575	359,166
Health insurance	27,748	12,206	-	39,954
Policy-related residential earthquake insurance	-	1	-	1
Compulsory auto liability insurance	587,954	184,660	347,482	425,132
	$ 2,869,932	$ 392,323	$ 639,381	$ 2,622,874

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance by Type	For the Three Months Ended March 31, 2021			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 474,199	$ 209,851	$ 273,999	$ 410,051
Non-compulsory insurance	2,062,064	187,843	185,981	2,063,926
	$ 2,536,263	$ 397,694	$ 459,980	$ 2,473,977

Insurance by Type	For the Three Months Ended March 31, 2020			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 587,954	$ 184,660	$ 347,482	$ 425,132
Non-compulsory insurance	2,281,978	207,663	291,899	2,197,742
	$ 2,869,932	$ 392,323	$ 639,381	$ 2,622,874

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 March 31, 2021	December 31, 2020	March 31, 2020
Fire insurance	$ (4,568)	$ 13,274	$ 14,512
Marine insurance	16,956	11,468	7,270
Land and air insurance	33,252	37,194	39,921
Liability insurance	26,184	45,977	43,953
Bonding insurance	739	157	3,787
Other property insurance	20,245	19,898	26,596
Accident insurance	13,095	15,417	14,640
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	1,700
Compulsory auto liability insurance	185,892	161,235	265,384
	291,795	304,620	417,763
Less: Loss allowance	(14,590)	(15,231)	(20,888)
	$ 277,205	$ 289,389	$ 396,875

d. Receivables and payables of insurance contracts

Receivables

Insurance by Type	Premiums Receivable March 31, 2021	December 31, 2020	March 31, 2020
Fire insurance	$ 537,391	$ 936,657	$ 353,906
Marine insurance	348,029	356,045	271,744
Land and air insurance	99,125	137,421	101,990
Liability insurance	259,919	304,996	199,082
Bonding insurance	24,449	34,644	28,169
Other property insurance	233,335	237,919	279,776
Accident insurance	136,616	119,462	122,560
Health insurance	4,849	4,849	6,209
Policy-related residential earthquake insurance	30,394	30,466	34,161
Compulsory auto liability insurance	14,157	19,596	19,058
	1,688,264	2,182,055	1,416,655
Less: Loss allowance	(36,480)	(36,713)	(22,945)
	$ 1,651,784	$ 2,145,342	$ 1,393,710

Aging analysis of premiums receivable:

	March 31, 2021	December 31, 2020	March 31, 2020
Less than 90 days	$ 1,088,377	$ 1,845,819	$ 1,042,164
Over 90 days	599,887	336,236	374,491
	$ 1,688,264	$ 2,182,055	$ 1,416,655

The overdue amounts as of March 31, 2021, December 31, 2020 and March 31, 2020 in the above premiums receivable were $599,887 thousand, $336,236 thousand and $374,491 thousand, respectively, and loss allowance of $25,063 thousand, $18,347 thousand and $12,653 thousand were provided, respectively.

Accounts payable

	March 31, 2021		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 24,884	$ 11,755	$ 36,639
Marine insurance	14,175	14,273	28,448
Land and air insurance	110,622	95,731	206,353
Liability insurance	26,970	27,016	53,986
Bonding insurance	4,347	336	4,683
Other property insurance	6,967	9009	15,976
Accident insurance	9,603	27,995	37,598
Health insurance	1,562	1,204	2,766
Policy-related residential earthquake insurance	1,503	1,321	2,824
Compulsory auto liability insurance	27,208	-	27,208
	$ 227,841	$ 188,640	$ 416,481

	December 31, 2020		
Insurance by Type	**Commission Payable**	**Others**	**Total**
Fire insurance	$ 28,222	$ 12,555	$ 40,777
Marine insurance	13,293	11,805	25,098
Land and air insurance	106,137	98,872	205,009
Liability insurance	23,814	25,884	49,698
Bonding insurance	3,840	378	4,218
Other property insurance	7,176	9,654	16,830
Accident insurance	10,325	25,601	35,926
Health insurance	1,352	878	2,230
Policy-related residential earthquake insurance	1,646	1,225	2,871
Compulsory auto liability insurance	26,369	-	26,369
	$ 222,174	$ 186,852	$ 409,026

Insurance by Type	March 31, 2020 Commission Payable	Others	Total
Fire insurance	$ 27,403	$ 10,638	$ 38,041
Marine insurance	9,927	13,489	23,416
Land and air insurance	77,366	82,676	160,042
Liability insurance	18,519	20,387	38,906
Bonding insurance	2,773	710	3,483
Other property insurance	4,887	12,299	17,186
Accident insurance	8,917	24,172	33,089
Health insurance	2,119	663	2,782
Policy-related residential earthquake insurance	1,976	1,229	3,205
Compulsory auto liability insurance	25,808	-	25,808
	$ 179,695	$ 166,263	$ 345,958

Due from (to) reinsurers and ceding companies - reinsurance

	March 31, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 300,225	$ 386,552
AON	63,967	143,119
Central Re	1	83,310
Guy Carpenter	27,386	89,770
Marsh	73,712	61,379
Swiss Re	-	116,161
Willis	50,476	89,311
Others (individually below 5%)	191,286	724,192
	707,053	1,693,794
Less: Loss allowance	(44,814)	-
	$ 662,239	$ 1,693,794

	December 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 311,559	$ 360,628
AON	44,900	188,748
Central Re	11,634	131,069
Cosmos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611

(Continued)

	December 31, 2020	
	Due from Reinsurers and Ceding Companies	**Due to Reinsurers and Ceding Companies**
Swiss Re	$ 19,000	$ 113,884
Willis	58,826	57,680
Others (individually below 5%)	171,960	558,089
	752,144	1,778,193
Less: Loss allowance	(43,501)	-
	$ 708,643	$ 1,778,193

(Concluded)

	March 31, 2020	
	Due from Reinsurers and Ceding Companies	**Due to Reinsurers and Ceding Companies**
Non-Life Insurance Association of the R.O.C.	$ 326,449	$ 375,460
Central Re	55,731	170,993
AON	43,424	128,717
Swiss Re	13,921	125,508
Others (individually below 5%)	492,291	753,964
	931,816	1,554,642
Less: Loss allowance	(50,404)	-
	$ 881,412	$ 1,554,642

The overdue amounts as of March 31, 2021, December 31, 2020 and March 31, 2020 in the above due from (to) reinsurers and ceding companies were $15,142 thousand, $11,495 thousand and $8,895 thousand, respectively, and loss allowances of $15,142 thousand, $11,495 thousand and $8,895 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 March 31, 2021				
Insurance by Type	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 38,596	$ 4,606	$ 33,388	$ 4,053	$ 80,643
Marine insurance	17,277	271	1,889	419	19,856
Land and air insurance	290,235	394	11,431	106,450	408,510
Liability insurance	50,566	15	164	7,840	58,585
Bonding insurance	2,199	1	(65)	349	2,484
Other property insurance	16,444	2,118	6,813	839	26,214
Accident insurance	80,770	480	(259)	18,382	99,373
Health insurance	7,657	87	348	306	8,398
Policy-related residential earthquake insurance	4,994	41	-	608	5,643
Compulsory auto liability insurance	-	92,416	-	-	92,416
	$ 508,738	$ 100,429	$ 53,709	$ 139,246	$ 802,122

	For the Three Months Ended March 31, 2020				
Insurance by Type	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 37,795	$ 5,081	$ 38,734	$ 3,872	$ 85,482
Marine insurance	15,069	110	1,416	534	17,129
Land and air insurance	259,417	423	9,630	105,441	374,911
Liability insurance	39,499	28	69	7,244	46,840
Bonding insurance	2,102	195	4,405	73	6,775
Other property insurance	15,816	2,210	12,137	1,343	31,506
Accident insurance	88,614	196	(15)	23,956	112,751
Health insurance	12,285	179	716	2,451	15,631
Policy-related residential earthquake insurance	5,261	60	-	667	5,988
Compulsory auto liability insurance	-	91,180	-	-	91,180
	$ 475,858	$ 99,662	$ 67,092	$ 145,581	$ 788,193

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

Direct underwriting business

	For the Three Months Ended March 31, 2021					
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)
Fire insurance	$ 523,296	$ (298,371)	$ 47,254	$ 28,846	$ 1,394,871	$ (649,304)
Marine insurance	168,341	(28,136)	17,967	55,491	(35,834)	158,853
Land and air insurance	2,577,806	59,770	397,078	1,427,403	45,366	648,189
Liability insurance	433,530	48,105	58,422	148,447	43,548	135,008
Bonding insurance	18,387	(8,341)	2,549	(31,127)	6,125	49,181
Other property insurance	326,936	48,527	19,403	101,327	(38,190)	195,869
Accident insurance	710,570	30,119	99,631	315,140	(5,589)	271,269
Health insurance	37,144	2,824	8,050	16,537	(4,762)	14,495
Policy-related residential earthquake insurance	106,789	(4,584)	5,643	-	12	105,718
Compulsory auto liability insurance	670,931	852	92,416	474,199	(28,054)	131,518
	$ 5,573,730	$ (149,235)	$ 748,413	$ 2,536,263	$ 1,377,493	$ 1,060,796

Insurance by Type	For the Three Months Ended March 31, 2020					
	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	$ 512,242	$ (230,187)	$ 46,750	$ 96,692	$ 186,280	$ 412,707
Marine insurance	149,559	(16,119)	15,713	51,543	47,830	50,592
Land and air insurance	2,326,901	(59,840)	365,280	1,409,650	(40,378)	652,189
Liability insurance	346,951	(23,204)	46,771	242,388	(77,165)	158,161
Bonding insurance	23,663	(831)	2,370	3,300	1,819	17,005
Other property insurance	361,874	101,587	19,369	76,564	92,029	72,325
Accident insurance	756,942	(22,523)	112,766	374,093	(2,465)	295,071
Health insurance	74,038	(9,861)	14,915	27,748	(3,622)	44,858
Policy-related residential earthquake insurance	111,100	5,849	5,987	-	-	99,264
Compulsory auto liability insurance	663,668	(10,078)	91,180	587,954	(39,047)	33,659
	$ 5,326,938	$ (265,207)	$ 721,101	$ 2,869,932	$ 165,281	$ 1,835,831

Reinsurance inward business

Insurance by Type	For the Three Months Ended March 31, 2021					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 160,969	$ 78,627	$ 33,387	$ 92,493	$ 25,731	$ (69,269)
Marine insurance	12,442	5,108	1,889	16,920	15,035	(26,510)
Land and air insurance	38,060	16,577	11,431	16,719	3,783	(10,450)
Liability insurance	1,428	378	164	(104)	(24)	1,014
Bonding insurance	(1,487)	(5,293)	(65)	805	17	3,049
Other property insurance	61,689	13,712	6,814	57,499	(9,844)	(6,492)
Accident insurance	3,741	1,480	(259)	744	(770)	2,546
Health insurance	3,478	761	348	2,767	316	(714)
Policy-related residential earthquake insurance	14,941	2,051	-	-	-	12,890
Compulsory auto liability insurance	187,594	2,680	-	209,851	(287)	(24,650)
	$ 482,855	$ 116,081	$ 53,709	$ 397,694	$ 33,957	$ (118,586)

Insurance by Type	For the Three Months Ended March 31, 2020					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 200,004	$ 33,106	$ 38,734	$ 106,155	$ (17,808)	$ 39,817
Marine insurance	7,016	(3,491)	1,416	6,316	(762)	3,537
Land and air insurance	20,763	2,137	9,629	2,025	2,972	4,000
Liability insurance	1,089	432	70	1	101	485
Bonding insurance	14,756	3,214	4,405	1,705	18,078	(12,646)
Other property insurance	72,102	1,743	12,137	78,606	(10,423)	(9,961)
Accident insurance	2,983	1,097	(15)	648	(313)	1,566
Health insurance	7,155	(773)	716	12,206	198	(5,192)
Policy-related residential earthquake insurance	14,891	2,324	-	1	-	12,566
Compulsory auto liability insurance	179,535	(7,743)	-	184,660	4,654	(2,036)
	$ 520,294	$ 32,046	$ 67,092	$ 392,323	$ (3,303)	$ 32,136

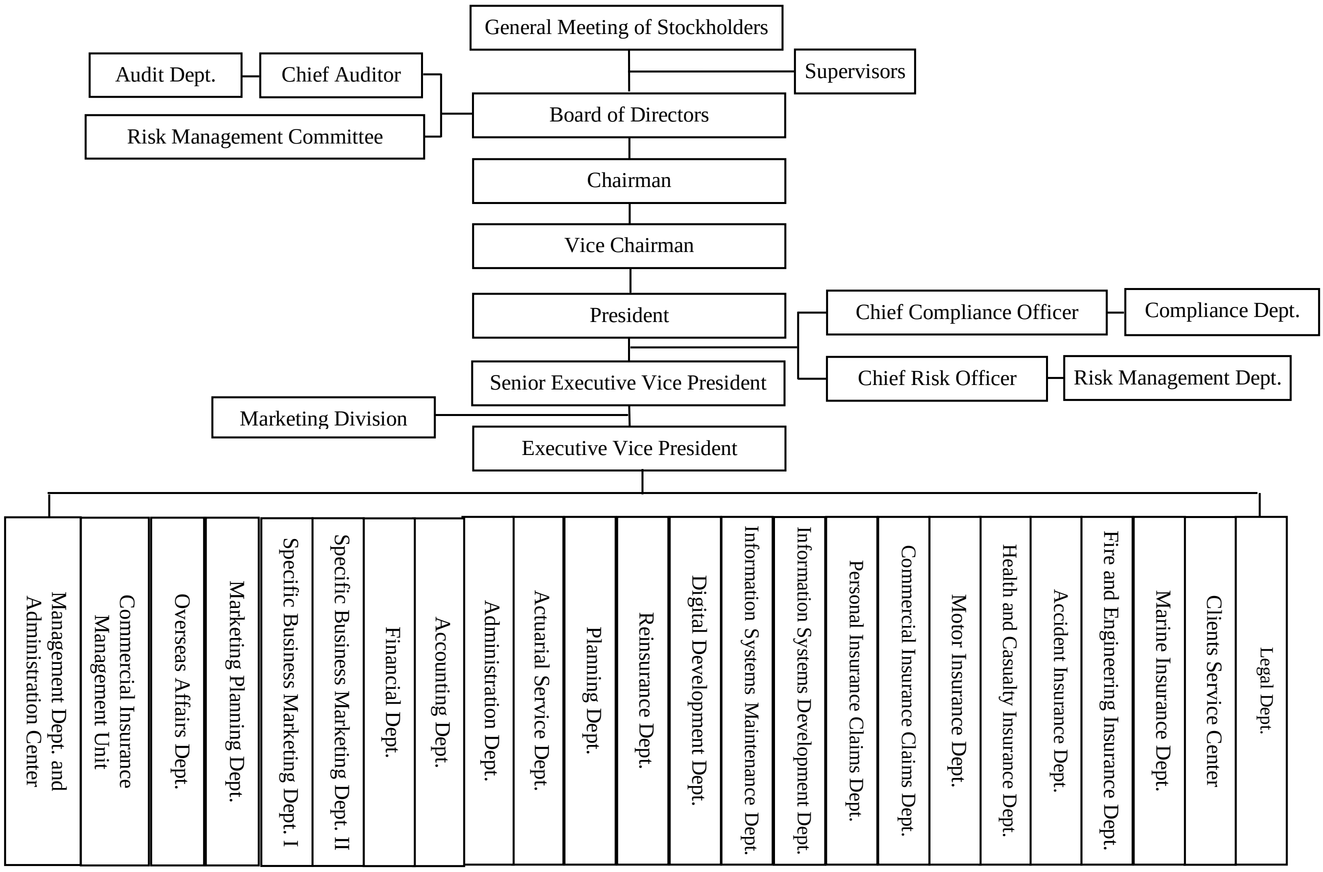
Ceded reinsurance business

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)
	For the Three Months Ended March 31, 2021					
Fire insurance	$ 433,024	$ (98,820)	$ 32,375	$ 46,551	$ 1,170,303	$ (717,385)
Marine insurance	102,738	(31,941)	14,164	32,429	(38,794)	126,880
Land and air insurance	80,723	(15,986)	23,553	34,242	3,586	35,328
Liability insurance	83,873	(37,398)	23,069	29,006	33,460	35,736
Bonding insurance	9,854	(5,747)	1,818	(32,661)	2,847	43,597
Other property insurance	283,945	65,308	31,165	59,667	(8,367)	136,172
Accident insurance	66,624	36,215	15,940	16,747	836	(3,114)
Health insurance	108	91	-	-	(3,000)	3,017
Policy-related residential earthquake insurance	106,789	(4,584)	-	-	-	111,373
Compulsory auto liability insurance	279,582	511	-	273,999	(22,637)	27,709
	$ 1,447,260	$ (92,351)	$ 142,084	$ 459,980	$ 1,138,234	$ (200,687)

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)
	For the Three Months Ended March 31, 2020					
Fire insurance	$ 265,443	$ (134,156)	$ 36,853	$ 27,914	$ 211,985	$ 122,847
Marine insurance	105,111	(3,113)	12,206	37,423	40,774	17,821
Land and air insurance	65,569	(23,795)	20,756	38,137	(5,190)	35,661
Liability insurance	101,237	(23,753)	26,839	125,902	(67,111)	39,360
Bonding insurance	13,747	(1,380)	2,456	(96)	(484)	13,251
Other property insurance	285,982	107,703	28,670	47,044	89,719	12,846
Accident insurance	75,546	36,975	16,135	15,575	(5,291)	12,152
Health insurance	-	-	-	-	-	-
Policy-related residential earthquake insurance	111,100	5,848	-	-	-	105,252
Compulsory auto liability insurance	275,669	(6,047)	-	347,482	(23,565)	(42,201)
	$ 1,299,404	$ (41,718)	$ 143,915	$ 639,381	$ 240,837	$ 316,989

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 system 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.

<u>Risk management department</u>

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 method according to the changes in environment.

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

b) Chief risk officer

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

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

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

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

c) Risk management department

i. The Group established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, 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 regular submission of risk management information 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, 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:

	For the Year Ended December 31	
Insurance by Type	**2021**	**2020**
Fire insurance	$ 1,200,000	$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
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 risk coordinated 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 raising 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 three months ended March 31, 2021

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	$ 496,465	46.67%	$ (24,823)	$ (15,169)
Marine insurance	166,119	45.65%	(8,306)	(3,903)
Land and air insurance	2,541,225	63.12%	(127,061)	(124,315)
Liability insurance	432,803	50.28%	(21,640)	(14,441)
Bonding insurance	18,387	42.19%	(919)	(191)
Other property insurance	326,216	53.82%	(16,311)	(3,677)
Accident insurance	700,959	44.78%	(35,048)	(33,497)
Health insurance	37,144	32.95%	(1,857)	(1,520)
Policy-related residential earthquake insurance	106,789	11.00%	(5,339)	(1,068)
Compulsory auto liability insurance	670,931	Not applicable	Not applicable	Not applicable
	$ 5,497,038		$ (241,304)	$ (197,781)

For the three months ended March 31, 2020

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	$ 489,522	47.31%	$ (24,476)	$ (24,476)
Marine insurance	147,793	34.19%	(7,390)	(3,584)
Land and air insurance	2,287,782	63.93%	(114,389)	(111,011)
Liability insurance	346,237	50.34%	(17,312)	(11,055)
Bonding insurance	23,663	241.03%	(1,183)	(695)
Other property insurance	360,582	64.64%	(18,029)	(14,180)
Accident insurance	748,986	44.57%	(37,449)	(35,467)
Health insurance	74,038	36.07%	(3,702)	(3,702)
Policy-related residential earthquake insurance	111,100	10.65%	(5,555)	(2,777)
Compulsory auto liability insurance	663,668	Not applicable	Not applicable	Not applicable
	$ 5,253,371		$ (229,485)	$ (206,947)

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 three months ended March 31, 2021

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	$ 36,581	21.52%	$ (1,829)	$ (1,824)
Marine insurance	2,222	18.45%	(111)	(31)
Fire insurance	26,831	31.49%	(1,342)	(296)
Engineering insurance	720	65.21%	(36)	(6)
Accident insurance	9,611	39.86%	(481)	(480)
Liability insurance	727	12.16%	(36)	(14)
	$ 76,692		$ (3,835)	$ (2,651)

For the three months ended March 31, 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	$ 39,118	30.61%	$ (1,956)	$ (1,948)
Marine insurance	1,766	15.16%	(88)	(20)
Fire insurance	22,720	53.38%	(1,136)	(264)
Engineering insurance	1,291	28.25%	(65)	(20)
Accident insurance	7,912	36.75%	(396)	(395)
Liability insurance	715	14.24%	(36)	(11)
	$ 73,522		$ (3,677)	$ (2,658)

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

As of March 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii. Exposure to unanticipated change in trend

As of March 31, 2021, the loss rate of comprehensive travel insurance has increased due to the COVID-19 pandemic and the huge claims. Also, the loss rates of commercial fire insurance, accident insurance and marine insurance have increased due to the huge claims.

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 chief for compliance matters to minimize possible legal risk. As of March 31, 2021, 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 three months ended March 31, 2021, 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 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 Taoyuan, Hsinchu, Taichung, 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 March 31, 2021				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Fire insurance	$ 496,465	$ 172,548	$ 422,142	$ 246,871	5.42
Marine insurance	166,120	12,442	101,327	77,235	1.69
Land and air insurance	2,541,225	38,028	80,723	2,498,530	54.83
Liability insurance	432,803	1,392	83,381	350,814	7.70
Bonding insurance	18,387	(1,487)	9,854	7,046	0.15
Other property insurance	326,216	61,219	283,121	104,314	2.29
Accident insurance	700,959	3,741	66,624	638,076	14.00
Health insurance	37,143	3,479	108	40,514	0.89
Policy-related residential earthquake insurance	106,789	14,941	106,789	14,941	0.33
Compulsory automobile liability insurance	670,931	187,594	279,582	578,943	12.70
Total	$ 5,497,038	$ 493,897	$ 1,433,651	$ 4,557,284	100.00

Insurance Type	For the Three Months Ended March 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	$ 489,522	$ 199,378	$ 245,610	$ 443,290	9.86
Marine insurance	147,793	7,016	103,877	50,932	1.13
Land and air insurance	2,287,782	20,763	65,569	2,242,976	49.89
Liability insurance	346,237	1,089	100,785	246,541	5.48
Bonding insurance	23,664	14,756	13,747	24,673	0.55
Other property insurance	360,582	72,102	285,100	147,584	3.28
Accident insurance	748,986	2,983	75,546	676,423	15.05
Health insurance	74,038	7,155	-	81,193	1.81
Policy-related residential earthquake insurance	111,100	14,891	111,100	14,891	0.33
Compulsory automobile liability insurance	663,668	179,535	275,669	567,534	12.62
Total	$ 5,253,372	$ 519,668	$ 1,277,003	$ 4,496,037	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 huge 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) and 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

As of March 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii. Exposure to unanticipated change in trend

As of March 31, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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 March 31, 2021, 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 three months ended March 31, 2021, 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 March 31, 2021				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Automobile insurance	$ 36,581	$ 32	$ -	$ 36,613	70.35
Flood insurance	2,222	-	1,412	810	1.55
Fire insurance	26,831	3,364	25,825	4,370	8.40
Engineering insurance	720	185	573	332	0.64
Accident insurance	9,611	-	-	9,611	18.47
Liability insurance	727	320	741	306	0.59
Total	$ 76,692	$ 3,901	$ 28,551	$ 52,042	100.00

Insurance Type	For the Three Months Ended March 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 39,118	$ -	$ -	$ 39,118	75.59
Flood insurance	1,766	-	1,234	532	1.03
Fire insurance	22,720	626	19,833	3,513	6.79
Engineering insurance	1,291	-	882	409	0.79
Accident insurance	7,912	-	-	7,912	15.29
Liability insurance	715	-	452	263	0.51
Total	$ 73,522	$ 626	$ 22,401	$ 51,747	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

March 31, 2021

Accident Year	≦2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	$ 9,508,911	$ 2,437,324	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	10,706,033	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	10,004,478	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,465,675	-	-	-	
After the fourth year	-	7,449,663	11,177,663	8,000,429	-	-	-	-	
After the fifth year	-	7,456,430	11,099,080	-	-	-	-	-	
After the sixth year	-	7,453,017	-	-	-	-	-	-	
Final estimated claim payment	-	7,453,017	11,099,080	8,000,429	8,465,675	10,004,478	10,706,033	2,437,324	
Accumulated claim disbursed	-	7,416,261	11,030,822	7,877,214	8,205,575	8,820,985	6,587,978	329,894	
	303,923	36,756	68,258	123,215	260,100	1,183,493	4,118,055	2,107,430	$ 8,201,230
Adjustment	-	-	-	-	-	-	-	147,390	147,390
Amount recognized in balance sheet	$ 303,923	$ 36,756	$ 68,258	$ 123,215	$ 260,100	$ 1,183,493	$ 4,118,055	$ 2,254,820	$ 8,348,620

December 31, 2020

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	$ 9,508,911	
After the first year		7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	-	
After the second year		7,156,309	7,548,387	10,970,548	7,965,701	8,479,083	-	-	
After the third year		7,135,341	7,495,744	11,133,431	8,000,179	-	-	-	
After the fourth year		7,133,873	7,449,663	11,177,663	-	-	-	-	
After the fifth year		7,145,756	7,456,430	-	-	-	-	-	
After the sixth year		7,168,709	-	-	-	-	-	-	
Final estimated claim payment		7,168,709	7,456,430	11,177,663	8,000,179	8,479,083	10,063,196	9,508,911	
Accumulated claim disbursed		6,948,860	7,415,068	11,098,912	7,856,050	8,173,127	8,556,037	5,089,598	
	84,801	219,849	41,362	78,751	144,129	305,956	1,507,159	4,419,313	$ 6,801,320
Adjustment	-	-	-	-	-	-	-	142,430	142,430
Amount recognized in balance sheet	$ 84,801	$ 219,849	$ 41,362	$ 78,751	$ 144,129	$ 305,956	$ 1,507,159	$ 4,561,743	$ 6,943,750

March 31, 2020

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	$ 2,295,184	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,321,360	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,544,991	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	7,985,278	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,150,596	-	-	-	-	
After the fifth year	-	7,145,756	7,453,292	-	-	-	-	-	
After the sixth year	-	7,164,663	-	-	-	-	-	-	
Final estimated claim payment	-	7,164,663	7,453,292	11,150,596	7,985,278	8,544,991	10,321,360	2,295,184	
Accumulated claim disbursed	-	6,936,878	7,406,295	11,040,276	7,781,312	7,900,839	6,931,045	394,875	
	97,288	227,785	46,997	110,320	203,966	644,152	3,390,315	1,900,309	$ 6,621,132
Adjustment	-	-	-	-	-	-	-	142,990	142,990
Amount recognized in balance sheet	$ 97,288	$ 227,785	$ 46,997	$ 110,320	$ 203,966	$ 644,152	$ 3,390,315	$ 2,043,299	$ 6,764,122

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, policy-related residential earthquake insurance and inward loss reserve of $1,610,745 thousand and $1,275,116 thousand as of March 31, 2021, $1,638,786 thousand and $1,241,160 thousand as of December 31, 2020, $1,536,541 thousand and $1,135,293 thousand as of March 31, 2020.

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:

March 31, 2021

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 fire 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, 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 B.S.C	Treaty reinsurance of marine, 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

March 31, 2020

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

2) For the three months ended March 31, 2021 and 2020, the unqualified ceded reinsurance expense is $1,618 thousand and $21,793 thousand, respectively.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Unearned premium reserve	$ 809	$ 2,723	$ 10,896
Claims recoverable from reinsurers of paid claims overdue in nine month	4,178	4,513	14,165
Claims recoverable from reinsurers which were reported but unpaid	10,393	1,928	1,869
	$ 15,380	$ 9,164	$ 26,930

35. DETAILS OF THE PORTFOLIOS MANAGED

a. The Company

	March 31, 2021	December 31, 2020	March 31, 2020
Listed stocks	$ 1,913,022	$ 1,588,344	$ 913,373
Short-term transactions instruments	100,009	200,009	350,107
Bank deposit	485,575	414,548	286,475
Future margins	2,012	2,011	2,011
	$ 2,500,618	$ 2,204,912	$ 1,551,966

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

b. As of March 31, 2021, December 31, 2020 and March 31, 2020 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 March 31, 2021, December 31, 2020 and March 31, 2020, are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Securitization vehicle			
Financial assets at FVTPL	$ 201,419	$ 33,637	$ 28,828
Financial assets at amortized cost	428,217	459,934	585,718
	$ 629,636	$ 493,571	$ 614,546

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	March 31, 2021	December 31, 2020	March 31, 2020	Liabilities	March 31, 2021	December 31, 2020	March 31, 2020
Cash and bank deposit	$ 2,256,279	$ 2,272,064	$ 2,360,649	Notes payable	$ -	$ -	$ -
Notes receivable	5,517	6,105	6,039	Claims payable	-	-	-
Premiums receivable	6,123	7,820	6,240	Reinsurance indemnity payable	-	-	-
Claims recoverable from reinsures	185,892	161,235	265,384	Due to reinsurers and ceding companies	272,130	244,600	254,632
Due from reinsurers and ceding companies	124,661	123,790	123,646	Unearned premium reserves	1,692,043	1,688,511	1,705,000
Other receivables	-	-	-	Loss reserves	2,235,633	2,263,975	2,159,331
FVTOCI financial assets	752,147	764,184	762,883	Special reserves	833,287	865,038	1,086,010
Ceded unearned premium reserve	737,050	736,539	746,004	Temporary receivable	-	-	-
Ceded loss reserve	957,299	979,937	921,547	Other liabilities	-	-	-
Temporary payments	8,125	10,450	12,581				
Other assets	-	-	-				
Total assets	$ 5,033,093	$ 5,062,124	$ 5,204,973	Total liabilities	$ 5,033,093	$ 5,062,124	$ 5,204,973

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 Three Months Ended March 31	
	2021	2020
Operating revenues	$ 372,595	$ 377,992
Direct insurance premium income	465,971	459,448
Reinsurance premium inward	187,594	179,535
Premiums income	653,565	638,983
Less: Reinsurance premium outward	(279,582)	(275,669)
Net changes in unearned premium reserve	(3,021)	11,774
Earned retained premium	370,962	375,088
Interest income	1,633	2,904
Operating costs	372,595	377,992
Retained claims	474,199	587,954
Reinsurance claims incurred	209,851	184,660
Less: Claim recoverable from reinsurers	(273,999)	(347,482)
Retained claims	410,051	425,132
Net change in loss reserve	(5,704)	(10,828)
Net change in special reserve	(31,752)	(36,312)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	a.	Due from reinsurers and ceding companies	$ 4,487	Based on agreement	-
				Reinsurance premium inward	14,943	Based on agreement	-
				Claims incurred	84	Based on agreement	-

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

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

Note 2: Transaction flows are as follows:

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

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 619,523	$ 8,466	$ 8,466	Note

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

TABLE 5

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					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	$ 265,427	24.5	$ 65,029	$ 2,239,401	$ -

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2021	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 (CNY 645,000 thousand)	$ 4,027,148 (CNY 890,000 thousand)	$ 8,284,978

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on March 31, 2021.

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 March 31, 2021, the Company has remitted US$97,292 thousand in total.