

CENTRAL REINSURANCE CORPORATION
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT

PWCR22000171

To Central Reinsurance Corporation

Introduction

We have reviewed the accompanying balance sheets of Central Reinsurance Corporation (the "Company") as of September 30, 2022 and 2021, and the related statements of comprehensive income for the three-month and nine-month periods then ended, as well as the statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of 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 causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and of its financial performance for the three-month and nine-month periods then ended and its cash flows for the nine-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.



資誠

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Lee, Hsiu-Ling

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 2, 2022

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

ASSETS		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 21,135,468	41	\$ 17,285,837	35	\$ 18,413,059	38
12000	Accounts receivable	6(2)	329,926	1	282,894	1	267,828	1
12600	Current income tax assets		11,460	-	-	-	-	-
14110	Financial assets at fair value through profit or loss	6(3)	3,260,619	6	7,256,114	15	4,539,363	9
14145	Financial assets at amortized cost	6(4)	15,247,372	30	11,492,585	23	11,303,680	23
14180	Other financial assets	6(5)	156,000	-	3,083,454	6	3,068,939	6
14200	Investment property, net	6(7)	384,901	1	385,924	1	386,209	1
15000	Reinsurance contract assets	6(8)	7,733,598	15	7,373,316	15	8,035,302	17
16000	Property and equipment, net	6(11)	270,765	1	268,554	-	267,075	1
16700	Right-of-use assets		1,370	-	1,337	-	1,453	-
17000	Intangible assets		15,228	-	7,248	-	4,049	-
17800	Deferred income tax assets		551,637	1	234,160	-	217,560	-
18000	Other assets		2,044,361	4	1,793,526	4	1,827,694	4
TOTAL ASSETS			<u>\$ 51,142,705</u>	<u>100</u>	<u>\$ 49,464,949</u>	<u>100</u>	<u>\$ 48,332,211</u>	<u>100</u>
LIABILITIES AND EQUITY								
21000	Accounts payable	6(12)	\$ 579,297	1	\$ 757,107	2	\$ 687,033	2
21700	Current income tax liabilities		2,962	-	276,454	1	197,367	-
23200	Financial liabilities at fair value through profit or loss	6(3)	1,069,650	2	771	-	13,761	-
23800	Lease liabilities		1,383	-	1,346	-	1,460	-
24000	Insurance liabilities	6(8)	35,347,041	69	31,700,204	64	31,634,834	66
27000	Provisions	6(13)	9,644	-	-	-	434	-
28000	Deferred income tax liabilities		264,463	1	60,590	-	54,775	-
25000	Other liabilities		120,376	-	116,066	-	84,636	-
TOTAL LIABILITIES			<u>37,394,816</u>	<u>73</u>	<u>32,912,538</u>	<u>67</u>	<u>32,674,300</u>	<u>68</u>
30000	EQUITY							
31000	Capital							
31100	Common stock	6(14)	5,903,888	11	5,903,888	12	5,903,888	12
32000	Capital reserve		300,000	1	300,000	-	300,000	1
33000	Retained earnings							
33100	Legal reserve		3,179,198	6	2,766,037	6	2,766,037	6
33200	Special reserve	6(16)	3,288,295	7	3,288,295	7	2,757,597	6
33300	Undistributed earnings		479,731	1	1,879,407	4	1,997,339	4
34000	Other equity interest		596,777	1	2,414,784	4	1,933,050	3
TOTAL EQUITY			<u>13,747,889</u>	<u>27</u>	<u>16,552,411</u>	<u>33</u>	<u>15,657,911</u>	<u>32</u>
TOTAL LIABILITIES AND EQUITY			<u>\$ 51,142,705</u>	<u>100</u>	<u>\$ 49,464,949</u>	<u>100</u>	<u>\$ 48,332,211</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
41000 Operating revenues									
41100 Gross premiums written		\$ 4,374,762	89	\$ 4,429,492	90	\$ 15,199,100	92	\$ 16,394,040	105
51100 Less: Reinsurance premiums ceded		(230,500)	(5)	(264,582)	(5)	(1,068,466)	(6)	(1,206,293)	(8)
51310 Net change in unearned premium reserve	6(8)	370,650	8	550,104	11	53,958	-	(853,361)	(5)
41130 Retention earned premiums		4,514,912	92	4,715,014	96	14,184,592	86	14,334,386	92
41300 Reinsurance commission revenue		67,199	1	74,206	2	206,763	1	255,239	2
41400 Overriding commission revenue		4,907	-	4,975	-	17,525	-	19,146	-
41500 Net gain from investment									
41510 Interest income		153,184	3	95,940	2	387,891	2	298,534	2
41521 Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss		(923,089)	(19)	(1,108,614)	(23)	(2,397,424)	(14)	2,311,242	15
41526 Realized gain or loss on financial assets at amortized cost	6(4)	-	-	-	-	-	-	48,410	-
41550 Foreign exchange gain (loss)		1,004,982	21	(10,614)	-	1,984,068	12	(292,516)	(2)
41570 Gain on investment property	6(7)	4,408	-	3,942	-	11,942	-	12,583	-
41585 Expected credit impairment and reversal of profit from investments	6(4)	(656)	-	(251)	-	(1,024)	-	16	-
41600 Gain (loss) upon reclassification of applying overlay approach	6(3)	113,113	2	1,130,589	23	2,163,134	13	(1,376,827)	(9)
Total net gain from investment		351,942	7	110,992	2	2,148,587	13	1,001,442	6
41800 Other operating revenues		320	-	526	-	6,123	-	2,213	-
Total operating revenues		4,939,280	100	4,905,713	100	16,563,590	100	15,612,426	100
51000 Operating costs									
51200 Reinsurance claims paid		(4,107,953)	(83)	(2,740,202)	(56)	(9,300,987)	(56)	(7,323,923)	(47)
41200 Less: Reinsurance claims recovery		256,060	5	198,940	4	606,536	3	484,996	3
51260 Retention reinsurance claims paid		(3,851,893)	(78)	(2,541,262)	(52)	(8,694,451)	(53)	(6,838,927)	(44)
51300 Net changes in other insurance liabilities	6(8)	248,802	5	540,903	(11)	3,594,307	(22)	2,033,493	(13)
51500 Reinsurance commission expenses		(1,230,262)	(25)	(1,186,332)	(24)	(4,003,861)	(24)	(4,383,733)	(28)
51700 Financial cost		(6)	-	(6)	-	(16)	-	(13)	-
51800 Other operating costs		(12,114)	-	(16,577)	-	(44,750)	-	(45,058)	(1)
Total operating costs		(4,845,473)	(98)	(4,285,080)	(87)	(16,337,385)	(99)	(13,301,224)	(86)
58000 Operating expenses									
58100 Selling expenses		(50,789)	(1)	(49,312)	(1)	(200,821)	(1)	(212,251)	(1)
58200 Administration expenses		(54,130)	(1)	(39,242)	(1)	(152,556)	(1)	(117,081)	(1)
58300 Training expenses		(161)	-	(68)	-	(683)	-	(366)	-
58400 Expected credit impairment reversal from non-investments	13	(12)	-	(4)	-	(17)	-	(6)	-
Total operating expenses		(105,092)	(2)	(88,626)	(2)	(354,077)	(2)	(329,704)	(2)
Net operating income		(11,285)	-	532,007	11	(127,872)	(1)	1,981,498	12
59000 Non-operating income and expenses		9	-	4	-	18	-	63	-
62000 Income (loss) from continuing operations before tax		(11,276)	-	532,011	11	(127,854)	(1)	1,981,561	12
63000 Income tax (expense) benefit	6(17)	(51,188)	(1)	(115,297)	(2)	204,039	1	(328,520)	(2)
64000 Income (loss) from continuing operations after tax		(62,464)	(1)	416,714	9	76,185	-	1,653,041	10
66000 Net income (loss)		<u>(\$ 62,464)</u>	<u>(1)</u>	<u>\$ 416,714</u>	<u>9</u>	<u>\$ 76,185</u>	<u>-</u>	<u>\$ 1,653,041</u>	<u>10</u>

(Continued)

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
83000	Other comprehensive income								
83200	Items may be reclassified to profit or loss subsequently								
83210	Exchange differences on translation of foreign financial statements	\$ 218,991	4	(\$ 4,093)	-	\$ 438,097	3	(\$ 80,788)	-
83295	Other comprehensive (loss) income upon reclassification of applying overlay approach	(113,113)	(2)	(1,130,589)	(23)	(2,163,134)	(13)	1,376,827	9
83280	Income tax relating to items that may be reclassified	(47,892)	(1)	12,215	-	(92,970)	(1)	67,099	-
	Total other comprehensive (loss) income for the period (after tax)	57,986	1	(1,122,467)	(23)	(1,818,007)	(11)	1,363,138	9
85000	Total comprehensive (loss) income for the period	(\$ 4,478)	-	(\$ 705,753)	(14)	(\$ 1,741,822)	(11)	\$ 3,016,179	19
Earnings per share									
97500	Basic and Diluted (in NT dollars)	(\$ 0.11)		\$ 0.71		\$ 0.13		\$ 2.80	

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Retained Earnings					Other Equity Interest		
	Notes	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Foreign Financial Statements	Other Comprehensive Income (Loss) upon Reclassification of Applying Overlay Approach	Total equity
<u>Nine-month period ended September 30, 2021</u>									
Balance at January 1, 2021		\$ 5,903,888	\$ 300,000	\$ 2,463,493	\$ 2,757,597	\$ 1,414,347	(\$ 205,754)	\$ 775,666	\$ 13,409,237
Net income for the period		-	-	-	-	1,653,041	-	-	1,653,041
Other comprehensive income (loss) for the period		-	-	-	-	-	(64,630)	1,427,768	1,363,138
Total comprehensive income (loss)		-	-	-	-	1,653,041	(64,630)	1,427,768	3,016,179
Distributions of 2020 earnings									
Legal reserve		-	-	302,544	-	(302,544)	-	-	-
Cash dividends	6(16)	-	-	-	-	(767,505)	-	-	(767,505)
Balance at September 30, 2021		\$ 5,903,888	\$ 300,000	\$ 2,766,037	\$ 2,757,597	\$ 1,997,339	(\$ 270,384)	\$ 2,203,434	\$ 15,657,911
<u>Nine-month period ended September 30, 2022</u>									
Balance at January 1, 2022		\$ 5,903,888	\$ 300,000	\$ 2,766,037	\$ 3,288,295	\$ 1,879,407	(\$ 287,747)	\$ 2,702,531	\$ 16,552,411
Net income for the period		-	-	-	-	76,185	-	-	76,185
Other comprehensive income (loss) for the period		-	-	-	-	-	350,478	(2,168,485)	(1,818,007)
Total comprehensive income (loss)		-	-	-	-	76,185	350,478	(2,168,485)	(1,741,822)
Distributions of 2021 earnings									
Legal reserve		-	-	413,161	-	(413,161)	-	-	-
Cash dividends	6(16)	-	-	-	-	(1,062,700)	-	-	(1,062,700)
Balance at September 30, 2022		\$ 5,903,888	\$ 300,000	\$ 3,179,198	\$ 3,288,295	\$ 479,731	\$ 62,731	\$ 534,046	\$ 13,747,889

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Nine-month periods ended September 30	
	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Loss) profit before tax	(\$ 127,854)	\$ 1,981,561
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	7,061	6,299
Amortization	7,666	2,912
Provision for loss allowance of reinsurance contract assets	3,157	1,110
Provision for bad debt	513	-
Loss (gain) on valuation of financial assets and liabilities at fair value through profit or loss	3,294,652	(1,186,862)
Interest expense	16	13
Interest income	(394,078)	(301,753)
Dividend income	(275,849)	(60,588)
Net change in reserves	3,540,349	2,886,854
Expected credit impairment (reversal) on investments	1,024	(16)
Expected credit impairment on non-investments	17	6
(Gain) loss upon reclassification of applying overlay approach	(2,163,134)	1,376,827
Unrealized foreign exchange (gain) loss	(1,665,699)	60,989
Changes in operating assets and liabilities		
Changes in operating assets		
Accounts receivable	1,577	179,860
Financial assets at fair value through profit or loss	1,769,729	3,589,923
Financial assets at amortized cost	(2,037,779)	(323,645)
Other financial assets	2,927,454	(2,569,383)
Reinsurance contract assets	(282,908)	(1,720,632)
Other assets	(258,057)	28,196
Changes in operating liabilities		
Accounts payable	(177,810)	266,111
Provisions	9,644	(345)
Other liabilities	4,310	(41,852)
Cash inflow generated from operations	4,184,001	4,175,585
Interest received	345,518	319,545
Dividend received	277,776	57,789
Interest paid	(16)	(13)
Income tax paid	(287,487)	(283,254)
Net cash flows from operating activities	4,519,792	4,269,652
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(7,596)	(5,769)
Acquisition of intangible assets	(15,646)	(1,721)
Acquisition of investment property	(313)	(195)
Net cash flows used in investing activities	(23,555)	(7,685)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayments of principal portion of lease liabilities	(336)	(287)
Payment of cash dividends	(1,062,700)	(767,505)
Net cash flows used in financing activities	(1,063,036)	(767,792)
Effects of exchange rate changes	416,430	(82,702)
Net increase in cash and cash equivalents	3,849,631	3,411,473
Cash and cash equivalents at beginning of period	17,285,837	15,001,586
Cash and cash equivalents at end of period	\$ 21,135,468	\$ 18,413,059

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Unaudited)

1. HISTORY AND ORGANIZATION

Central Reinsurance Corporation (the “Company”) was originally a state-owned enterprise, incorporated on October 31, 1968, and provides a broad range of property and life inward and outward reinsurance services. The Company’s shares of stock have been traded on the Taiwan Stock Exchange since July 6, 2000. On July 9, 2002, the Ministry of Finance (MOF), the major shareholder of the Company, privatized the Company in accordance with rules of privatization of government-owned enterprises, effective on July 11, 2002. In addition, the Company has obtained the certificate for establishment and business license for its offshore insurance branch, and commenced its operation on January 1, 2016. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company’s parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were reported to the Board of Directors and issued on November 2, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, 'Insurance contracts'

IFRS 17, 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial

recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.

(2) Basis of preparation

A. The Company does not have a subsidiary, and the Company’s financial statements are separate financial statements composed of the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows, and relevant notes.

B. Except for the following items, these financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (d) Various insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

A. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars ("NTD"), which is the Company's functional currency.

- (a) Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction date. The translation differences upon actual payment are recognized in current profit or loss.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the reporting date. Exchange differences arising upon re-translation at the reporting date are recognized in current profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) Except for aforementioned non-monetary assets denominated in foreign currencies held at fair value through profit or loss, foreign exchange gains or losses that arise from investing activities are recognized under net gain (loss) from investment in the statement of comprehensive income. Other foreign exchange gains or losses that do not arise from investing activities are recognized under other operating revenues or other operating costs.

B. The financial position and financial performance of offshore insurance branch that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of the trade date; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(4) Cash equivalents

- A. The statement of cash flows is prepared on the basis of cash and cash equivalents.
- B. Cash equivalents refer to short-term, highly liquid investments that are:
 - (a) Readily convertible to known amount of cash; and
 - (b) Subject to an insignificant risk of changes in value.
- C. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations (including time deposits within 12 months of the contract period) are classified as cash equivalents.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:
 - (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- E. The Company values the difference of reclassification amounts of financial assets at fair value through profit or loss and fair value through other comprehensive income for the financial assets applying overlay approach, using:
 - (a) The amount reported in profit or loss for the designated financial assets applying overlay approach under IFRS 9; and

- (b) The amount that would have been reported in profit or loss for the designated financial assets if IAS 39 had been applied.

(6) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(7) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

(8) Impairment of financial assets

For financial assets at amortized cost such as accounts receivable, other financial assets and refundable deposits under other assets, etc., at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased or credit impaired since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

(9) Investment property

- A. An investment property is stated initially at its cost including related transaction costs; measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- B. The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions can be sold separately, the own-use portion is accounted for in accordance with IAS 16, “Property, Plant and Equipment”. However, property held either to earn rental income or for capital appreciation or for both is subject to IAS 40, “Investment Property”. If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.
- C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain or loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain or loss on investment property under net gain from investment. Except for land, property is depreciated on a straight-line basis over its estimated useful life of 3 to 60 years. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.

(10) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Leases liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, which is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(11) Reinsurance contract assets

Reinsurance contract assets include due from reinsurers and ceding companies, ceded unearned premium reserve, ceded claims reserve, ceded premium deficiency reserve, ceded liability reserve and ceded liability adequacy reserve. Each of the reinsurance contract assets should be in compliance with relevant regulation and policy of “Regulation Governing Financial and Business Operations of Professional Reinsurance Enterprises” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”.

(12) Impairment on reinsurance contract assets

Regular evaluation on reinsurance assets should be made to evaluate if there is any impairment. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer, the Company should reduce its carrying amount accordingly and recognize impairment loss.

(13) Property and equipment

- A. Property and equipment are stated initially at its cost including related transaction costs, measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Reserve for land revaluation increment tax set aside for revaluation over the current land value is recognized as deferred income tax liabilities. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- B. Depreciation is computed using straight-line method over the estimated service lives as follows: buildings and equipment, 3 to 60 years; computer equipment, 3 to 6 years; transportation equipment, 3 to 10 years; and miscellaneous equipment, 3 to 10 years.
- C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.
- D. When an asset is retired or disposed, the cost plus revaluation increment, if any, and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to non-operating income and expenses during the financial period in which they are incurred.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized. Impairment loss and gain on reversal of impairment loss for investment property are recognized under operating revenue. Impairment loss and gain on reversal of impairment loss for property and equipment are recognized in non-operating income and expenses.

(15) Loss allowance

- A. Loss allowance for accounts receivable, other financial assets and refundable deposits under other assets should be assessed and recognized in accordance with IFRS 9 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".
- B. Loss allowance for reinsurance contract assets and reinsurance liability reserves contributed under other assets should be assessed and recognized in accordance with IFRS 4 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(16) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, financial liabilities at fair value through profit or loss are measured at fair value plus transaction costs. The Company subsequently measures the financial liabilities at fair value, and recognizes the gain or loss in profit or loss.

(17) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(19) Classification of reinsurance contracts

Classification of reinsurance contracts should be made in compliance with IFRS 4, “Insurance Contracts”.

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. A contract with no significant insurance risk being transferred is not classified as an insurance contract and is recognized by deposit accounting.

A contract that falls within the definition of insurance contract on the initial recognition will still be deemed as insurance contract before its maturity.

(20) Insurance liabilities

The reserves related to Compulsory Automobile Liability Insurance are determined in accordance with “Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance”. The special reserve related to residential earthquake insurance is determined in accordance with “Regulations Governing Implementation of the Residential Earthquake Risk Spreading Mechanism”. The reserve related to nuclear insurance is determined in accordance with “Regulations Governing the Setting Aside of Nuclear Insurance Liability Reserves”.

The reserves excluding the reserve listed above were determined in accordance with “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” to calculate unearned premium reserve, claims reserve, premium deficiency reserve, liability reserve, liability adequacy reserve and other reserve of inward reinsurance business.

According to “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, subsequent special reserve recognized under liabilities by December 31, 2012 should still be recognized under liabilities. Starting from January 1, 2013, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing and should not be distributed without approval. The release of the special reserve shall be made through special reserve under liabilities first. If such reserves are insufficient for release, then the deficiency shall be released through special reserves under equity based on its net amount after tax in accordance with IAS 12.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(21) Liability adequacy test

When the estimated future cash flow of insurance contracts recognized as insurance liability at book value is insufficient, the entire deficiency is recognized in current loss in accordance with the requirement of the Actuarial Institution of Republic of China.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts should be recognized in profit or loss of the following year.

(23) Income tax

- A. The income tax expense (benefit) for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Income tax on undistributed earnings is recorded as expense in the year when the stockholders approve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to common stock on the effective date of new shares issuance.

(25) Reinsurance revenues

Income from reinsurance business refers to various premiums earned from reinsurance operations, including those that meet the requirements in IFRS 4 and can be recognized as income. The Company's estimates for reinsurance premium income are assessed based on estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Reinsurance related revenues are recognized on the accrual basis.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors (including the impact of Covid-19). Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Reinsurance premiums

The Company's estimated reinsurance revenue is based on the ceding company's annual forecasted reinsurance information and then the Company calculates the revenue proportion to be recognized in each quarter based on previous experience of actual statements. Thereafter, when actual statements are received each quarter, original estimates are reversed and actual statements are accrued. The reason for differences between actual statements and estimated amounts is evaluated to adjust the estimated revenues of remaining period, accordingly.

B. Claims reserve (under insurance liabilities)

Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgement for the experience of claims and underwriting. Any change in the

methodology and assumptions used in calculating the ultimate loss ratio would significantly affect the amount of claims reserve. A part of claims reserve is recognized using the case-by-case estimation method for Reported-But-Not-Paid cases while the remaining is provisioned for Incurred-But-Not-Reported claims.

C. Fair value measurement of financial instruments

Except for the financial instruments with available public pricing information, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date. For details on the main methods and assumptions used to measure the fair value of financial instruments, please refer to Note 12 (1) D.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash:			
Petty cash	\$ 123	\$ 123	\$ 139
Checking accounts	27,056	9,107	52,812
Demand deposits	4,167,098	4,459,697	5,751,183
Cash equivalents:			
Time deposits	16,941,191	12,816,910	12,608,925
	<u>\$ 21,135,468</u>	<u>\$ 17,285,837</u>	<u>\$ 18,413,059</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

C. Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please see Note 6 (5).

(2) Accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 1	\$ 220	\$ 441
Other receivables	329,965	282,697	267,416
Total	329,966	282,917	267,857
Less: Loss allowance	(40)	(23)	(29)
Net amount	<u>\$ 329,926</u>	<u>\$ 282,894</u>	<u>\$ 267,828</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable was \$329,926, \$282,894 and \$267,828, respectively. Information relating to credit risk and movements of loss allowance is provided in Note 13 (1).

(3) Financial assets and financial liabilities at fair value through profit or loss

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Domestic items:			
Listed and over-the-counter common stocks	\$ 1,324,651	\$ 1,995,278	\$ 473,648
Listed and over-the-counter preferred stocks	212,232	212,232	212,232
Unlisted stocks	-	166,747	166,747
Open-end funds	-	589,818	391,436
Index funds	825,752	304,780	69,719
Derivatives	35,849	96,269	73,603
Foreign items:			
Listed and over-the-counter common stocks	276,045	1,113,079	428,751
Open-end funds	-	-	289,405
Index funds	58,597	85,065	177,181
Government bonds	-	-	55,448
	<u>2,733,126</u>	<u>4,563,268</u>	<u>2,338,170</u>
Valuation adjustment	<u>527,493</u>	<u>2,692,846</u>	<u>2,201,193</u>
	<u>\$ 3,260,619</u>	<u>\$ 7,256,114</u>	<u>\$ 4,539,363</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial liabilities held for trading			
Domestic items:			
Derivatives	<u>\$ 1,069,650</u>	<u>\$ 771</u>	<u>\$ 13,761</u>

A. The non-hedging derivative instruments transaction and contract information are as follows:

	September 30, 2022		December 31, 2021	
	Contract amount		Contract amount	
Derivative instruments	(Notional principal)	Contract period	(Notional principal)	Contract period
FX swap contracts	\$ 10,909,831	2021.01.04~ 2023.07.13	\$ 7,771,712	2020.08.19~ 2023.05.04
Forward foreign exchange contracts	793,160	2021.11.23~ 2023.09.13	1,622,681	2021.10.04~ 2022.11.28
Futures	229,816	2022.09.15~ 2022.10.19	-	-
	September 30, 2021			
	Contract amount			
Derivative instruments	(Notional principal)	Contract period		
FX swap contracts	\$ 6,930,024	2020.08.19~ 2023.02.21		
Forward foreign exchange contracts	1,716,169	2020.11.23~ 2021.11.26		
Futures	50,666	2021.09.30~ 2021.10.20		

Note: Contract amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the period.

(a) FX swap contracts

The Company entered into FX swap contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these FX swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(c) Futures

The Company entered into futures with financial institutions to hedge risk on its investments arising from variations in stock prices. However, these futures are not accounted for under hedge accounting. As of September 30, 2022, December 31, 2021 and September 30, 2021, the related margins were \$360,183, \$171,154 and \$157,838, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 13 (1).

D. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply overlay approach and recognized gain or loss for designated financial assets in accordance with IFRS 4.

(a) The designated financial assets applying overlay approach that are connected with insurance contracts are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Domestic items:			
Listed and over-the-counter common stocks	\$ 624,865	\$ 1,911,798	\$ 463,286
Listed and over-the-counter preferred stocks	212,232	212,232	212,232
Unlisted stocks	-	166,747	166,747
Open-end funds	-	589,818	391,436
Index funds	130,827	304,780	41,679
Foreign items:			
Listed and over-the-counter common stocks	218,237	1,110,667	414,994
Open-end funds	-	-	289,405
Index funds	30,787	85,065	19,024
	<u>1,216,948</u>	<u>4,381,107</u>	<u>1,998,803</u>
Valuation adjustment	<u>529,604</u>	<u>2,692,738</u>	<u>2,195,359</u>
	<u>\$ 1,746,552</u>	<u>\$ 7,073,845</u>	<u>\$ 4,194,162</u>

(b) Reclassified amounts of the designated financial assets applying overlay approach at fair value through profit and loss and fair value through comprehensive income are listed below:

	<u>Three-month period ended September 30, 2022</u>	<u>Three-month period ended September 30, 2021</u>
(Loss) gain under IFRS 9	(\$ 265,439)	(\$ 1,099,912)
Less: Loss (gain) under IAS 39	<u>152,326</u>	<u>(30,677)</u>
Amount of reclassification applying overlay approach	<u>(\$ 113,113)</u>	<u>(\$ 1,130,589)</u>
Income tax (expense) benefit on other comprehensive income	<u>(\$ 4,094)</u>	<u>\$ 11,396</u>

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
(Loss) gain under IFRS 9	(\$ 1,007,613)	\$ 2,092,047
Less: (Gain) loss under IAS 39	(1,155,521)	(715,220)
Amount of reclassification applying overlay approach	(\$ 2,163,134)	\$ 1,376,827
Income tax (expense) benefit on other comprehensive income	(\$ 5,351)	\$ 50,941

(4) Financial assets at amortized cost

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic items:			
Securitized financial asset products	\$ 250,000	\$ 250,000	\$ 250,000
Corporate bonds	875,269	1,200,870	1,201,268
Financial bonds	299,999	100,000	100,000
Government bonds	970,705	977,414	1,079,988
Foreign items:			
Securitized financial asset products	160,799	156,529	181,470
Corporate bonds	12,075,433	7,980,393	7,756,367
Financial bonds	1,590,616	1,808,512	1,818,905
	16,222,821	12,473,718	12,387,998
Less: Loss allowance	(4,743)	(3,719)	(4,330)
Less: Statutory deposits	(970,706)	(977,414)	(1,079,988)
	<u>\$ 15,247,372</u>	<u>\$ 11,492,585</u>	<u>\$ 11,303,680</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Interest income	\$ 103,375	\$ 76,323
Impairment loss	(656)	(251)
	<u>\$ 102,719</u>	<u>\$ 76,072</u>

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Interest income	\$ 287,243	\$ 236,559
Impairment (loss) reversal	(1,024)	16
Gain on disposal	-	48,410
	<u>\$ 286,219</u>	<u>\$ 284,985</u>

Gain or loss on disposal of the financial assets at amortized cost arose from infrequent sale or insignificant in value, both individually and in aggregate.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was \$16,218,078, \$12,469,999 and \$12,383,668, respectively.

C. Under the Insurance Act, the Company is required to deposit an amount equal to 15% of its paid-in capital. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company provided government bonds with a par value of \$900,000, \$900,000 and \$1,000,000 as statutory deposit, respectively.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 13 (1).

(5) Other financial assets

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits	\$ 156,000	\$ 3,083,454	\$ 3,068,939

A. As of September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the other financial assets were \$156,000, \$3,083,454 and \$3,068,939, respectively.

B. The Company transacts with financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

C. The Company has no other financial assets pledged to others.

D. Information relating to credit risk of other financial assets is provided in Note 13 (1).

(6) Structured entities

A. Information about the interests in structured entities that are not controlled by the Company is as follows:

September 30, 2022		
Type of structured entities	Book value	Nature
Securitized financial asset products	\$ 410,737	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.

December 31, 2021		
Type of structured entities	Book value	Nature
Securitized financial asset products	\$ 406,467	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
September 30, 2021		
Type of structured entities	Book value	Nature
Securitized financial asset products	\$ 431,407	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.

The structured entities that are not controlled by the Company are held for the purpose of generating investment income.

- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the structured entities that are not controlled by the Company are all accounted for as financial assets at amortized cost. The entity's maximum exposure is the carrying amount of assets held. The investment position is restricted by contract terms and conditions of issue and exposes the corresponding market risk. The Company has considered risk management approach of relevant market. Please see Note 13 (1).

(7) Investment property

	Land	Buildings	Total
<u>At January 1, 2022</u>			
Cost	\$ 355,331	\$ 74,260	\$ 429,591
Accumulated depreciation	-	(43,667)	(43,667)
	<u>\$ 355,331</u>	<u>\$ 30,593</u>	<u>\$ 385,924</u>
<u>2022</u>			
At January 1	\$ 355,331	\$ 30,593	\$ 385,924
Additions-from subsequent expenditure	-	313	313
Depreciation	-	(1,336)	(1,336)
At September 30	<u>\$ 355,331</u>	<u>\$ 29,570</u>	<u>\$ 384,901</u>
<u>At September 30, 2022</u>			
Cost	\$ 355,331	\$ 74,573	\$ 429,904
Accumulated depreciation	-	(45,003)	(45,003)
	<u>\$ 355,331</u>	<u>\$ 29,570</u>	<u>\$ 384,901</u>
	Land	Buildings	Total
<u>At January 1, 2021</u>			
Cost	\$ 411,606	\$ 87,185	\$ 498,791
Accumulated depreciation	-	(51,976)	(51,976)
	<u>\$ 411,606</u>	<u>\$ 35,209</u>	<u>\$ 446,815</u>
<u>2021</u>			
At January 1	\$ 411,606	\$ 35,209	\$ 446,815
Additions-from subsequent expenditure	-	117	117
Transferred from property and equipment	-	78	78
Transferred to property and equipment-cost	(56,275)	(13,280)	(69,555)
Transferred to property and equipment-accumulated depreciation	-	10,278	10,278
Depreciation	-	(1,524)	(1,524)
At September 30	<u>\$ 355,331</u>	<u>\$ 30,878</u>	<u>\$ 386,209</u>
<u>At September 30, 2021</u>			
Cost	\$ 355,331	\$ 74,100	\$ 429,431
Accumulated depreciation	-	(43,222)	(43,222)
	<u>\$ 355,331</u>	<u>\$ 30,878</u>	<u>\$ 386,209</u>

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are as follows:

	Three-month period ended <u>September 30, 2022</u>	Three-month period ended <u>September 30, 2021</u>
Rental revenue from the lease of the investment property	\$ 4,897	\$ 4,456
Direct operating expenses arising from the investment property that generated rental income in the period	489	514

	Nine-month period ended <u>September 30, 2022</u>	Nine-month period ended <u>September 30, 2021</u>
Rental revenue from the lease of the investment property	\$ 14,537	\$ 15,771
Direct operating expenses arising from the investment property that generated rental income in the period	2,595	3,188

The Company recognized rent income based on the operating lease agreement, which does not include variable lease payments.

- B. The Company leases investment properties to others under non-cancellable operating lease agreements. Rental contracts are typically made for periods between 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
2021	\$ -	\$ -	\$ 4,485
2022	4,811	17,258	14,953
2023	14,905	11,451	8,533
2024	3,400	1,850	926
	<u>\$ 23,116</u>	<u>\$ 30,559</u>	<u>\$ 28,897</u>

- C. The fair values of the investment property held by the Company were estimated by an accredited external independent appraiser under “Regulations on Real Estate Appraisal” using valuation techniques of both the income approach and comparison approach, based on observable active market prices and the characteristics, locations and conditions of each asset on the measurement date—December 31, 2021 and 2020. The fair values of the investment property as at the aforementioned measurement dates were \$1,031,859 and \$1,266,817, respectively, which is categorized as Level 3 within the fair value hierarchy. Key assumptions of the income approach are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Capitalization rate	1.25%~1.50%	1.02%~1.46%

In accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, the Company is required to review the validity of the fair value at the balance sheet date. Thus, the Company obtained the review reports as of September 30, 2022 and 2021, issued by an independent appraiser. The market price had no significant changes based on the independent appraiser’s assessment.

D. The above assets were not pledged to others as collateral.

(8) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Due from reinsurers and ceding companies	\$ 5,169,896	\$ 4,914,348	\$ 5,547,102
Due from reinsurers and ceding companies-overdue	55,301	27,941	34,290
Reinsurance reserve assets			
Ceded unearned premium reserve	462,428	428,334	528,252
Ceded claims reserve	1,694,490	1,645,861	1,568,714
Ceded liability reserve	373,976	374,854	374,930
Ceded premium deficiency reserve	2,530	3,844	4,109
	<u>7,758,621</u>	<u>7,395,182</u>	<u>8,057,397</u>
Less: Loss allowance-Due from reinsurers and ceding companies	(25,023)	(21,866)	(22,095)
	<u>\$ 7,733,598</u>	<u>\$ 7,373,316</u>	<u>\$ 8,035,302</u>

(a) The credit quality information of reinsurance contract assets that are neither past due nor impaired is as follows, and the evaluation of credit rating was conducted according to the ultimate reinsurers:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Group 1	\$ 35,603	\$ 2,824	\$ 27,683
Group 2	816,126	863,925	854,565
Group 3	5,308,076	5,433,846	5,950,520
Group 4	170,513	105,984	116,638
Group 5	23,005	15,198	17,072
Group 6	836,030	697,614	773,776
	<u>\$ 7,189,353</u>	<u>\$ 7,119,391</u>	<u>\$ 7,740,254</u>

Group 1: S&P AAA or equivalents.

Group 2: Over S&P AA- or equivalents.

Group 3: Over S&P A- or equivalents.

Group 4: Over S&P BBB- or equivalents.

Group 5: Under S&P BBB- or equivalents.

Group 6: Without credit rating etc.

(b) The balances and ageing analysis of reinsurance contract assets that were past due but not impaired and impaired are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Over one month, under three months	\$ 383,203	\$ 172,305	\$ 186,888
Over three months, under six months	59,869	65,595	49,239
Over six months, under nine months	70,713	20,302	57,541
Over nine months	55,483	17,589	23,475
	<u>\$ 569,268</u>	<u>\$ 275,791</u>	<u>\$ 317,143</u>

- i. The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classified by its booking date.
- ii. The overdue amounts due from reinsurance and ceding companies above indicate the ultimate reinsurers that were due but not paid and were transferred to overdue accounts in nine months after they became due.

(c) Movement analysis on the Company's provision for impairment of reinsurance contract assets is as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 21,866	\$ 21,207
Write-off of bad debts	-	(222)
Provision of loss allowance	3,157	1,110
At September 30	<u>\$ 25,023</u>	<u>\$ 22,095</u>

(d) The Company does not hold any collateral as security.

B. Details of insurance liabilities are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unearned premium reserve	\$ 7,278,683	\$ 7,272,590	\$ 7,769,301
Claims reserve	24,747,965	20,436,561	19,854,507
Liability reserve	373,976	374,854	374,930
Special reserve	2,888,460	3,553,802	3,574,432
Premium deficiency reserve	57,957	62,397	61,664
	<u>\$ 35,347,041</u>	<u>\$ 31,700,204</u>	<u>\$ 31,634,834</u>

C. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	2022	2021
Ceded unearned premium reserve		
At January 1	\$ 428,334	\$ 392,396
Provision	461,274	528,811
Recovery	(428,790)	(393,339)
Exchange differences on translation of foreign financial statements	1,610	384
At September 30	<u>\$ 462,428</u>	<u>\$ 528,252</u>
	2022	2021
Unearned premium reserve		
At January 1	\$ 7,272,590	\$ 6,773,592
Provision	7,258,955	7,778,938
Recovery	(7,280,429)	(6,790,105)
Exchange differences on translation of foreign financial statements	27,567	6,876
At September 30	<u>\$ 7,278,683</u>	<u>\$ 7,769,301</u>

D. Details and movements of ceded claims reserve and claims reserve are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Ceded claims reserve			
Outstanding losses	\$ 1,082,743	\$ 848,846	\$ 858,447
Incurred but not reported losses	611,747	797,015	710,267
	<u>\$ 1,694,490</u>	<u>\$ 1,645,861</u>	<u>\$ 1,568,714</u>
	September 30, 2022	December 31, 2021	September 30, 2021
Claims reserve			
Outstanding losses	\$ 9,975,037	\$ 7,859,696	\$ 7,746,685
Incurred but not reported losses	14,772,928	12,576,865	12,107,822
	<u>\$ 24,747,965</u>	<u>\$ 20,436,561</u>	<u>\$ 19,854,507</u>
	2022	2021	
Ceded claims reserve			
At January 1	\$ 1,645,861	\$ 1,428,299	
Provision	1,694,490	1,568,714	
Recovery	(1,645,861)	(1,428,299)	
At September 30	<u>\$ 1,694,490</u>	<u>\$ 1,568,714</u>	

	2022	2021
Claims reserve		
At January 1	\$ 20,436,561	\$ 17,748,343
Provision	24,747,965	19,854,507
Recovery	(20,436,561)	(17,748,343)
At September 30	<u>\$ 24,747,965</u>	<u>\$ 19,854,507</u>

E. Movements of ceded liability reserve and liability reserve are as follows:

	2022				2021			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Ceded liability reserve								
At January 1	\$ 86,252	CNY	4.346	\$ 374,854	\$ 92,205	CNY	4.380	\$ 403,861
Provision	1,264			16,874	1,109			(1,795)
Recovery	(4,008)			(17,752)	(6,268)			(27,136)
At September 30	<u>\$ 83,508</u>	CNY	4.478	<u>\$ 373,976</u>	<u>\$ 87,046</u>	CNY	4.307	<u>\$ 374,930</u>

	2022				2021			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Liability reserve								
At January 1	\$ 86,252	CNY	4.346	\$ 374,854	\$ 92,205	CNY	4.380	\$ 403,861
Provision	1,264			16,874	1,109			(1,795)
Recovery	(4,008)			(17,752)	(6,268)			(27,136)
At September 30	<u>\$ 83,508</u>	CNY	4.478	<u>\$ 373,976</u>	<u>\$ 87,046</u>	CNY	4.307	<u>\$ 374,930</u>

The provisions above include the effects of foreign exchange gains and losses.

F. Special reserves

(a) Details of special reserves are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Special reserve for statutory insurance	\$ 1,059,298	\$ 972,724	\$ 993,354
Reserve for fluctuation of risk	1,665,587	2,055,296	2,055,296
Reserve for extraordinary business losses	163,575	525,782	525,782
	<u>\$ 2,888,460</u>	<u>\$ 3,553,802</u>	<u>\$ 3,574,432</u>

(b) Movement of special reserves is as follows:

	2022	2021
At January 1	\$ 3,553,802	\$ 3,515,773
Provision	86,574	58,659
Recovery	(751,916)	-
At September 30	<u>\$ 2,888,460</u>	<u>\$ 3,574,432</u>

(c) According to Jin-Kuan-Bao-Tsai Order No. 10102517491, “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, Jin-Kuan-Bao-Chan Order No. 10102531541, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and Jin-Kuan-Bao-Tsai Order No. 10102517091, “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, the Company’s accounts applicable or not applicable for the reserve for the nine-month periods ended September 30, 2022 and 2021 are as follows:

Nine-month period ended June 30, 2022				
	Earnings per share			
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 76,185	\$ 0.13	\$ 37,394,816	\$ 13,747,889
Not applicable	(525,347)	(0.89)	35,779,018	15,363,687
Effect	<u>\$ 601,532</u>	<u>\$ 1.02</u>	<u>(\$ 1,615,798)</u>	<u>\$ 1,615,798</u>
Nine-month period ended June 30, 2021				
	Earnings per share			
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 1,653,041	\$ 2.80	\$ 32,674,300	\$ 15,657,911
Not applicable	1,653,041	2.80	30,456,970	17,875,241
Effect	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,217,330)</u>	<u>\$ 2,217,330</u>

G. Movements of ceded premium deficiency reserve and premium deficiency reserve are as follows:

	2022	2021
Ceded premium deficiency reserve		
At January 1	\$ 3,844	\$ 1,128
Provision	2,530	4,109
Recovery	(3,844)	(1,128)
At September 30	<u>\$ 2,530</u>	<u>\$ 4,109</u>
	2022	2021
Premium deficiency reserve		
At January 1	\$ 62,397	\$ 49,598
Provision	57,957	61,664
Recovery	(62,397)	(49,598)
At September 30	<u>\$ 57,957</u>	<u>\$ 61,664</u>

H. The Company's future cash flows of insurance liabilities (excluding special reserve) are as follows:

<u>September 30, 2022</u>	<u>Due in one year</u>	<u>Due after one year</u>	<u>Total</u>
Insurance liabilities			
Unearned premium reserve	\$ 3,465,425	\$ 2,198,886	\$ 5,664,311
Claims reserve	13,785,682	8,747,306	22,532,988
Liability reserve	-	373,976	373,976
Premium deficiency reserve	35,458	22,499	57,957

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,829,349).

<u>December 31, 2021</u>	<u>Due in one year</u>	<u>Due after one year</u>	<u>Total</u>
Insurance liabilities			
Unearned premium reserve	\$ 3,428,019	\$ 2,264,473	\$ 5,692,492
Claims reserve	10,984,206	7,255,924	18,240,130
Liability reserve	-	374,854	374,854
Premium deficiency reserve	37,576	24,821	62,397

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,776,529).

<u>September 30, 2021</u>	<u>Due in one year</u>	<u>Due after one year</u>	<u>Total</u>
Insurance liabilities			
Unearned premium reserve	\$ 3,732,381	\$ 2,465,529	\$ 6,197,910
Claims reserve	10,646,564	7,032,885	17,679,449
Liability reserve	-	374,930	374,930
Premium deficiency reserve	37,134	24,530	61,664

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,746,449).

(9) Reserves for unqualified reinsurance

A. Summary of unqualified reinsurance contracts are set forth as follows:

The Company entered into contracts with insurance companies and insurance brokers as follows:

The scope of reinsurance is the same as the Company's insurance contracts.

<u>Insurance companies / Insurance brokers</u>	<u>Type of contract</u>
WALSUN INSURANCE LTD.	Fire insurance, marine cargo insurance, inland marine insurance, marine hull insurance, casualty insurance and engineering insurance
BEST RE (L) LIMITED	Fire insurance and casualty insurance
MILLI REASURANS T. A. S. SINGAPORE BRANCH	Fire insurance, engineering insurance, marine hull insurance and marine cargo insurance
WILSON RE LIMITED	Casualty insurance
M.B. BODA REINSURANCE BROKERS PVT. LTD.	Fire insurance
COSMOS SERVICES CO., LTD.	Fire insurance
J B BODA INSURANCE SERVICES (L) BHD	Fire insurance
GUY CARPENTER & COMPANY LTD.	Fire insurance and automobile insurance

B. As of September 30, 2022 and 2021, the Company's unqualified reinsurance premiums ceded were \$4 and (\$3,512), respectively.

C. Reserve for unqualified reinsurance as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Ceded claims reserve	<u>\$ 23</u>	<u>\$ 42</u>	<u>\$ 44</u>

(10) Offsetting financial assets and financial liabilities

A. The Company has derivative assets that do not meet the offsetting criteria in paragraph 42 of IAS 32. However, the Company has transactions that are or are similar to net settled master netting arrangements. If one party breaches the contract (in the case of default and insolvency or bankruptcy), the counterparty can choose to use net settlement. The related amount of offsetting shall not exceed the gross amounts of recognized financial assets and liabilities.

B. The related information of financial assets and financial liabilities that can be settled under agreements of net settled master netting arrangements or similar arrangements are as follows:

(a) Financial assets

Description	Gross amounts of recognized financial assets	Financial instruments not set off in the balance sheet	Net amount
September 30, 2022			
Derivatives	\$ 35,849	\$ 12,781	\$ 23,068
December 31, 2021			
Derivatives	\$ 96,269	\$ 771	\$ 95,498
September 30, 2021			
Derivatives	\$ 73,603	\$ 6,233	\$ 67,370

Note: The above-mentioned items are all accounted as financial assets at fair value through profit or loss.

(b) Financial liabilities

Description	Gross amounts of recognized financial liabilities	Financial instruments not set off in the balance sheet	Net amount
September 30, 2022			
Derivatives	\$ 1,069,650	\$ 12,781	\$ 1,056,869
December 31, 2021			
Derivatives	\$ 771	\$ 771	\$ -
September 30, 2021			
Derivatives	\$ 13,761	\$ 6,233	\$ 7,528

Note: The above-mentioned items are all accounted as financial liabilities at fair value through profit or loss.

(11) Property and equipment

	Land	Buildings	Computer equipment	Transportation equipment	Miscellaneous equipment	Prepayments for equipment	Total
<u>At January 1, 2022</u>							
Cost	\$ 237,071	\$ 109,793	\$ 36,209	\$ 4,861	\$ 4,246	\$ -	\$ 392,180
Accumulated depreciation	-	(93,168)	(22,676)	(4,861)	(2,921)	-	(123,626)
	<u>\$ 237,071</u>	<u>\$ 16,625</u>	<u>\$ 13,533</u>	<u>\$ -</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ 268,554</u>
<u>2022</u>							
At January 1	\$ 237,071	\$ 16,625	\$ 13,533	\$ -	\$ 1,325	\$ -	\$ 268,554
Additions	-	81	5,465	-	640	1,410	7,596
Disposals-cost	-	-	(1,488)	-	(55)	-	(1,543)
Disposals-accumulated	-	-	1,488	-	55	-	1,543
Depreciation	-	(1,817)	(3,287)	-	(281)	-	(5,385)
At September 30	<u>\$ 237,071</u>	<u>\$ 14,889</u>	<u>\$ 15,711</u>	<u>\$ -</u>	<u>\$ 1,684</u>	<u>\$ 1,410</u>	<u>\$ 270,765</u>
<u>At September 30, 2022</u>							
Cost	\$ 237,071	\$ 109,874	\$ 40,186	\$ 4,861	\$ 4,831	\$ 1,410	\$ 398,233
Accumulated depreciation	-	(94,985)	(24,475)	(4,861)	(3,147)	-	(127,468)
	<u>\$ 237,071</u>	<u>\$ 14,889</u>	<u>\$ 15,711</u>	<u>\$ -</u>	<u>\$ 1,684</u>	<u>\$ 1,410</u>	<u>\$ 270,765</u>

	Land	Buildings	Computer equipment	Transportation equipment	Miscellaneous equipment	Prepayments for equipment	Total
<u>At January 1, 2021</u>							
Cost	\$ 180,796	\$ 94,046	\$ 32,034	\$ 4,861	\$ 3,530	\$ -	\$ 315,267
Accumulated depreciation	-	(80,808)	(20,249)	(4,861)	(2,836)	-	(108,754)
	<u>\$ 180,796</u>	<u>\$ 13,238</u>	<u>\$ 11,785</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ -</u>	<u>\$ 206,513</u>
<u>2021</u>							
At January 1	\$ 180,796	\$ 13,238	\$ 11,785	\$ -	\$ 694	\$ -	\$ 206,513
Additions	-	592	4,223	-	563	469	5,847
Disposals-cost	-	-	(87)	-	(157)	-	(244)
Disposals-accumulated depreciation	-	-	87	-	157	-	244
Transferred from investment property-cost	56,275	13,280	-	-	-	-	69,555
Transferred from investment property- accumulated depreciation	-	(10,278)	-	-	-	-	(10,278)
Transferred to investment property	-	-	-	-	-	(78)	(78)
Transferred from prepayments for equipment	-	391	-	-	-	(391)	-
Depreciation	-	(1,496)	(2,773)	-	(215)	-	(4,484)
At September 30	<u>\$ 237,071</u>	<u>\$ 15,727</u>	<u>\$ 13,235</u>	<u>\$ -</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 267,075</u>
<u>At September 30, 2021</u>							
Cost	\$ 237,071	\$ 108,309	\$ 36,170	\$ 4,861	\$ 3,936	\$ -	\$ 390,347
Accumulated depreciation	-	(92,582)	(22,935)	(4,861)	(2,894)	-	(123,272)
	<u>\$ 237,071</u>	<u>\$ 15,727</u>	<u>\$ 13,235</u>	<u>\$ -</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 267,075</u>

The above assets were not pledged to others as collateral.

(12) Accounts payable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes payable	\$ 387	\$ 574	\$ 574
Due to reinsurers and ceding companies	342,848	388,174	342,328
Other payables	236,062	368,359	344,131
	<u>\$ 579,297</u>	<u>\$ 757,107</u>	<u>\$ 687,033</u>

(13) Employee benefits

A. Defined benefit obligation

(a) The Company has established a defined benefit pension plan in accordance with the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit once or in installments.

(b) For the aforementioned pension plan, the Company recognized pension costs of \$248, \$94, \$10,851 and \$283 for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2022 amount to \$850.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the above-mentioned pension plan of the Company for the three-month and nine-month periods ended September 30, 2022 and 2021 were \$2,286, \$1,918, \$6,783 and \$5,810, respectively.

(14) Common stock

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company's authorized capital were \$10,000,000, \$6,000,000 and \$6,000,000, respectively, and the paid-in capital were all \$5,903,888, with a par value of \$10 (in dollars) per share.

On August 10, 2022, the special shareholders' meeting approved the amendment of the Company's Articles of Incorporation to increase the Company's authorized capital from \$6,000,000 to \$10,000,000, and the Board of Directors approved the capital increase by cash through issuance of 210,000,000 new shares on the same day ; the capital increase by cash was approved through Jin-Kuan-Zheng-Fa Letter No. 1110359013 on October 19, 2022.

(15) Capital reserve

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. However, according to Jin-Kuan-Bao-Tsai Letter No. 10202501991, for the purpose of strengthening the solvency and operation, insurance companies having no deficit should submit relevant documents demonstrating the financial soundness and steady operation of their companies to FSC for approval before the stockholders' meeting if they propose to use legal reserve provided under Article 145-1 of Insurance Act and capital surplus to issue cash to shareholders in proportion to their share ownership in accordance with Article 241 of the R.O.C. Company Act.

(16) Retained earnings

A. Limitation on distribution of retained earnings and dividend policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve. Afterwards, the Company shall recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

The Company's dividends are distributed in the form of cash dividends and stock dividends, in a coordinated way, among which, the cash dividends shall account for at least 50% of the total dividends distributed.

Pursuant to the R.O.C. Insurance Act, legal reserve shall be set aside until the total amount reaches the total capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital. In addition, procedures for those requiring approval from competent authorities to use legal reserve for issuance of cash in accordance with Jin-Kuan-Bao-Tsai Letter No. 10202501991 are set out in Note 6 (15).

B. Special reserve

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Special reserve	\$ 3,145,711	\$ 3,145,711	\$ 2,615,013
Unrealized revaluation increment	126,557	126,557	126,557
Employees' education and training	16,027	16,027	16,027
	<u>\$ 3,288,295</u>	<u>\$ 3,288,295</u>	<u>\$ 2,757,597</u>

(a) For the year 2021, the provision for special reserve amounting to \$530,698 had been recognized as special reserve under equity upon annual resolution and is not available for distribution.

- (b) The amounts previously set aside by the Company as special reserve in accordance with Jin-Kuan-Bao-Tsai Order No. 11004920441, dated June 11, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company had transferred the amount of \$126,557 of unrealized gain from real estate value-added to special reserve under equity.
- (c) In accordance with the regulations of Jin-Kuan-Bao-Tsai Order No. 10502066461 promulgated on July 13, 2016, upon appropriating the earnings of 2016 through 2018, the Company shall provision 0.5% of income after tax as special reserve. And starting from the subsequent year of the provision of such special reserve, special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. However, the above-mentioned order was repealed by Jin-Kuan-Bao-Tsai Order No. 10804932431 on July 30, 2019, resulting in the Company no longer having to provide special reserve starting 2019. The remaining special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. The Company had transferred the amount of \$16,027 for expenditures that were for employees' education and training and for the protection of employees' interest to special reserve under equity.
- C. On May 27, 2022, the distribution of earnings for 2021 as resolved by the stockholders were \$1,062,700 (cash dividends of \$1.8 (in dollars) per share). On July 15, 2021, the distribution of earnings for 2020 as proposed by the Board of Directors was \$767,505 (cash dividends of \$1.3 (in dollars) per share).

Detailed information on earnings appropriation resolved by the Board of Directors and ratified at the stockholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. For information relating to employees' compensation and directors' remuneration, please see Note 6 (18).

(17) Income tax

A. Components of income tax expense:

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Current income tax:		
Current income tax on profits for the period	\$ -	\$ 129,444
Deferred income tax:		
Origination and reversal of temporary difference	51,188	(14,147)
Income tax (benefit) expense	<u>\$ 51,188</u>	<u>\$ 115,297</u>

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Current income tax:		
Current income tax on profits for the period	\$ -	\$ 369,214
Income tax on undistributed earnings	2,962	2,163
Adjustments in respect of prior years	(427)	3,306
Deferred income tax:		
Origination and reversal of temporary difference	(206,574)	(46,163)
Income tax (benefit) expense	<u>(\$ 204,039)</u>	<u>\$ 328,520</u>

B. The income tax relating to components of other comprehensive income are as follows:

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Exchange differences on translation of foreign financial statements	\$ 43,798	(\$ 819)
Other comprehensive income upon reclassification of applying overlay approach	4,094	(11,396)
	<u>\$ 47,892</u>	<u>(\$ 12,215)</u>

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Exchange differences on translation of foreign financial statements	\$ 87,619	(\$ 16,158)
Other comprehensive income upon reclassification of applying overlay approach	5,351	(50,941)
	<u>\$ 92,970</u>	<u>(\$ 67,099)</u>

C. The Company's income tax returns have been assessed and approved by the Tax Authority up to 2020.

(18) Employee benefits expense, depreciation and amortization

Employee benefits expense, depreciation and amortization by function are as follows:

Expense \ Function	Three-month period ended September 30, 2022		Three-month period ended September 30, 2021	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee benefits expense	\$ -	\$ 65,809	\$ -	\$ 57,787
Salaries	-	56,385	-	50,037
Employees' insurance	-	3,758	-	3,217
Pension	-	2,534	-	2,012
Other employee benefits expense (Note 1)	-	3,133	-	2,521
Depreciation (Note 2)	446	2,038	444	1,766
Amortization	-	4,056	-	909

Expense \ Function	Nine-month period ended September 30, 2022		Nine-month period ended September 30, 2021	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee benefits expense	\$ -	\$ 208,809	\$ -	\$ 178,342
Salaries	-	167,158	-	152,861
Employees' insurance	-	13,376	-	11,209
Pension	-	17,634	-	6,093
Other employee benefits expense (Note 1)	-	10,642	-	8,179
Depreciation (Note 2)	1,336	5,725	1,524	4,775
Amortization	-	7,666	-	2,912

Note 1: Other employee benefits expense include employees' welfare and training expenses.

Note 2: The depreciation, which is classified as operating cost, is accounted for as deduction to gain on investment property.

- A. As of September 30, 2022 and 2021, the average numbers of employees were 163 and 143, respectively.
- B. According to the Company's Articles of Incorporation, after covering accumulated deficits with current year earnings, the remainder, if any, shall provision employees' compensation of no less than 0.5% and directors' remunerations of no more than 1%.
- C. The Company's estimated employees' compensation of \$0, \$4,354, \$0 and \$16,209 for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively, were determined from earnings and the distribution in the past on a pro-rata basis, which fell within the scope of the Company's Articles of Incorporation's requirements. The Company's estimated directors' remuneration were \$0, \$1,093, \$0 and \$3,281 for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively. The estimates, which were within the scope of the Company's Articles of Incorporation's requirements, were determined from earnings and the past distribution experiences during the tenure of directors. The aforementioned amounts were recognized in salary expense.

The 2021 employees' compensation of \$25,010 and directors' remuneration of \$4,850 as approved by the Board of Directors of the Company were in agreement with the amounts recognized in the 2021 financial statements, and employees' compensation and directors remuneration are distributed in the form of cash.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and their relationship with the Company

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Evergreen International Corporation	Parent company
Evergreen Insurance Company Limited	Other related parties
Evergreen Marine Corporation	Other related parties
Directors, general managers, vice general managers, etc.	Key management of the Company

(2) Significant related party transactions and balances

A. Due from reinsurers and ceding companies (shown under reinsurance contract assets)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other related parties	<u>\$ 198</u>	<u>\$ 11</u>	<u>\$ 158</u>

B. Other payables (shown under accounts payable)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Parent	<u>\$ 549</u>	<u>\$ 1,230</u>	<u>\$ 1,264</u>
Other related parties	<u>-</u>	<u>11</u>	<u>51</u>
	<u>\$ 549</u>	<u>\$ 1,241</u>	<u>\$ 1,315</u>

C. Operating revenues and operating costs

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Other related parties		
Gross premiums written	\$ 7,323	\$ 2,479
Reinsurance premiums ceded	7	3
Reinsurance commission expenses	3,287	(349)
Reinsurance commission revenue	-	4
Reinsurance claims paid	711	4,796
Reinsurance claims recovery	-	7

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Other related parties		
Gross premiums written	\$ 16,838	\$ 13,237
Reinsurance premiums ceded	(3)	(2)
Reinsurance commission expenses	2,752	4,639
Reinsurance commission revenue	7	(56)
Reinsurance claims paid	10,302	6,418
Reinsurance claims recovery	(22)	9

D. Operating expenses

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	\$ 1,906	\$ 3,542
Rent expense (Note)	-	214
Other related parties		
Service fees-Others	-	24
	<u>\$ 1,906</u>	<u>\$ 3,780</u>

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	\$ 6,024	\$ 11,072
Rent expense (Note)	249	252
Other related parties		
Service fees-Others	41	53
	<u>\$ 6,314</u>	<u>\$ 11,377</u>

Note : The Company leased the building from the parent company, and the lease contract period is 3.5 months. Rents are calculated per square meter and paid by the end of each month. The differences of prices and conditions between related parties and non-related parties were not significant.

(3) Key management compensation

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Salaries and other short-term employee benefits	\$ 6,899	\$ 7,706
Post-employment benefits	294	101
	<u>\$ 7,193</u>	<u>\$ 7,807</u>
	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Salaries and other short-term employee benefits	\$ 20,850	\$ 21,136
Post-employment benefits	691	285
	<u>\$ 21,541</u>	<u>\$ 21,421</u>

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

None.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

On October 19, 2022, the capital increase by cash approved by the FSC. Please see Note 6 (14).

12. OTHERS

(1) Fair value information

A. The fair value of the Company's financial instruments not measured at fair value is provided in Note 12 (1) K. The fair value of the Company's investment property measured at cost model is provided in Note 6 (7).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on-going basis. The fair value of the Company's investment in listed and over-the-counter stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, financial bonds and derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment

in part of investments in debt instrument without active market, unlisted stocks and investment property is included in Level 3.

- C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of September 30, 2022, December 31, 2021 and September 30, 2021 is as follows:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Listed and over-the-counter common stocks	\$ 2,072,007	\$ -	\$ -	\$ 2,072,007
Listed and over-the-counter preferred stocks	-	223,575	-	223,575
Index funds	929,188	-	-	929,188
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 328	\$ -	\$ 328
Forward foreign exchange contracts	-	12,453	-	12,453
Futures	-	23,068	-	23,068
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	\$ -	\$ 1,060,968	\$ -	\$ 1,060,968
Forward foreign exchange contracts	-	8,682	-	8,682

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Listed and over-the-counter common stocks	\$ 3,156,981	\$ -	\$ -	\$ 3,156,981
Listed and over-the-counter preferred stocks	-	231,880	-	231,880
Unlisted stocks	-	-	2,798,704	2,798,704
Index funds	392,466	-	-	392,466
Open-end funds	579,814	-	-	579,814
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 88,169	\$ -	\$ 88,169
Forward foreign exchange contracts	-	8,100	-	8,100
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	\$ -	\$ 567	\$ -	\$ 567
Forward foreign exchange contracts	-	204	-	204

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Listed and over-the-counter common stocks	\$ 892,389	\$ -	\$ -	\$ 892,389
Listed and over-the-counter preferred stocks	-	230,560	-	230,560
Unlisted stocks	-	-	2,376,679	2,376,679
Index funds	253,559	-	-	253,559
Open-end funds	658,260	-	-	658,260
Government bonds	-	54,313	-	54,313
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 71,772	\$ -	\$ 71,772
Forward foreign exchange contracts	-	1,811	-	1,811
Futures	-	20	-	20
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	\$ -	\$ 6,616	\$ -	\$ 6,616
Forward foreign exchange contracts	-	7,034	-	7,034
Futures	-	111	-	111

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

<u>Listed shares</u>	<u>Index funds</u>	<u>Open-end funds</u>
Closing price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market and swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - (e) The Company uses the market approach to evaluate the fair value of unlisted stocks. The used factors include unobservable input. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12 (1) I.
 - (f) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - (g) The Company takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- E. For the nine-month periods ended September 30, 2022 and 2021, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the nine-month periods ended September 30, 2022 and 2021:

Nine-month period ended September 30, 2022								
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income (Note)	Acquired in the period		Disposed of in the period		Ending balance
				Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	
Non-Derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,798,704	\$ -	\$ -	\$ -	\$ -	\$ -	(\$ 2,798,704)	\$ -
Nine-month period ended September 30, 2021								
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income (Note)	Acquired in the period		Disposed of in the period		Ending balance
				Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	
Non-Derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 595,489	\$ -	\$ 1,781,190	\$ -	\$ -	\$ -	\$ -	\$ 2,376,679

Note: Financial assets mandatorily measured at fair value through profit or loss recognized in other comprehensive income upon reclassification of applying overlay approach.

Unrealized gain or loss on valuation recognized in other comprehensive income arising from the assets held for the nine-month periods ended September 30, 2022 and 2021 was \$0 and \$1,781,190, respectively.

G. Because unlisted stocks held by the Company became listed stocks on January 3, 2022, the Company has transferred the fair value from Level 3 into Level 1 for the nine-month period ended September 30, 2022. There were no transfer into or out from Level 3 for the nine-month period ended September 30, 2021.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Financial segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

As of September 30, 2022, the Company does not hold any financial asset used in Level 3 fair value measurement.

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Unlisted stocks (Note)	\$ 2,798,704	Market approach Black-Scholes model	Liquidity discount	3.60%	The lower the liquidity discount, the higher the fair value

	<u>Fair value at September 30, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Unlisted stocks (Note)	\$ 2,376,679	Market approach Black-Scholes model	Liquidity discount	17.10%	The lower the liquidity discount, the higher the fair value

Note: Items that affect the fair value measurement of unlisted stocks include observable stock prices.

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value; however, different valuation model or input could result in different valuation results. Specifically, if the valuation of financial instrument classified in Level 3 increase or decrease 10%, the effects on other comprehensive income in the period would be as follows:

As of September 30, 2022, the Company does not hold any financial asset used in Level 3 fair value measurement.

	<u>September 30, 2021</u>	
	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable</u>	<u>Unfavorable</u>
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 237,668	(\$ 237,668)

K. Fair value of the financial instruments not measured at fair value

Except for the financial instruments below and investment property, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other financial assets and accounts payable) are approximate to their fair values.

	September 30, 2022				December 31, 2021			
	<u>Book value</u>	<u>Fair value</u>			<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets								
Financial assets at amortized cost	\$ 16,218,078	\$ -	\$ 14,860,124	\$ -	\$ 12,469,999	\$ -	\$ 12,843,022	\$ -

	September 30, 2021			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Financial assets at amortized cost	\$ 12,383,668	\$ -	\$ 12,892,727	\$ -

The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (1) B, and the methods and assumptions are as follows:

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

(2) Assets and liabilities recoverable or payable within or over 12 months from the reporting date are as follows:

Assets	September 30, 2022			December 31, 2021		
	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	\$ 21,135,468	\$ 21,135,468	\$ -	\$ 17,285,837	\$ 17,285,837	\$ -
Accounts receivable	329,926	329,926	-	282,894	282,894	-
Current income tax assets	11,460	-	11,460	-	-	-
Financial assets at fair value through profit or loss	3,260,619	3,260,619	-	7,256,114	7,251,891	4,223
Financial assets at amortized cost	15,247,372	2,308,552	12,938,820	11,492,585	1,726,211	9,766,374
Other financial assets	156,000	156,000	-	3,083,454	3,083,454	-
Investment property	384,901	-	384,901	385,924	-	385,924
Reinsurance contract assets	7,733,598	6,521,324	1,212,274	7,373,316	6,171,817	1,201,499
Property and equipment	270,765	-	270,765	268,554	-	268,554
Right-of-use asset	1,370	-	1,370	1,337	138	1,199
Intangible assets	15,228	-	15,228	7,248	-	7,248
Other assets	2,044,361	383,039	1,661,322	1,793,526	210,032	1,583,494
Liabilities						
Accounts payable	\$ 579,297	\$ 578,682	\$ 615	\$ 757,107	\$ 755,268	\$ 1,839
Current income tax liabilities	2,962	2,962	-	276,454	276,454	-
Financial liabilities at fair value through profit or loss	1,069,650	1,069,650	-	771	771	-
Lease liabilities	1,383	430	953	1,346	380	966
Insurance liabilities	35,347,041	21,115,914	14,231,127	31,700,204	18,226,330	13,473,874
Provisions	9,644	-	9,644	-	-	-
Other liabilities	120,376	117,595	2,781	116,066	113,494	2,572

		September 30, 2021		
		Book value	Within 12 months	Over 12 months
Assets				
Cash and cash equivalents		\$ 18,413,059	\$ 18,413,059	\$ -
Accounts receivable		267,828	267,828	-
Financial assets at fair value through profit or loss		4,539,363	4,538,448	915
Financial assets at amortized cost		11,303,680	1,095,538	10,208,142
Other financial assets		3,068,939	3,068,939	-
Investment property		386,209	-	386,209
Reinsurance contract assets		8,035,302	6,824,564	1,210,738
Property and equipment		267,075	-	267,075
Right-of-use asset		1,453	197	1,256
Intangible assets		4,049	-	4,049
Other assets		1,827,694	282,051	1,545,643
Liabilities				
Accounts payable		\$ 687,033	\$ 687,033	\$ -
Current income tax liabilities		197,367	197,367	-
Financial liabilities at fair value through profit or loss		13,761	13,556	205
Lease liabilities		1,460	440	1,020
Insurance liabilities		31,634,834	18,162,528	13,472,306
Provisions		434	-	434
Other liabilities		84,636	82,239	2,397

(3) Calculation of retention earned premiums are shown below:

Three-month period ended September 30, 2022					
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 3,678,579	\$ 230,500	\$ 3,448,079	(\$ 380,550)	\$ 3,828,629
Compulsory insurance	696,183	-	696,183	9,900	686,283
	<u>\$ 4,374,762</u>	<u>\$ 230,500</u>	<u>\$ 4,144,262</u>	<u>(\$ 370,650)</u>	<u>\$ 4,514,912</u>
Three-month period ended September 30, 2021					
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 3,748,040	\$ 264,582	\$ 3,483,458	(\$ 547,783)	\$ 4,031,241
Compulsory insurance	681,452	-	681,452	(2,321)	683,773
	<u>\$ 4,429,492</u>	<u>\$ 264,582</u>	<u>\$ 4,164,910</u>	<u>(\$ 550,104)</u>	<u>\$ 4,715,014</u>

Nine-month period ended September 30, 2022					
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 13,147,797	\$ 1,068,466	\$ 12,079,331	(\$ 85,812)	\$ 12,165,143
Compulsory insurance	2,051,303	-	2,051,303	31,854	2,019,449
	<u>\$ 15,199,100</u>	<u>\$ 1,068,466</u>	<u>\$ 14,130,634</u>	<u>(\$ 53,958)</u>	<u>\$ 14,184,592</u>
Nine-month period ended September 30, 2021					
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 14,395,891	\$ 1,206,293	\$ 13,189,598	\$ 843,431	\$ 12,346,167
Compulsory insurance	1,998,149	-	1,998,149	9,930	1,988,219
	<u>\$ 16,394,040</u>	<u>\$ 1,206,293</u>	<u>\$ 15,187,747</u>	<u>\$ 853,361</u>	<u>\$ 14,334,386</u>

(4) Calculation of retention reinsurance claims paid are shown below:

Three-month period ended September 30, 2022			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 3,459,082	\$ 256,060	\$ 3,203,022
Compulsory insurance	648,871	-	648,871
	<u>\$ 4,107,953</u>	<u>\$ 256,060</u>	<u>\$ 3,851,893</u>
Three-month period ended September 30, 2021			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 2,106,124	\$ 198,940	\$ 1,907,184
Compulsory insurance	634,078	-	634,078
	<u>\$ 2,740,202</u>	<u>\$ 198,940</u>	<u>\$ 2,541,262</u>
Nine-month period ended September 30, 2022			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 7,380,810	\$ 606,536	\$ 6,774,274
Compulsory insurance	1,920,177	-	1,920,177
	<u>\$ 9,300,987</u>	<u>\$ 606,536</u>	<u>\$ 8,694,451</u>
Nine-month period ended September 30, 2021			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 5,379,637	\$ 484,996	\$ 4,894,641
Compulsory insurance	1,944,286	-	1,944,286
	<u>\$ 7,323,923</u>	<u>\$ 484,996</u>	<u>\$ 6,838,927</u>

(5) Balance sheets for compulsory automobile liability insurance are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Assets			
Cash and cash equivalents	\$ 4,222,055	\$ 4,093,501	\$ 4,085,818
Due from reinsurers and ceding companies	449,966	441,546	438,274
	<u>\$ 4,672,021</u>	<u>\$ 4,535,047</u>	<u>\$ 4,524,092</u>
Liabilities			
Unearned premium reserve	\$ 1,588,350	\$ 1,556,496	\$ 1,546,284
Claims reserve	2,214,958	2,196,412	2,175,039
Special reserve	868,713	782,139	802,769
	<u>\$ 4,672,021</u>	<u>\$ 4,535,047</u>	<u>\$ 4,524,092</u>

Note: As of September 30, 2022, December 31, 2021 and September 30, 2021, certain time deposits, which amounted to \$0, \$188,400 and \$188,400, respectively, included above as cash and cash equivalents of compulsory automobile liability insurance did not meet the definition of cash equivalents, consequently they are presented under other financial assets.

(6) Details of revenues and costs for compulsory automobile liability insurance are as follows:

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Operating revenues		
Reinsurance premiums	\$ 696,183	\$ 681,452
Net change in unearned premium reserve	(9,900)	2,321
Retention earned premiums	686,283	683,773
Interest income	2,348	1,404
	<u>\$ 688,631</u>	<u>\$ 685,177</u>
Operating costs		
Reinsurance claims paid	\$ 648,871	\$ 634,078
Net change in claims reserve	(5,331)	(22,507)
Net change in special reserve	45,091	73,606
	<u>\$ 688,631</u>	<u>\$ 685,177</u>
	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Operating revenues		
Reinsurance premiums	\$ 2,051,303	\$ 1,998,149
Net change in unearned premium reserve	(31,854)	(9,930)
Retention earned premiums	2,019,449	1,988,219
Interest income	5,848	4,213
	<u>\$ 2,025,297</u>	<u>\$ 1,992,432</u>
Operating costs		
Reinsurance claims paid	\$ 1,920,177	\$ 1,944,286
Net change in claims reserve	18,546	(10,513)
Net change in special reserve	86,574	58,659
	<u>\$ 2,025,297</u>	<u>\$ 1,992,432</u>

13. RISK MANAGEMENT

The Company has established risk management policy being the highest directive of promoting enterprise risk management, to efficiently identify, assess, respond and monitor all the risks assumed and to ensure that all risks are within the limitations as planned. Reasonable consideration relationship between risk and reward has been taken into account to maximize the value of equity, maintain the capital adequacy and solvency capability and strengthen the long-term operations of business. The Company has set up risk management committee which is in charge of executing risk management decisions made by the Board of Directors, as well as independent risk management unit which is responsible for executive affairs in daily monitoring, assessment and evaluation of risks.

With regard to various circumstances of the risk management and the monitoring specification, the Company implemented “Risk Managing Mechanism” covering market, credit, liquidity, operation, insurance, asset and liability, climate change and other risks. In addition, in order to better improve the strategic risk management efficiency, risk quantitative module, finance of risk variance are put to use to analyze various businesses. In addition, the Company sets up risk capacity and risk limit as the basis for risk management, and strengthening the management mechanism of various risks to strengthen the efficiency of risk management at the same time.

(1) Financial instruments

A. Financial risk management policies

Except for derivatives held by the Company, the Company’s financial instruments mainly comprise cash and cash equivalents, and all kinds of investments. The Company utilizes those instruments to achieve adjustments to operating cash flows. The Company holds other financial assets and liabilities as well, such as notes receivable from operating activities, due from (to) reinsurers and ceding companies, reinsurance receivables (payables), other accounts receivable, and other accounts payable.

The Company undertakes derivative financial instruments such as futures, forward foreign exchange contracts and FX swap contracts to hedge fair value risk arising from fluctuations in stock prices and exchange rates.

B. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

To hedge cash flow fair value risk arising from fluctuations in exchange rates, the Company undertakes derivative financial instruments such as FX swap contracts and forward foreign exchange contracts to hedge recognized assets and liabilities denominated in foreign currencies.

The Company estimates that the conditions of the hedge instruments and the hedged items are the same, thus maximizing the hedging effectiveness.

(i) The Company’s businesses involve some non-functional currency operations (the Company’s functional currency: NTD, the Offshore Insurance Branch’s currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value
Assets			
Monetary items			
CNY	400,473	4.478	\$ 1,763,460
EUR	15,966	31.238	498,743
GBP	1,969	35.466	69,819
HKD	100,342	4.044	405,761
ILS	45,646	8.957	408,862
JPY	1,377,517	0.220	302,962
KRW	3,774,254	0.022	83,658
RUB	330,907	0.553	182,968
SGD	3,830	22.187	84,977
THB	254,133	0.840	213,411
USD	601,251	31.743	19,085,526
Non-monetary items			
CNY	21,906	4.478	98,102
USD	4,959	31.743	157,407
Liabilities			
Monetary items			
CNY	219,945	4.478	984,990
EUR	15,313	31.238	478,353
ILS	38,120	8.957	341,456
INR	439,238	0.389	170,906
JPY	978,783	0.220	215,268
KRW	22,232,810	0.022	492,807
RUB	330,469	0.553	182,726
THB	109,932	0.840	92,317
USD	140,715	31.743	4,466,720

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value
Assets			
Monetary items			
CNY	\$ 337,362	4.346	\$ 1,466,194
EUR	13,968	31.331	437,643
HKD	65,413	3.551	232,258
ILS	40,038	8.894	356,082
JPY	1,428,583	0.240	343,530
KRW	4,130,632	0.023	96,203
THB	298,234	0.830	247,642
USD	509,621	27.690	14,111,419
Non-monetary items			
CNY	84,601	4.346	367,679
HKD	111,370	3.551	395,435
USD	11,009	27.690	304,832
Liabilities			
Monetary items			
CNY	207,281	4.346	900,853
EUR	11,509	31.331	360,592
ILS	17,002	8.894	151,206
INR	422,798	0.372	157,216
JPY	1,001,407	0.240	240,807
KRW	19,132,553	0.023	445,600
USD	161,992	27.690	4,485,550

September 30, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value
Assets			
Monetary items			
CAD	\$ 3,934	21.902	\$ 86,158
CNY	392,101	4.307	1,688,891
EUR	13,679	32.327	442,199
HKD	164,318	3.578	587,932
ILS	33,767	8.654	292,224
JPY	1,687,494	0.249	420,192
KRW	4,992,141	0.024	117,506
THB	355,889	0.823	292,975
USD	486,576	27.866	13,558,930
Non-monetary items			
CNY	19,730	4.307	84,984
HKD	57,056	3.578	204,147
USD	19,352	27.866	539,276
Liabilities			
Monetary items			
CNY	201,146	4.307	866,393
EUR	9,798	32.327	316,750
ILS	16,351	8.654	141,502
INR	381,287	0.375	143,102
JPY	1,085,980	0.249	270,414
KRW	20,240,020	0.024	476,413
THB	99,358	0.823	81,794
USD	160,476	27.866	4,471,812

(ii) Sensitivity analysis of foreign exchange risk for monetary financial assets and liabilities listed in the table below is performed for reasonably possible changes in foreign exchange rates with other conditions held constant and without considering foreign exchange derivatives for hedge, the effects on profit or loss before tax for the nine-month periods ended September 30, 2022 and 2021 are as follows:

	September 30, 2022	September 30, 2021
Foreign currencies to NTD appreciate by 1%	\$ 143,386	\$ 102,750
Foreign currencies to NTD depreciate by 1%	(143,386)	(102,750)

ii. Price risk

- (i) The values of financial instruments may be changed by economic situations, industrial circumstances, market capital flows and government monetary policies. To hedge market value risk exposures, the Company adopts diversified assets allocation strategy taking into account the current trends of financial markets to flexibly adjust assets portfolio under the provisions of Article 146 (1) ~ (8) of the Insurance Act, regulating the limits of funds utilization ratios and accordingly, disperse the market value risk.
- (ii) The Company adopts the FX swap contracts and forward foreign exchange contracts to hedge exchange rate fluctuations risk on foreign-currency denominated assets. As the gain (loss) arising from exchange rate changes will mostly offset against the loss (gain) on hedged objectives, the Company estimates no material market value risk would arise. The Company is exposed to price risk because of investments in stock-related futures, which have fair value in the active market and are used for hedging purposes. The Company sets limits to control the transaction volume to reduce its market risk.
- (iii) The Company's investments comprise equity securities and REITs, etc. Their fair value would change due to the change of the prices of equity securities. If the prices of these equity securities and REITs had increased/decreased by 5% with all other variables held constant, the effects on profit and loss and equity in the nine-month periods ended September 30, 2022 and 2021 are as follows:

		September 30, 2022		
		Changes in	Changes in	Changes in other
		profit or loss	profit or loss	comprehensive
		before tax	before tax	income (before tax)
		variables	variables	variables
Financial assets at fair value through profit or loss	Increased/			
	decreased by 5%	\$ 73,911	\$ 87,328	
		September 30, 2021		
		Changes in	Changes in	Changes in other
		profit or loss	profit or loss	comprehensive
		before tax	before tax	income (before tax)
		variables	variables	variables
Financial assets at fair value through profit or loss	Increased/			
	decreased by 5%	\$ 10,864	\$ 209,708	

iii. Interest rate risk

Sensitivity analysis of interest rate risk listed in the table below is performed for reasonably possible changes in interest rate with other conditions held constant, showing the effect on profit or loss before tax and other comprehensive income before tax. Measurement of interest rate risk only takes into consideration the duration but does not include convexity. Relevant effects may differ from the actual values, but the differences are not significant.

As of September 30, 2022, debt instruments held by the Company were all classified as financial assets at amortized cost. Therefore, the Company was not exposed to interest rate risk.

	September 30, 2021		
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income (before tax)
Financial assets at fair value through profit or loss	Increase/ decrease 50 basis points	Decrease \$2,506 Increase \$2,506	-

(b) Credit risk

- i. When investing in financial instruments, the Company will encounter the risks that the transaction or credit counterparties may default on contracts and the custodians may incur operating difficulties. The Company utilizes funds and makes investments in accordance with the Article 146 of Insurance Act and relevant laws, and conducts transactions only with counterparties with good credit ratings, or ensures that financial instruments are issued or guaranteed by reputable financial institutions, or acquires adequate collaterals. The Insurance Act also puts a limit to the transaction amount on an individual transaction or credit counterparty. Accordingly, the maximum loss to the Company is the total amount of all book value.
- ii. The Company utilizes funds and makes investments in financial instruments except for short-term notes and bills, time deposits, demand deposits and cash equivalents in accordance with the Article 146 of Insurance Act and related laws, and sets limits to control the investment volume with an individual institution. Therefore, the Company has lower significant concentrations of credit risk. As for the management of credit risk of debt instruments, the Company identifies the credit risk by its rating provided by external institutions, credit quality, conditions of locations, and risk of counterparties. For credit ratings of transaction or credit counterparties, the Company strictly complies with the Article 146 of Insurance Act, the relevant legal interpretations and the Company's internal regulations on risk control. The transaction or credit counterparties of bond investments are those financial institutions and companies with a certain degree of credit rating.
- iii. The Company undertakes FX swap contracts and forward foreign exchange contracts only with high-credit-quality financial institutions. If the counterparties of Taiwan Stock Index Futures default, the futures brokers will be liable for the losses incurred on the default. Accordingly, the Company estimates no material credit risk would arise.
- iv. The Company recognizes the following events as financial instruments' credit risk increases significantly:
 - (i) Bond interest receivable and debt instrument investments at amortized cost:
 - a. When an independent external rating system has rated such investment instrument as investment grade, then it is classified as low credit risk;
 - b. When an independent external rating system has downgraded such investment instrument 2 notches and to non-investment grade; or
 - c. When an independent external rating system has rated such investment instrument as non-investment grade and decline in market value (against to the cost) exceeds 30%, then it is classified as the credit risk increases significantly.

- (ii) Accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost:
When contractual payments (excluding the debt instruments) are more than 30 days past due but less than 90 days, then it is classified as the credit risk increases significantly.
 - (iii) For the financial assets mentioned above, in order to accurately measure the impacts that Covid-19 has had on it due to a significant increase in credit risk, further and supplemental considerations would be needed.
- v. The Company uses the following indicators to assess whether a financial asset has a credit impairment:
 - (i) A breach of contract, such as a default or delinquency in interest or principal payments; when a contract (excluding the debt instruments) is overdue more than 90 days, it is deemed breached.
 - (ii) The issuer enters into bankruptcy or reorganization that significantly affects its business.
- vi. The Company wrote-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered. The indicators for reasonably expected to be unrecoverable include:
 - (i) The recourse procedure has ceased.
 - (ii) The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

vii. The Company uses credit ratings (including forward-looking information), probability of default and loss given default figures periodically published by international credit rating agencies to estimate expected credit loss of bond interest receivable and debt instruments at amortized cost. Information about expected loss rate is as follows:

	September 30, 2022		December 31, 2021		September 30, 2021	
	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk
Bond interest receivable						
Group 1	0.0000%	-	0.0000%	-	0.0000%	-
Group 2	0.0000%~0.0248%	-	0.0000%~0.0249%	-	0.0000%~0.0249%	-
Group 3	0.0182%~0.0372%	-	0.0182%~0.0374%	-	0.0182%~0.0347%	-
Group 4	0.0620%~0.0897%	-	0.0623%~0.0873%	-	0.0623%~0.1371%	-
Group 5	-	0.2418%	-	0.2556%	-	0.2556%
Debt instruments at amortized cost						
Group 1	0.0000%	-	0.0000%	-	0.0000%	-
Group 2	0.0000%~0.0248%	-	0.0000%~0.0249%	-	0.0000%~0.0249%	-
Group 3	0.0182%~0.0372%	-	0.0182%~0.0374%	-	0.0182%~0.0347%	-
Group 4	0.0620%~0.0897%	-	0.0623%~0.0873%	-	0.0623%~0.1371%	-
Group 5	-	0.2418%	-	0.2556%	-	0.5749%

Group 1: S&P AAA or equivalents.

Group 2: Over S&P AA- or equivalents.

Group 3: Over S&P A- or equivalents.

Group 4: Over S&P BBB- or equivalents.

Group 5: Under S&P BBB- or equivalents.

The following credit risk information for the accounts receivable – bond interest receivable and investments in debt instruments at amortized cost is rated in 12-month period as of September 30, 2022, December 31, 2021 and September 30, 2021:

	September 30, 2022		December 31, 2021		September 30, 2021	
	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk
Bond interest receivable						
Group 1	\$ 2,699	\$ -	\$ 6,050	\$ -	\$ 2,568	\$ -
Group 2	37,169	-	35,559	-	33,488	-
Group 3	86,215	-	46,906	-	54,774	-
Group 4	2,876	-	4,373	-	4,002	-
Group 5	-	1,670	-	114	-	1,670
	<u>\$ 128,959</u>	<u>\$ 1,670</u>	<u>\$ 92,888</u>	<u>\$ 114</u>	<u>\$ 94,832</u>	<u>\$ 1,670</u>
Debt instruments at amortized cost						
Group 1	\$ 789,620	\$ -	\$ 704,222	\$ -	\$ 732,368	\$ -
Group 2	5,396,325	-	4,716,299	-	4,839,409	-
Group 3	9,161,608	-	6,052,328	-	5,814,953	-
Group 4	675,268	-	800,869	-	801,268	-
Group 5	-	200,000	-	200,000	-	200,000
	<u>\$ 16,022,821</u>	<u>\$ 200,000</u>	<u>\$ 12,273,718</u>	<u>\$ 200,000</u>	<u>\$ 12,187,998</u>	<u>\$ 200,000</u>

Movements of loss allowance for bond interest receivable and investments in debt instruments at amortized cost as of September 30, 2022 and 2021 are as follows:

	2022		2021	
	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk
Bond interest receivable				
At January 1	\$ 23	\$ -	\$ 23	\$ -
Provision	13	4	2	4
At September 30	<u>\$ 36</u>	<u>\$ 4</u>	<u>\$ 25</u>	<u>\$ 4</u>

	2022		2021	
	12 Months	Lifetime significant increase in credit risk	12 Months	Lifetime significant increase in credit risk
Debt instruments at amortized cost				
At January 1	\$ 3,208	\$ 511	\$ 3,224	\$ 1,122
Provision	1,051	-	-	28
Recovery	-	(27)	(44)	-
At September 30	<u>\$ 4,259</u>	<u>\$ 484</u>	<u>\$ 3,180</u>	<u>\$ 1,150</u>

- viii. The Company considers expected loss rate based on historical and current information and takes into account forecasts of future economic conditions to estimate expected credit loss of accounts receivable (excluding bond interest receivable). As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company's accounts receivable (excluding bond interest receivable) are not overdue or past due no more than 30 days. The book value as of September 30, 2022, December 31, 2021 and September 30, 2021, are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
	12 Months	12 Months	12 Months
Accounts receivable (excluding bond interest)	\$ 199,337	\$ 189,915	\$ 171,355
Other financial assets	156,000	3,083,454	3,068,939
Refundable deposits under other assets	381,624	192,583	179,267

(c) Liquidity risk

- i. The Company uses time deposits to adequately adjust its cash flows. When conducting investment evaluation, the Company will take into account the liquidity of financial instruments in secondary markets and may allocate some funds to lower-liquidity but higher-yield-rate financial instruments on condition that the risk is controlled. Even if those financial instruments are sold in the short-term, there is a less likelihood that liquidity risk would arise due to the selling price being significantly lower than the fair value. However, those financial instruments are not intended to be sold in the short-term.
- ii. The notional principal of FX swap contracts and forward foreign exchange contracts is normally used as a calculation basis of receivables and payables for these transactions, and is not the actual settlement amount, except for new undertaking or non-renewing transactions. The actual settlement amount is usually lower than the notional principal. The Company has paid margins in advance before undertaking stock-related futures transactions, and daily evaluates the unsettled futures positions. In case additional margins have to be paid later on, the Company has sufficient working capital to fulfill its payment obligations. Accordingly, the Company estimates no material cash flow risk would arise.
- iii. The table below analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

(i) Non-derivative financial liabilities

<u>September 30, 2022</u>	<u>Due in one year</u>	<u>Due after one year through three years</u>	<u>Total</u>
Accounts payable	\$ 578,682	\$ 615	\$ 579,297
Deposits-in (under other liabilities)	1,970	2,781	4,751
<u>December 31, 2021</u>	<u>Due in one year</u>	<u>Due after one year through three years</u>	<u>Total</u>
Accounts payable	\$ 755,268	\$ 1,839	\$ 757,107
Deposits-in (under other liabilities)	1,679	2,572	4,251
<u>September 30, 2021</u>	<u>Due in one year</u>	<u>Due after one year through three years</u>	<u>Total</u>
Accounts payable	\$ 687,033	\$ -	\$ 687,033
Deposits-in (under other liabilities)	1,686	2,397	4,083

(ii) Net-settled derivative financial liabilities

September 30, 2022	Due in three months	Due after three months through one year	Due after one year through two years	Total
FX swap contracts	\$ 418,676	\$ 642,292	\$ -	\$ 1,060,968
Forward foreign exchange contracts	-	8,682	-	8,682
December 31, 2021	Due in three months	Due after three months through one year	Due after one year through two years	Total
FX swap contracts	\$ -	\$ 567	\$ -	\$ 567
Forward foreign exchange contracts	204	-	-	204
September 30, 2021	Due in three months	Due after three months through one year	Due after one year through two years	Total
FX swap contracts	\$ -	\$ 6,411	\$ 205	\$ 6,616
Forward foreign exchange contracts	7,034	-	-	7,034
Futures	111	-	-	111

(2) Risk management of insurance contracts

All insurance contracts assumed by the Company, after assessment, were considered risks transferred by reinsurance. Risk management and procedures are summarized below:

A. Measurement and management of insurance risk:

Insurance risk occurs when loss frequency, severity, timing and other possible risk factors are far from past experience. For example, natural and man-made catastrophes risk may occur randomly and thus actual claims may be more than expected.

The Company follows underwriting and risk management related guidelines to assume reinsurance business. The Company's internal quantitative model, external monitoring model, internal control system and other related systems are developed to ensure insurance risks are efficiently identified, measured, steered and monitored.

(a) Underwriting policy

The reinsurance portfolio of the Company consists of various types of reinsurance and businesses from different countries and territories. The insurance types include life insurance, property and casualty insurance and others which are in compliance with regulatory requirement. The Company's development direction is to actively deepen the domestic market and steadily expand the international market to diversify risks of regional concentration.

(b) Retrocession strategy

In consideration of financial strength, capacity and the operation strategies, the Company arranges retrocession to increase the capacity, diversify risks, mitigate retained risk and increase business competitiveness. Furthermore, the Company has purchased catastrophe cover to minimize the exposure to catastrophe loss which may greatly impact the Company's financial performance. Stringent evaluation of the reputation and credit rating of the reinsurer is taken into account when the Company arranges a retrocession contract.

Although the Company adopts various prescribed methods to control insurance risk, given the random and unpredictable nature of insured incidents, deviation may occur between the actual result and the expectation derived from historical experience.

B. Concentration of insurance risk

Premium income and retention premium income ratio based on the business type are as follows:

Type \ Year	Nine-month period ended September 30, 2022		Nine-month period ended September 30, 2021	
	Reinsurance premiums	Retention premiums	Reinsurance premiums	Retention premiums
Domestic inward property reinsurance business	62.58%	61.68%	65.97%	65.05%
Domestic inward life reinsurance business	14.99%	15.80%	13.30%	14.04%
Subtotal-Domestic inward reinsurance business	77.57%	77.48%	79.27%	79.09%
Foreign inward reinsurance business	22.43%	22.52%	20.73%	20.91%
Total	100.00%	100.00%	100.00%	100.00%

C. Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the nine-month periods ended September 30, 2022 and 2021 were \$ \$12,165,144 and \$12,346,167, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the nine-month periods ended September 30, 2022 and 2021 would be approximately \$121,651 and \$123,462, respectively.

D. Loss development pattern

(a) As of September 30, 2022, the following table indicates the loss development pattern of the Company's inward business:

<u>Year of underwriting</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	Nine-month period ended <u>September 30, 2022</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,676,211	\$ 4,930,116	\$ 5,429,011	\$ 6,182,109	\$ 7,121,181	\$ 3,833,013	
After the first year	7,200,462	8,375,507	8,960,138	10,391,862	16,145,440		
After the second year	7,175,700	8,368,857	8,642,445	10,004,491			
After the third year	7,025,963	8,047,413	8,680,543				
After the fourth year	6,916,847	7,953,487					
After the fifth year	<u>6,786,192</u>						
Accumulated estimated claim amount	6,786,192	7,953,487	8,680,543	10,004,491	16,145,440	3,833,013	\$ 53,403,166
Accumulated claim payment	<u>(6,333,087)</u>	<u>(7,337,082)</u>	<u>(7,431,390)</u>	<u>(6,863,781)</u>	<u>(5,540,104)</u>	<u>214,866</u>	<u>(33,290,578)</u>
Accumulated unpaid claim	453,105	616,405	1,249,153	3,140,710	10,605,336	4,047,879	20,112,588
Accumulated unpaid claim before 2016							<u>2,420,400</u>
Subtotal							<u>22,532,988</u>
Provision for statutory insurance claims reserve (Note)	-	-	73,427	588,524	1,229,680	323,346	<u>2,214,977</u>
Total							<u>\$ 24,747,965</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(b) As of September 30, 2022, the following table indicates the loss development pattern of the Company's retention business:

<u>Year of underwriting</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Nine-month period ended September 30, 2022</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,427,596	\$ 4,566,834	\$ 4,965,602	\$ 5,507,600	\$ 6,488,150	\$ 3,445,643	
After the first year	6,686,191	7,512,520	8,197,721	9,303,467	15,120,974		
After the second year	6,712,808	7,418,997	7,937,308	8,960,271			
After the third year	6,546,353	7,159,109	8,012,580				
After the fourth year	6,461,136	7,106,985					
After the fifth year	<u>6,346,322</u>						
Accumulated estimated claim amount	6,346,322	7,106,985	8,012,580	8,960,271	15,120,974	3,445,643	\$ 48,992,775
Accumulated claim payment	(5,906,519)	(6,542,356)	(6,826,976)	(6,192,867)	(5,151,863)	<u>120,415</u>	(30,500,166)
Accumulated unpaid claim	439,803	564,629	1,185,604	2,767,404	9,969,111	3,566,058	18,492,609
Accumulated unpaid claim before 2016							<u>2,345,889</u>
Subtotal							<u>20,838,498</u>
Provision for statutory insurance claims reserve (Note)	-	-	73,427	588,524	1,229,680	323,346	<u>2,214,977</u>
Total							<u>\$ 23,053,475</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(c) As of December 31, 2021, the following table indicates the loss development pattern of the Company's inward business:

<u>Year of underwriting</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,823,223	\$ 4,676,211	\$ 4,930,116	\$ 5,429,011	\$ 6,182,109	\$ 7,121,181	
After the first year	7,371,808	7,200,462	8,375,507	8,960,138	10,391,862		
After the second year	7,038,930	7,175,700	8,368,857	8,642,445			
After the third year	6,840,249	7,025,963	8,047,413				
After the fourth year	6,705,805	6,916,847					
After the fifth year	<u>6,678,514</u>						
Accumulated estimated claim amount	6,678,514	6,916,847	8,047,413	8,642,445	10,391,862	7,121,181	\$ 47,798,262
Accumulated claim payment	(6,287,353)	(6,275,639)	(7,156,696)	(6,917,997)	(5,113,374)	(499,919)	(32,250,978)
Accumulated unpaid claim	391,161	641,208	890,717	1,724,448	5,278,488	6,621,262	15,547,284
Accumulated unpaid claim before 2015							<u>2,692,846</u>
Subtotal							<u>18,240,130</u>
Provision for statutory insurance claims reserve (Note)	-	-	24,983	454,002	1,109,042	608,404	<u>2,196,431</u>
Total							<u>\$ 20,436,561</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(d) As of December 31, 2021, the following table indicates the loss development pattern of the Company's retention business:

<u>Year of underwriting</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,501,311	\$ 4,427,596	\$ 4,566,834	\$ 4,965,602	\$ 5,507,600	\$ 6,488,150	
After the first year	6,787,551	6,686,191	7,512,520	8,197,721	9,303,467		
After the second year	6,519,989	6,712,808	7,418,997	7,937,308			
After the third year	6,321,303	6,546,353	7,159,109				
After the fourth year	6,192,607	6,461,136					
After the fifth year	<u>6,166,722</u>						
Accumulated estimated claim amount	6,166,722	6,461,136	7,159,109	7,937,308	9,303,467	6,488,150	\$ 43,515,892
Accumulated claim payment	(5,787,550)	(5,851,288)	(6,434,650)	(6,348,885)	(4,609,656)	(508,865)	(29,540,894)
Accumulated unpaid claim	379,172	609,848	724,459	1,588,423	4,693,811	5,979,285	13,974,998
Accumulated unpaid claim before 2015							<u>2,619,271</u>
Subtotal							<u>16,594,269</u>
Provision for statutory insurance claims reserve (Note)	-	-	24,983	454,002	1,109,042	608,404	<u>2,196,431</u>
Total							<u>\$ 18,790,700</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(e) As of September 30, 2021, the following table indicates the loss development pattern of the Company's inward business:

<u>Year of underwriting</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Nine-month period ended <u>September 30, 2021</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,823,223	\$ 4,676,211	\$ 4,930,116	\$ 5,429,011	\$ 6,182,109	\$ 4,662,877	
After the first year	7,371,808	7,200,462	8,375,507	8,960,138	10,087,626		
After the second year	7,038,930	7,175,700	8,368,857	8,689,360			
After the third year	6,840,249	7,025,963	8,094,083				
After the fourth year	6,705,805	6,924,503					
After the fifth year	<u>6,683,938</u>						
Accumulated estimated claim amount	6,683,938	6,924,503	8,094,083	8,689,360	10,087,626	4,662,877	\$ 45,142,387
Accumulated claim payment	(6,285,330)	(6,255,591)	(7,111,310)	(6,720,649)	(3,959,939)	100,329	(30,232,490)
Accumulated unpaid claim	398,608	668,912	982,773	1,968,711	6,127,687	4,763,206	14,909,897
Accumulated unpaid claim before 2015							<u>2,769,552</u>
Subtotal							<u>17,679,449</u>
Provision for statutory insurance claims reserve (Note)	-	-	70,946	632,898	1,167,488	303,726	<u>2,175,058</u>
Total							<u>\$ 19,854,507</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(f) As of September 30, 2021, the following table indicates the loss development pattern of the Company's retention business:

<u>Year of underwriting</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Nine-month period ended <u>September 30, 2021</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,501,311	\$ 4,427,596	\$ 4,566,834	\$ 4,965,602	\$ 5,507,600	\$ 4,243,132	
After the first year	6,787,551	6,686,191	7,512,520	8,197,721	9,087,155		
After the second year	6,519,989	6,712,808	7,418,997	7,973,692			
After the third year	6,321,303	6,546,353	7,202,483				
After the fourth year	6,192,607	6,469,732					
After the fifth year	<u>6,170,974</u>						
Accumulated estimated claim amount	6,170,974	6,469,732	7,202,483	7,973,692	9,087,155	4,243,132	\$ 41,147,168
Accumulated claim payment	(5,785,607)	(5,831,800)	(6,391,746)	(6,165,750)	(3,582,075)	28,368	(27,728,610)
Accumulated unpaid claim	385,367	637,932	810,737	1,807,942	5,505,080	4,271,500	13,418,558
Accumulated unpaid claim before 2015							<u>2,692,177</u>
Subtotal							<u>16,110,735</u>
Provision for statutory insurance claims reserve (Note)	-	-	70,946	632,898	1,167,488	303,726	<u>2,175,058</u>
Total							<u>\$ 18,285,793</u>

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

14. THE OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Company in order to support the Company's sustainable development and continuously create interests for shareholder.

In practice, Taiwan insurance enterprises usually measure whether the capital is adequate by using the ratio of self-owned capital to risk-based capital (the "capital adequacy ratio") and the net worth ratio. Pursuant to Article 5 of "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy level of an insurance enterprise refers to the capital adequacy ratio equaling or exceeding 200% and the net worth ratio being at least 3% in one of the most recent two periods. The Company calculates the capital adequacy ratio every six months in accordance with the "Regulations Governing Capital Adequacy of Insurance Companies" to ensure that it can continuously meet the statutory capital requirement.

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Capital adequacy ratios and the net worth ratio of the Company of the latest two years were all at capital adequacy level. In addition, the net worth ratio of the Company as of September 30, 2022, December 31, 2021 and September 30, 2021 is 26.88%, 33.46% and 32.40%, respectively, in accordance with the Article 15 of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

15. OTHER DISCLOSURES

(1) Information of significant transactions

- A. Acquisition of real estate in excess of \$300,000 or 20% of the paid-in capital: None.
- B. Disposals of real estate in excess of \$300,000 or 20% of the paid-in capital: None.
- C. Related party transactions in excess of \$100,000 or 20% of the paid-in capital: None.
- D. Accounts receivable from related parties in excess of \$100,000 or 20% of the paid-in capital: None.
- E. Derivative business transactions: Please see Note 6 (3).
- F. Business and significant transactions between the parent company and subsidiaries, and those between subsidiaries: None.

(2) Information related to long-term investments

None.

(3) Investments in Mainland China and business transactions

None.

(4) Major shareholders information

Names of major shareholders	Shares	Number of shares held	Shareholding ratio(%)
Evergreen International Corporation		207,419,251	35.13%
Ministry of Finance		78,603,773	13.31%
Evergreen International Storage and Transport Corporation		50,353,414	8.52%
Evergreen Marine Corporation		49,866,466	8.44%

Note: Major shareholders information on this exhibit refers to the shareholders who own 5% or more dematerialized registered and delivered shares of the Company on the last business day of each quarter.

16. SEGMENT INFORMATION

The Company operates business only in reinsurance services. The Company allocates resources and assesses performance of the Company as a whole, and has identified that the Company has only one reportable operating segment.

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

18. ACQUISITION, CONSTRUCTION, IDLELIZATION AND SALES OF MAIN OPERATING ASSETS AND REAL ESTATE INVESTMENTS

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

20. IMPORTANT CONTRACTS SIGNED, DISCHARGED BY PERFORMANCE, AGREEMENT, OR BREACHED

Aside from regular contracts related to the insurance business, the Company had no important contracts signed, discharged by performance, agreement, or breached.

21. INVESTMENT ITEMS AND INVESTMENT CEILINGS WITH THE INVESTMENT FUNDS BEING HANDLED AND MANAGED BY THE SECURITIES INVESTMENT TRUST COMPANIES OR SECURITIES INVESTMENT CONSULTING COMPANIES

None.

22. ADJUSTMENT OF ORGANIZATION AND SIGNIFICANT CHANGE OR REFORM OF MANAGEMENT MECHANISM

None.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

None.

24. INFORMATION ON DISCONTINUED OPERATIONS

None.

25. MAJOR OPERATIONS, ASSETS, AND LIABILITIES RECEIVED FROM OR TRANSFERRED TO OTHER INSURANCE BUSINESSES

None.