Stock ID: 2852

The First Insurance Co., Ltd.

Financial Statements and Independent Auditor's Review Report

For the Third Quarter of 2020 and 2019

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Independent Auditor's Review Report

To stakeholders of The First Insurance Co., Ltd.:

Foreword

We have audited the balance sheet of The First Insurance Co., Ltd. as at September 30, 2020 and 2019; the statement of comprehensive income, statement of changes in equity, and cash flow statement for periods July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019; and the accompanying footnotes (including summary of major accounting policies. It is the responsibility of the management to prepare and ensure fair presentation of financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the version of IAS 34 - "Interim Financial Reporting" approved and published by the Financial Supervisory Commission. Our responsibility as auditor is to form a conclusion based on our review.

Scope

We, the auditors, have performed the review in accordance with Statement on Auditing Standards No. 65 - "Financial Statement Review." The procedures executed in our review of financial statements include inquiry (mainly with employees responsible for financial and accounting affairs), analysis and other review-related processes. The scope of financial statement review is significantly smaller than a financial statement audit, therefore we may not be able to detect all material issues through the steps we have taken, and are unable to provide an opinion.

Conclusion

In our opinion, all material disclosures of the financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the version of IAS 34 - "Interim Financial Reporting" approved by the Financial Supervisory Commission, and were free of non-compliant disclosures or omissions that would otherwise compromise fair view of the financial position of The First Insurance Co., Ltd. as of September 30, 2020 and 2019, and business performance and cash flow for the periods July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019.

Deloitte Taiwan

CPA: Alice Huang

CPA: Wan-Yi Liao

Approval reference of the Securities and Futures Bureau
Tai-Cai-Zheng-VI-Zi No. 0920131587

Approval reference of the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1010028123

November 11, 2020

The First Insurance Co., Ltd.
Balance Sheet
As of September 30, 2020, December 31, 2019, and September 30, 2019

Unit: NTD thousands

Code	Assets	September 30, 2020 (Reviewed) Amount	%	December 31, 2019 (Audited) Amount	%	September 30, 2019 (Reviewed) Amount	%
11000	Cash (Note 6)	$ 1,676,052	11	$ 1,860,014	12	$ 1,530,658	10
12100	Notes receivable - Net (Notes 12 and 38)	140,484	1	139,251	1	137,734	1
12200	Premiums receivable - net (Notes 12, 31 and 38)	267,280	2	278,527	2	345,814	2
12500	Other receivables (Note 12)	44,981	-	45,607	-	52,588	-
14110	Financial assets at fair value through profit and loss (Note 7)	2,301,585	15	1,645,093	10	2,210,909	14
14145	Financial assets carried at cost after amortization (Notes 9 and 10)	1,759,019	11	1,529,333	10	1,529,753	10
14180	Other financial assets (Notes 6 and 11)	2,658,910	17	2,663,153	17	2,660,798	17
14190	Financial assets at fair value through other comprehensive income (Notes 8 and 10)	2,395,663	16	3,185,743	20	2,573,280	16
14200	Investment properties (Note 13)	899,987	6	943,248	6	944,982	6
15000	Reinsurance contract assets (Notes 12, 14 and 38)	2,049,148	13	2,269,819	14	2,646,237	17
16000	Property, plant, and equipment (Note 15)	662,339	4	620,038	4	616,798	4
16700	Right-of-use asset (Note 16)	4,274	-	4,320	-	3,253	-
17300	Intangible assets (Note 17)	40,477	-	7,203	-	6,233	-
17800	Deferred income tax assets (Note 4)	50,443	-	52,582	-	49,994	-
18300	Guarantee deposits paid (Notes 8 and 18)	621,656	4	562,858	4	560,167	3
18700	Other assets - Others (Note 19)	26,546	-	50,025	-	23,767	-
1XXXX	TOTAL ASSETS	$ 15,598,844	100	$ 15,856,814	100	$ 15,892,965	100
Code	Liabilities and equity						
21200	Insurance claims and benefits payable (Note 38)	$ 1,786	-	$ -	-	$ 1,729	-
21400	Commission payable (Note 38)	99,552	1	110,162	1	105,448	1
21500	Reinsurance accounts payable (Note 38)	409,513	3	436,418	3	461,586	3
21600	Other payables (Note 20)	140,703	1	178,688	1	144,082	1
21700	Current income tax liabilities (Note 4)	4,884	-	49,329	-	45,505	-
23800	Lease liabilities (Note 16)	4,320	-	4,139	-	3,181	-
24000	Insurance liabilities (Notes 4, 5, 21 and 38)	7,958,142	51	7,911,750	50	8,265,145	52
27100	Provision for employee benefits (Notes 4 and 22)	151,689	1	170,179	1	169,627	1
28000	Deferred income tax liabilities (Note 4)	92,934	-	92,934	1	93,572	1
25300	Guarantee deposits received	14,530	-	15,114	-	15,114	-
25900	Other liabilities - Others (Note 23)	88,303	-	76,840	-	81,927	-
2XXXX	Total liabilities	8,966,356	57	9,045,553	57	9,386,916	59
31000	Share capital (Note 24)	3,011,638	20	3,011,638	19	3,011,638	19
	Retained earnings (Note 24)						
33100	Legal reserve	1,362,943	9	1,246,749	8	1,246,749	8
33200	Special reserve	1,738,274	11	1,740,117	11	1,532,665	9
33300	Undistributed earnings	358,067	2	405,734	2	446,981	3
33000	Total retained earnings	3,459,284	22	3,392,600	21	3,226,395	20
34900	Other equity items (Note 24)	161,566	1	407,023	3	268,016	2
3XXXX	Total equity	6,632,488	43	6,811,261	43	6,506,049	41
	Total liabilities and equity	$ 15,598,844	100	$ 15,856,814	100	$ 15,892,965	100

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

Chairman: C. H. Lee Manager: Chu-Minn Leu Head of Accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Comprehensive Income Statement
For the periods from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019
(Reviewed only; not audited in accordance with generally accepted audit principles)
Unit: NTD thousands, except EPS which is in dollars

Code		July 1 to September 30, 2020		July 1 to September 30, 2019		January 1 to September 30, 2020		January 1 to September 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
	Revenue								
41110	Written premiums (Notes 31 and 38)	$ 1,612,097	102	$ 1,547,104	103	$ 5,301,395	122	$ 5,233,975	116
41120	Reinsurance premiums (Note 38)	107,941	7	110,167	7	306,781	7	311,462	7
41100	Premium revenues	1,720,038	109	1,657,271	110	5,608,176	129	5,545,437	123
51100	Less: Reinsurance expenses (Note 38)	(368,664)	(23)	(442,426)	(29)	(1,368,473)	(32)	(1,491,829)	(33)
51310	Less: Net change in unearned premium reserve	34,526	2	126,882	8	(197,600)	(4)	(56,972)	(1)
41130	Retained earned premiums (Note 38)	1,385,900	88	1,341,727	89	4,042,103	93	3,996,636	89
41300	Reinsurance commissions received (Note 38)	62,923	4	72,040	5	214,364	5	220,588	5
41400	Service fee	6,308	-	6,494	-	19,547	1	19,560	-
	Net investment gains								
41510	Interest income (Note 25)	21,677	1	21,078	2	69,529	2	74,089	2
41521	Gains on financial assets or liabilities at fair value through profit and loss	8,282	1	(40,190)	(3)	(136,697)	(3)	44,138	1
41527	Realized gains/losses on financial assets at fair value through other comprehensive income (Note 8(1))	87,757	6	92,357	6	100,807	2	92,357	2
41550	Gain (loss) on exchange - investment (Note 25)	(10,653)	(1)	(3,231)	-	(17,283)	(1)	2,843	-
41570	Gains (losses) on investment property (Note 25)	13,056	1	14,052	1	39,300	1	42,186	1
41585	Expected credit impairment loss and reversal gain on investment	(1,272)	-	(44)	-	953	-	(4,838)	-
41500	Total net investment gains	118,847	8	84,022	6	56,609	1	250,775	6
41830	Gain on exchange - non-investment (Note 25)	-	-	817	-	-	-	2,775	-
41890	Other operating revenues - Others	50	-	396	-	50	-	571	-
41800	Other operating revenues	50	-	1,213	-	50	-	3,346	-
41000	Total operating revenues	1,574,028	100	1,505,496	100	4,332,673	100	4,490,905	100
	Operating Cost								
	Retained claims and benefits (Notes 31 and 38)								
51200	Insurance claim and benefit payments	975,247	62	1,068,789	71	2,942,037	68	3,248,936	72
41200	Less: Claims recovered from reinsurers	(227,337)	(14)	(321,769)	(21)	(728,912)	(17)	(997,127)	(22)
51260	Total retained claims and benefits paid	747,910	48	747,020	50	2,213,125	51	2,251,809	50
	Net change in other liabilities (Note 38)								
51320	Net change in claim reserves	26,870	2	20,602	1	(7,420)	-	(95,152)	(2)
51340	Net change in special claim reserves	5,888	-	(5,185)	-	21,295	1	(1,857)	-
51350	Net change in premium deficiency reserves	3,792	-	(5,526)	-	8,129	-	3,968	-
51300	Total net change in other liabilities	36,550	2	9,891	1	22,004	1	(93,041)	(2)

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Code		July 1 to September 30, 2020 Amount	%	July 1 to September 30, 2019 Amount	%	January 1 to September 30, 2020 Amount	%	January 1 to September 30, 2019 Amount	%
51510	Commission expenses (Note 38)	$ 237,181	15	$ 226,169	15	$ 708,367	16	$ 709,493	16
51600	Service charges (Note 38)	33,770	2	32,691	2	100,343	2	103,735	2
	Other operating costs								
51810	Contribution to insurance stabilization fund (Note 38)	3,228	-	3,097	-	10,613	-	10,473	-
51830	Interest expenses	-	-	1	-	17	-	23	-
51850	Loss on exchange - non-investment (Note 25)	3,569	-	-	-	4,887	-	-	-
51890	Other operating costs - Others	298	-	-	-	501	-	-	-
51800	Total other operating costs	7,095	-	3,098	-	16,018	-	10,496	-
51000	Total operating costs	1,062,506	67	1,018,869	68	3,059,857	70	2,982,492	66
60000	Gross profit	511,522	33	486,627	32	1,272,816	30	1,508,413	34
	Operating expenses (Notes 25 and 31)								
58100	Selling expenses	331,854	21	298,997	20	960,786	22	908,211	20
58200	Administrative expenses	22,615	2	25,235	1	67,453	2	74,746	2
58300	Staff training expenses	666	-	1,038	-	1,746	-	2,641	-
58000	Total operating expenses	355,135	23	325,270	21	1,029,985	24	985,598	22
61000	TOTAL OPERATING INCOME	156,387	10	161,357	11	242,831	6	522,815	12
	Non-operating income and expenses								
59500	Recovery of bad and overdue debts	8	-	-	-	8	-	-	-
59920	Sundry income	-	-	-	-	694	-	-	-
59990	Other non-operating expenses (Note 16)	(29)	-	(24)	-	(80)	-	(60)	-
59000	Total non-operating income and expenses	(21)	-	(24)	-	622	-	(60)	-
62000	Pre-tax profit from continuing operations	156,366	10	161,333	11	243,453	6	522,755	12
63000	Income tax expenses (Notes 4 and 26)	12,321	1	21,842	2	55,642	1	78,760	2
66000	Current net income	144,045	9	139,491	9	187,811	5	443,995	10
	Other comprehensive income (Note 24)								
83100	Items not reclassified into profit and loss								
83190	Gains/losses on valuation of equity instruments at fair value through other comprehensive income	(10,043)	(1)	(33,830)	(2)	(122,990)	(3)	223,299	5
83200	Items likely to be reclassified into profit and loss								
83290	Valuation gains/losses on debt instruments at fair value through other comprehensive income	12,539	1	136	-	45,523	1	17,415	-
83000	Other comprehensive income - current (net, after tax)	2,496	-	(33,694)	(2)	(77,467)	(2)	240,714	5
85000	Total comprehensive income - current	$ 146,541	9	$ 105,797	7	$ 110,344	3	$ 684,709	15
	Earnings per share (Note 27)								
97500	Basic	$ 0.48		$ 0.46		$ 0.62		$ 1.47	
98500	Diluted	$ 0.48		$ 0.46		$ 0.62		$ 1.47	

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

Chairman: C. H. Lee Manager: Chu-Minn Leu Head of Accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Statement of Changes in Equity
From January 1 to September 30, 2020 and 2019
(Reviewed only; not audited in accordance with generally accepted audit principles)

(in NT$ 1,000)

Code		Share capital (Note 24)	Retained earnings (Note 24) Legal reserve	Retained earnings (Note 24) Special reserve	Retained earnings (Note 24) Undistributed earnings	Other Equity Unrealized gains/losses on financial assets at fair value through other comprehensive income (Note 24)	Total equity
A1	Balance as of January 1, 2019	$ 3,011,638	$ 1,156,391	$ 1,530,505	$ 243,074	$ 27,302	$ 5,968,910
	Appropriation and distribution of earnings:						
B1	Legal reserve	-	90,358	-	(90,358)	-	-
B3	Special reserve	-	-	2,160	(2,160)	-	-
B5	Cash dividend	-	-	-	(147,570)	-	(147,570)
D1	Net income for January 1 to September 30, 2019	-	-	-	443,995	-	443,995
D3	Other comprehensive income for January 1 to September 30, 2019	-	-	-	-	240,714	240,714
D5	Total comprehensive income for January 1 to September 30, 2019	-	-	-	443,995	240,714	684,709
Z1	Balance as at September 30, 2019	$ 3,011,638	$ 1,246,749	$ 1,532,665	$ 446,981	$ 268,016	$ 6,506,049
A1	Balance as of January 1, 2020	$ 3,011,638	$ 1,246,749	$ 1,740,117	$ 405,734	$ 407,023	$ 6,811,261
	Appropriation and distribution of earnings:						
B1	Legal reserve	-	116,194	-	(116,194)	-	-
B3	Special reserve	-	-	(1,843)	1,843	-	-
B5	Cash dividend	-	-	-	(289,117)	-	(289,117)
D1	Net income for January 1 to September 30, 2020	-	-	-	187,811	-	187,811
D3	Other comprehensive income for January 1 to September 30, 2020	-	-	-	-	(77,467)	(77,467)
D5	Total comprehensive income for January 1 to September 30, 2020	-	-	-	187,811	(77,467)	110,344
Q1	Disposal of equity instruments at fair value through other comprehensive income (Note 8(1))	-	-	-	167,990	(167,990)	-
Z1	Balance as at September 30, 2020	$ 3,011,638	$ 1,362,943	$ 1,738,274	$ 358,067	$ 161,566	$ 6,632,488

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

Chairman: C. H. Lee   Manager: Chu-Minn Leu   Head of Accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Cash Flow Statement
From January 1 to September 30, 2020 and 2019
(Reviewed only; not audited in accordance with generally accepted audit principles)

(in NT$ 1,000)

Code		January 1 to September 30, 2020	January 1 to September 30, 2019
	Cash flow from operating activities		
A10000	Pre-tax profit for the current period	$ 243,453	$ 522,755
A20010	Income, expenses and losses		
A20100	Depreciation	18,922	15,264
A20200	Amortization	7,058	5,352
A20900	Interest expenses	97	83
A21200	Interest income	(69,529)	(74,089)
A21300	Dividend income	(110,529)	(127,887)
A21400	Net change of various reserves - current	46,392	(321,953)
A21830	Expected credit impairment loss (reversal gain) on investment	(953)	4,838
A24100	Unrealized gain (loss) on foreign exchange	4,349	(675)
A50000	Change in assets/liabilities related to operating activities		
A51110	Notes receivable	(1,233)	25,421
A51120	Premiums receivable	11,247	49,632
A51130	Other receivables	289	133,698
A51140	Gains on financial assets or liabilities at fair value through profit and loss	(656,492)	1,456,970
A51141	Financial assets at fair value through other comprehensive income	648,802	(1,672,186)
A51145	Debt instrument investments measured at cost after amortization	(230,000)	(197,521)
A51160	Other financial assets	4,243	(86,121)
A51170	Reinsurance Contracts Assets	220,671	261,119
A51190	Guarantee deposits paid	2,377	4,605
A51990	Other assets	(2,164)	(2,216)
A52120	Claims payable	1,786	(2,716)
A52140	Commission payable	(10,610)	(1,733)
A52150	Reinsurance accounts payable	(26,905)	(26,235)
A52160	Other payables	(37,985)	(25,801)

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Code		January 1 to September 30, 2020	January 1 to September 30, 2019
A52200	Provisions for employee benefits	($ 18,490)	($ 8,257)
A52240	Guarantee deposits received	(584)	-
A52990	Other liabilities	11,463	(9,987)
A33000	Cash inflow (outflow) from operating activities	55,675	(77,640)
A33100	Interests received	73,769	59,908
A33200	Dividends received	110,529	127,887
A33300	Interests paid	(97)	(83)
A33500	Income tax paid	(97,948)	(56,100)
AAAA	Net cash inflow from operating activities	141,928	53,972
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(16,015)	(1,502)
B04500	Acquisition of intangible assets	(14,689)	(630)
BBBB	Net cash outflow from investing activities	(30,704)	(2,132)
	Cash flow from financing activities		
C04020	Repayment of lease principal	(1,720)	(1,185)
C04500	Cash dividends paid	(289,117)	(147,570)
CCCC	Net cash outflow from financing activities	(290,837)	(148,755)
DDDD	Exchange rate effects on cash	(4,349)	675
EEEE	Decrease in cash for the current period	(183,962)	(96,240)
E00100	Opening cash balance	1,860,014	1,626,898
E00200	Closing cash balance	$ 1,676,052	$ 1,530,658

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

Chairman: C. H. Lee Manager: Chu-Minn Leu Head of Accounting: Fei-Fen Hsiao

The First Insurance Co., Ltd.
Notes to financial statements
From January 1 to September 30, 2020 and 2019
(Reviewed only; not audited in accordance with generally accepted audit principles)
(Unless otherwise specified, all amounts are presented in NTD thousands)

1. Corporate history

The First Insurance Co., Ltd. (the Company) was founded in September 1962. It is primarily involved in the offering of non-life insurance products, particularly fire insurance, cargo insurance and automobile insurance. The Company has branches established in Taichung, Kaohsiung, Tainan, Taoyuan and New Taipei City.

On November 28, 2000, the Company received approval from Securities and Futures Commission, Ministry of Finance, to list for trading on Taiwan Stock Exchange Corporation.

This financial report is presented using the Company's functional currency (NTD).

2. Financial statement approval date and procedures

This financial report was passed during the board of directors meeting dated November 11, 2020.

3. Adoption of new and amended standards and interpretations

(1) First-time adoption of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations (IFRIC) and announcements (SIC) thereof approved by the Financial Supervisory Commission ("FSC") (collectively referred to as "IFRSs" below)

Adoption of FSC-approved IFRSs did not result in any material change to the Company's accounting policies.

(2) IFRSs published by IASB but yet to be approved by FSC

New/Amended/Modified Standards and Interpretations	Effective date of IASB announcement (Note 1)
"Improvements for years 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 regarding "Updating a Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 regarding "Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the announcement date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - "Interest Rate Benchmark Reform – Phase II"	January 1, 2021
Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undetermined

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New/Amended/Modified Standards and Interpretations	Effective date of IASB announcement (Note 1)
IFRS 17 - "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 - "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 - "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

Note 2: The IFRS 9 amendment will apply to exchange or modification of financial liability that occur in financial years starting on and after January 1, 2022. Amendments to IAS 41 - "Agriculture" will apply to fair value assessments for financial years starting on and after January 1, 2022. Amendments to IFRS 1 - "First-time Adoption of IFRSs" will apply retrospectively in financial years starting on and after January 1, 2022.

Note 3: These amendments are applicable to business combinations that take place in financial years starting on and after January 1, 2022.

Note 4: These amendments will apply to property, plant and equipment that reach the management's intended location and state on and after January 1, 2021.

Note 5: These amendments will apply to all contracts with outstanding obligations as of January 1, 2022.

<u>IFRS 17 - "Insurance Contracts" and amendments</u>

Accounting treatment of insurance contracts stated under IFRS 17 will supersede IFRS 4 - "Insurance Contracts." Key amendments to IFRS 17 are as follows:

<u>Level of aggregation for insurance contracts</u>

IFRS 17 requires the Company to identify portfolios of insurance contracts. A portfolio refers to contracts that are subject to similar risks and management. Contracts within a specific product line would be expected to share similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued by the Company shall be divided into a minimum of:

(a) A group of contracts that are onerous at initial recognition;
(b) A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
(c) A group of the remaining contracts in the portfolio.

The Company is not permitted to include contracts issued more than one year apart in the same group, and shall apply appropriate recognition and measurement rules of IFRS 17 for the portfolios it has determined.

<u>Recognition</u>

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

(a) The beginning of coverage start date for the group of contracts;

(b) The date when the first payment from a policyholder in the group becomes due; and
(c) For a group of onerous contracts, when the group becomes onerous.

Measurement at initial recognition

On initial recognition, the Company shall measure a group of insurance contracts at the total of fulfillment cash flows and contractual service margin. Fulfillment cash flow ("FCF") comprises future cash flow estimates, adjustments for time value of money ("TVM") and financial risks associated with future cash flows, and risk adjustments for non-financial risk. Contractual service margin represents unearned profit from a group of insurance contracts that the Company will recognize as it provides services in the future. Unless the group of contracts is onerous, contractual service margin is measured upon initial recognition of a group of insurance contracts at an amount that results in no income or expenses arising from:

(a) Initial recognition of FCF;
(b) All cash flows originating from the group of contracts as of the given day; and
(c) De-recognition of the following items on the initial date of recognition:
    (i) All cash flow assets acquired from insurance; and
    (ii) All other assets or liabilities previously recognized on cash flows from the group of contracts.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the book value sum of the liability for remaining coverage and liability for incurred claims. Liability for remaining coverage includes FCF related to future services, the CSM, and FCF related to past service allocated to the group at that date. If a group of insurance contracts becomes onerous (or more onerous), the loss shall be recognized in profit or loss immediately.

Onerous contracts

An insurance contract is onerous at initial recognition if the amount of FCF allocated to insurance contract plus cash flows previously received and recognized on insurance plus all cash flows arising from the contract at initial recognition result in a net outflow. In which case, the Company shall recognize a loss in profit or loss for the net outflow, so that carrying amount of liability for the group of contracts equals the FCF and that CSM of the group is zero. The CSM cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss.

Premium allocation approach

The Company may simplify measurement for a group of insurance contracts using the Premium Allocation Approach (PAA) if any of the following conditions is met at the inception of the group of insurance contracts:

(a) The Company reasonably expects that the size of liability for remaining coverage generated from PAA to be a reasonable approximation of the general model, or
(b) The coverage period of each contract in the group is one year or less.

Where, at the inception of the group, the Company expects significant variances in the FCF before a claim is incurred that would affect the measurement of liabilities for remaining coverage, such contracts are not eligible for condition (a).

When using PAA, the liability for remaining coverage is calculated as:

(a) Premiums collected at initial recognition;
(b) Less cash flows acquired from all insurance on the given day; and

(c) Plus or minus de-recognition of the following items on the date of initial recognition:
   (i) All cash flow assets acquired from insurance; and
   (ii) All other assets or liabilities previously recognized on cash flows from the group of contracts.

Subsequently, carrying amount of the liability shall be adjusted for premiums received, amortization of cash flows acquired on insurance, minus the amount recognized as insurance revenue for services rendered in that period, and minus all investment components paid or transferred to the liability for incurred claims.

Investment contracts with a discretionary participation feature

An investment contract with a discretionary participation feature (DPF) is a financial instrument that does not include a transfer of significant insurance risk. These contracts are subject to IFRS 17 only if the Company issues investment contracts with DPF and insurance contracts at the same time.

Modification and derecognition

If the terms of an insurance contract are modified, the Company shall de-recognize the original contract and recognize the modified contract as a new contract if there is a substantive modification that meets any of the specified criteria.

The Company shall de-recognize an insurance contract when it is extinguished or if any substantive modification is made.

Transition

In general, the Company shall fully adopt IFRS 17 on a retrospective basis. However, where it is impracticable to do so, the Company shall have the option of using either the modified retrospective approach or the fair value approach.

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

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

Apart from the impacts mentioned above, the Company continues to evaluate how amendments of the above standards and interpretations will affect its financial position and business performance as of the publication date of the financial statements. Outcomes of these assessments will be disclosed once they are concluded.

4. Summary of significant accounting policies

(1) Statement of compliance

This financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and FSC-approved IAS 34 - “Interim Financial Reporting.” This financial report does not contain all IFRSs disclosures required in a full-year report.

(2) Basis of preparation

This financial report has been prepared based on historical cost, except for financial instruments carried at fair value.

Fair value measurement can be rated on a level of 1 to 3 depending on the ease of observation and significance of inputs:

1. Level 1 input: Refers to quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.

2. Level 2 input: Refers to inputs that can be observed directly (i.e. price) or indirectly (i.e. established from price) for an asset or liability, other than Level 1 quotations.
3. Level 3 input: Refers to inputs that cannot be observed for an asset or liability.

(3) Other significant accounting policies

Apart from the explanations presented below, please refer to the 2019 financial report for a summary of significant accounting policies.

1. Retirement benefits - defined benefit plan

Interim retirement costs are calculated from the beginning until the end of the interim period using the actuarial pension cost rate determined at the end of the previous year, and adjusted for major market changes, plan modifications, settlements and other one-time events that took place in the current period.

2. Income tax

Income tax expense represents the sum of current income tax and deferred income tax. Income taxes for the interim period are assessed by determining the tax rate applicable to expected total annual earnings, and applying the tax rate to interim pre-tax profit.

3. Insurance liabilities

The Company provides insurance liabilities for various insurance contracts according to “Regulations Governing Reserve Provisioning by Insurance Enterprises,” “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance,” “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance” and “Regulations for the Management of the Various Reserves for Nuclear Risks Insurance by Non-life Insurance Enterprises.” All insurance liabilities have been verified by FSC-certified actuaries. The basis of provision for various insurance liabilities is explained below:

(1) Unearned premium reserve

The Company makes provision of unearned premium reserve for unexpired contracts and existing insurance risks by calculating unexpired risks of each insurance contract. The Company adopts the 24th Method and other methods to provide for and recover unearned premium reserves.

(2) Claim reserves

The Company makes claim reserves using actuarial methods based on past experience and payments. The Company makes two different types of claim reserve: Reported but unpaid claims and Unreported claims. The amount of reserve for Reported but unpaid claims is estimated on a case-by-case basis and provided for different insurance categories.

(3) Special claim reserves

There are two types of special claim reserve: “Special claim reserves for major incidents” and “Special claim reserves for change of risk.” Provisions made before January 1, 2011 will continue to be presented as liabilities, whereas new provisions made on and after January 1, 2011 net of income taxes are presented as special reserve under other equity items. Starting from January 1, 2011, offsets or recoveries can be made to special claim reserves that are presented as liabilities. Once the liability has been depleted, the remainder of the offset/recovery net of income taxes can be charged against special claim reserves that are presented under other equity items.

A. Special claim reserves for major incidents

Special claim reserves for major incidents are provided using the percentages specified by the competent authority.

Any occurrence of government-announced major incident that causes individual insurance companies to pay retained claims amounting to NT$30 million across all insurance categories, and the entire non-life insurance industry to pay claims amounting to NT$2 billion or above across all insurance categories, may be offset against special claim reserves for major incidents.

Insurance companies that have made special claim reserves for major incidents for more than 15 years may devise a reserve recovery system with the involvement of certified actuaries, and implement with the acknowledgment of the competent authority.

B. Special claim reserves for change of risk

If the balance of actual claim after offsetting against special claim reserves for major incidents of a particular insurance category is lower than expected claims, the Company shall provide special claim reserves for change of risk on the difference according to rules of the competent authority.

If the balance of actual claim after offsetting against special claim reserves for major incidents of a particular insurance category is higher than expected claims, the Company may offset the difference against special claim reserves for change of risk. If there are insufficient special claim reserves for change of risk to offset a particular insurance category, the Company may offset the excess against special claim reserves for change of risk of other insurance categories. The insurance category and amount of offset shall comply with the rules and are subject to acknowledgment of the competent authority.

The Company shall recover amounts of special claim reserves for change of risk that exceed the requirements imposed by the competent authority per insurance category.

(4) Deficiency reserve

The Company assesses future possible claims and expenses for each category of unexpired contracts and existing insurance risks. If the estimated claims and expenses exceed unearned premium reserves plus expected premium revenues, a deficiency reserve shall be provided on the difference for that insurance category.

(5) Liabilities adequacy reserve

With regards to contracts that are subject to liability adequacy test under IFRSs 4, the Company performs adequacy tests for recognized insurance liabilities by estimating future cash flows based on information available on each balance sheet date. Liability adequacy reserves are provided for any shortfalls revealed by the test.

5. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When applying accounting policies, the management is required to make judgments, estimates, and assumptions based on historical experience or other relevant factors in situations where information cannot be easily obtained from available sources. The actual outcome may differ from initial estimates.

The management will continually review its estimates and basic assumptions. If a revision of accounting estimate affects only the current period, the effect shall be recognized only for the current period. If a revision of accounting estimate affects current and future periods, the effect shall also be recognized for current and future periods.

Insurance liabilities from insurance contracts

Claim reserves arising from insurance contracts are estimated on each balance sheet date according to insurance regulations. These amounts are verified by FSC-certified actuaries, but due to the estimations involved, the actual amount of liability may be higher or lower than the amount estimated.

6. Cash

	September 30, 2020	December 31, 2019	September 30, 2019
Petty cash and cash on hand	$ 710	$ 357	$ 1,200
Check and current deposit	1,675,342	1,859,657	1,529,458
	$ 1,676,052	$ 1,860,014	$ 1,530,658

Foreign currency deposits are placed with domestic banks. As of September 30, 2020, December 31, 2019, and September 30, 2019, the Company held NT$2,658,910,000, NT$2,663,153,000 and NT$2,660,798,000 of time deposit, respectively, that had initial maturity of more than 3 months and were presented as other financial assets (refer to Note 11).

7. Financial assets at fair value through profit and loss

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatory at fair value throughout profit and loss			
Non-derivative financial assets			
－TWSE/TPEx listed shares	$ 611,500	$ 735,535	$ 1,101,060
－Beneficiary certificates	1,445,295	434,142	980,227
－Securitized beneficiary certificates	194,703	424,851	79,554
－Bank debentures	50,087	50,565	50,068
Subtotal	$ 2,301,585	$ 1,645,093	$ 2,210,909

8. Financial assets at fair value through other comprehensive income

	September 30, 2020	December 31, 2019	September 30, 2019
Investment in equity instruments	$ 1,904,647	$ 2,676,438	$ 2,065,838
Investment in debt instruments	491,016	509,305	507,442
	$ 2,395,663	$ 3,185,743	$ 2,573,280

(1) Investment in equity instruments

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
TWSE/TPEx listed shares	$ 1,056,619	$ 1,730,675	$ 1,135,299
Unlisted shares	848,028	945,763	930,539
	$ 1,904,647	$ 2,676,438	$ 2,065,838

The Company held the abovementioned listed and non-listed common shares as strategic investments and not for trading purposes, and therefore opted to account them at fair value through other comprehensive income.

For the purpose of risk diversification, the Company made a series of adjustments to its investment position between January 1 and September 30, 2020. Listed common shares with a total fair value of NT$1,263,850,000 were sold during the process, and as a result, NT$167,990,000 of unrealized gains on financial assets at fair value through other comprehensive income previously presented as other equity item were realized and charged to retained earnings in accordance with IFRS9.

The Company recognized NT$87,757,000, NT$92,357,000, NT$100,807,000, and NT$92,357,000 of cash dividend income and acquired NT$46,125,000, NT$5,347,000, NT$46,125,000, and NT$5,347,000 of stock dividend for the periods January 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019, respectively.

(2) Investment in debt instruments

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Government bonds	$ 1,070,052	$ 1,027,166	$ 1,022,966
Less: Amount placed as guarantee deposit	(579,036)	(517,861)	(515,524)
	$ 491,016	$ 509,305	$ 507,442

Information on government bond investments as at the balance sheet date:

	September 30, 2020	December 31, 2019	September 30, 2019
Face value of investment	$ 909,000	$ 909,000	$ 909,000
Coupon interest rate	1.125%~5.000%	1.125%~5.000%	1.125%~5.000%
Average maturity	7.34 years	8.09 years	8.34 years

Please refer to Note 10 for information relating to credit risk management and impairment assessment of debt instruments at fair value through other comprehensive income.

Please refer to Note 18 for the amount of government bonds placed as guarantee bond for insurance business as of September 30, 2020, December 31, 2019, and September 30, 2019.

9. Financial assets carried at cost after amortization

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Bank debenture (1)	$ 1,444,891	$ 1,516,154	$ 1,516,577
Corporate bond (2)(3)	330,000	30,000	30,000
Subtotal	1,774,891	1,546,154	1,546,577
Less: loss provisions	(15,872)	(16,821)	(16,824)
	$ 1,759,019	$ 1,529,333	$ 1,529,753

(1) Information on bank debenture investments as of the balance sheet date:

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic investments			
Face value of investment	$ 1,440,000	$ 1,510,000	$ 1,510,000
Effective interest rate	1.250%~2.600%	1.550%~3.000%	1.550%~3.000%
Average maturity	3.59 years	3.82 years	4.07 years

(2) In November 2016, the Company purchased NT$30,000,000 of cumulative subordinated corporate bonds issued by Mercuries Life Insurance at face value. The bonds offered a yield of 3.7%.

(3) In June, July, and August 2020, the Company purchased NT$100,000,000 of subordinated corporate bonds issued by CTBC Holding, NT$100,000,000 of ordinary corporate bonds issued by SERCOMM, and NT$100,000,000 of ordinary common bonds issued by Taiwan Cogeneration at yields of 1.05%, 1.00%, and 1.00%, respectively.

(4) Please refer to Note 10 for information relating to credit risk management and impairment assessment of financial assets carried at cost after amortization.

10. Credit risk management of debt instrument investments

Debt instrument investments are classified as financial assets at fair value through other comprehensive income and financial assets carried at cost after amortization:

September 30, 2020

	At fair value through other comprehensive income	At cost after amortization	Total
Cost	$ 985,896	$ 1,774,891	$ 2,760,787
Loss provisions	(254)	(15,872)	(16,126)
Cost after amortization	985,642	$ 1,759,019	2,744,661
Fair value adjustment	84,410		84,410
	$ 1,070,052		$ 2,829,071

December 31, 2019

	At fair value through other comprehensive income	At cost after amortization	Total
Cost	$ 988,541	$ 1,546,154	$ 2,534,695
Loss provisions	(258)	(16,821)	(17,079)
Cost after amortization	988,283	$ 1,529,333	2,517,616
Fair value adjustment	38,883		38,883
	$ 1,027,166		$ 2,556,499

September 30, 2019

	At fair value through other comprehensive income	At cost after amortization	Total
Cost	$ 989,424	$ 1,546,577	$ 2,536,001
Loss provisions	(258)	(16,824)	(17,082)
Cost after amortization	989,166	$ 1,529,753	2,518,919
Fair value adjustment	33,800		33,800
	$ 1,022,966		$ 2,552,719

Please refer to paragraph 2. Credit risk in Note 30 - (4) Purpose and policy of financial risk management for the Company's credit risk management policy on debt instruments.

11. Other financial assets

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposit with initial maturity of more than 3 months			
- NTD	$ 2,074,000	$ 2,084,000	$ 2,084,000
- Foreign currency	584,910	579,153	576,798
	$ 2,658,910	$ 2,663,153	$ 2,660,798
Interest rate range - NTD	0.10%~1.04%	0.13%~1.04%	0.13%~1.04%
Interest rate range - Foreign currency	0.98%~2.15%	2.10%~3.20%	2.80%~3.70%

12. Receivables

(1) Details:

	September 30, 2020	December 31, 2019	September 30, 2019
Note receivable - net			
At cost after amortization			
Arising from business activities	$ 143,889	$ 140,767	$ 140,473
Arising from non-business activities	200	2,057	795
Less: loss provisions	(3,605)	(3,573)	(3,534)
	$ 140,484	$ 139,251	$ 137,734
Premiums receivable - net			
At cost after amortization			
Total book value	$ 307,020	$ 318,833	$ 386,478
Less: loss provisions	(39,740)	(40,306)	(40,664)
	$ 267,280	$ 278,527	$ 345,814

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	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables			
At cost after amortization			
Interest and security dividends receivable	$ 39,058	$ 39,395	$ 46,672
Rent receivable	4,189	2,176	2,165
Others	3,978	4,265	4,015
Less: loss provisions	(2,244)	(229)	(264)
	$ 44,981	$ 45,607	$ 52,588
Claims recoverable from reinsurers			
At cost after amortization			
Total book value	$ 133,211	$ 167,092	$ 227,889
Less: loss provisions	(736)	(1,010)	(3,038)
	$ 132,475	$ 166,082	$ 224,851
Reinsurance accounts receivable			
At cost after amortization			
Total book value	$ 204,117	$ 219,176	$ 261,260
Less: loss provisions	(2,382)	(3,589)	(1,207)
	$ 201,735	$ 215,587	$ 260,053

Claims recoverable from reinsurers and reinsurance accounts receivable are presented under reinsurance contract assets. Please refer to Notes 14 and 38(1) for details on insurance contract receivables.

(2) Notes, premiums and other receivables

The Company evaluates customers' credit risk based on historical transaction records and customers' financial position. The Company monitors credit risk exposure and dealings with counterparties on an ongoing basis.

The Company makes loss provisions based on counterparty's previous payment records, financial position, aging analysis and estimation of the unrecoverable amount. Recoverability of receivables and loans is assessed regularly on an item-by-item basis according to "Regulation on Asset Valuation, Overdue Collection and Loan Loss Provisioning by Insurance Companies" and rules concerning expected credit loss stated in IFRS 9; the higher of the two amounts derived above is determined as loss provision.

If there is evidence to suggest that the counterparty is undergoing severe financial crisis and the recoverable amount cannot be reasonably estimated, such as the case of liquidation, the Company will directly offset loss provisions against accounts receivable. In which case, the Company will continue collection efforts on the receivables, and any amounts recovered will be recognized through profit and loss.

The Company takes into account customer's default history and current financial position and industry prospect. Since the Company's credit loss history showed no significant difference in loss pattern across customer groups, the loss rate is not further distinguished between customer groups, and the expected credit loss rate is simply determined as a function of historical average loss rate and historical default rate.

Notes receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Not yet matured/redeemed/collected	$ 144,072	$ 142,818	$ 141,265
Returned notes	17	6	3
Total	$ 144,089	$ 142,824	$ 141,268

Premiums receivable

	September 30, 2020	December 31, 2019	September 30, 2019
0~90 days	$ 74,833	$ 256,064	$ 230,448
91 days and above	232,187	62,769	156,030
Total	$ 307,020	$ 318,833	$ 386,478

Aging analysis for premiums receivable was prepared based on contract effective date.

Other receivables

	September 30, 2020	December 31, 2019	September 30, 2019
0~90 days	$ 44,529	$ 45,836	$ 52,852
91 days and above	2,696	-	-
Total	$ 47,225	$ 45,836	$ 52,852

Aging analysis for other receivables was prepared based on bookkeeping date.

Claims recoverable from reinsurers and reinsurance accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
0~270 days	$ 319,380	$ 385,319	$ 487,865
271 days and above	17,948	949	1,284
Total	$ 337,328	$ 386,268	$ 489,149

Aging analysis for reinsurance accounts receivable was prepared based on bookkeeping date.

(3) Change in loss provisions:

September 30, 2020

Notes receivable

	Not yet matured/redeemed/ collected	Returned notes	Total
Loss ratio	0.5%~50%	100%	
Total book value	$ 144,072	$ 17	$ 144,089
Loss provisions	(3,588)	(17)	(3,605)
Cost after amortization	$ 140,484	$ -	$ 140,484

Premiums receivable

	0~90 days	91 days and above	Total
Loss ratio	0.5%~1%	2%~100%	
Total book value	$ 74,833	$ 232,187	$ 307,020
Loss provisions	(374)	(39,366)	(39,740)
Cost after amortization	$ 74,459	$ 192,821	$ 267,280

Other receivables

	0~90 days	91 days and above	Total
Loss ratio	0.5%	2%~100%	
Total book value	$ 44,529	$ 2,696	$ 47,225
Loss provisions	(223)	(2,021)	(2,244)
Cost after amortization	$ 44,306	$ 675	$ 44,981

Claims recoverable from reinsurers and reinsurance accounts receivable

	0~270 days	271 days and above	Total
Loss ratio	0.5%~1.0%	2%~100%	
Total book value	$ 319,380	$ 17,948	$ 337,328
Loss provisions	(2,628)	(490)	(3,118)
Cost after amortization	$ 316,752	$ 17,458	$ 334,210

December 31, 2019

Notes receivable

	Not yet matured/redeemed/ collected	Returned notes	Total
Loss ratio	2.5%~50%	100%	
Total book value	$ 142,818	$ 6	$ 142,824
Loss provisions	(3,567)	(6)	(3,573)
Cost after amortization	$ 139,251	$ -	$ 139,251

Premiums receivable

	0~90 days	91 days and above	Total
Loss ratio	0.5%	2%~100%	
Total book value	$ 256,064	$ 62,769	$ 318,833
Loss provisions	(1,280)	(39,026)	(40,306)
Cost after amortization	$ 254,784	$ 23,743	$ 278,527

Other receivables

	0~90 days	91 days and above	Total
Loss ratio	0.5%	2%~100%	
Total book value	$ 45,836	$ -	$ 45,836
Loss provisions	(229)	-	(229)
Cost after amortization	$ 45,607	$ -	$ 45,607

Claims recoverable from reinsurers and reinsurance accounts receivable

	0~270 days	271 days and above	Total
Loss ratio	0.5%~1.5%	2%~100%	
Total book value	$ 385,319	$ 949	$ 386,268
Loss provisions	(4,485)	(114)	(4,599)
Cost after amortization	$ 380,834	$ 835	$ 381,669

September 30, 2019

Notes receivable

	Not yet matured/redeemed/collected	Returned notes	Total
Loss ratio	2.50%~50%	100%	
Total book value	$ 141,265	$ 3	$ 141,268
Loss provisions	(3,531)	(3)	(3,534)
Cost after amortization	$ 137,734	$ -	$ 137,734

Premiums receivable

	0~90 days	91 days and above	Total
Loss ratio	0.5%	2%~100%	
Total book value	$ 230,448	$ 156,030	$ 386,478
Loss provisions	(1,152)	(39,512)	(40,664)
Cost after amortization	$ 229,296	$ 116,518	$ 345,814

Other receivables

	0~90 days	91 days and above	Total
Loss ratio	0.5%	2%~100%	
Total book value	$ 52,852	$ -	$ 52,852
Loss provisions	(264)	-	(264)
Cost after amortization	$ 52,588	$ -	$ 52,588

Claims recoverable from reinsurers and reinsurance accounts receivable

	0~270 days	271 days and above	Total
Loss ratio	0.5%~1%	2%~100%	
Total book value	$ 487,865	$ 1,284	$ 489,149
Loss provisions	(4,204)	(41)	(4,245)
Cost after amortization	$ 483,661	$ 1,243	$ 484,904

Change in loss provisions by account category:

	January 1 to September 30, 2020				
	Notes receivable	Premiums receivable	Other receivables	Claims recoverable from reinsurers	Reinsurance accounts receivable
Opening balance	$ 3,573	$ 40,306	$ 229	$ 1,010	$ 3,589
Plus: Losses/expenses provided in the current period	32	340	2,022	-	375
Less: losses/expenses reversed in the current period	-	(906)	(7)	(274)	(1,582)
Closing balance	$ 3,605	$ 39,740	$ 2,244	$ 736	$ 2,382

	January 1 to September 30, 2019				
	Notes receivable	Premiums receivable	Other receivables	Claims recoverable from reinsurers	Reinsurance accounts receivable
Opening balance	$ 4,186	$ 40,516	$ 853	$ 1,803	$ 1,349
Plus: Losses/expenses provided in the current period	-	1,113	-	1,235	219
Less: losses/expenses reversed in the current period	(652)	(965)	(589)	-	(361)
Closing balance	$ 3,534	$ 40,664	$ 264	$ 3,038	$ 1,207

Explanation to overdue receivables and loss provisions:

1. Balances of notes receivable, premiums receivable, and other receivables as of September 30, 2020 included NT$17,000, NT$232,187,000, and NT$2,696,000 that were overdue, for which the Company had made loss provisions totaling NT$17,000, NT$39,366,000, and NT$2,021,000, respectively. Reinsurance accounts receivable has been assessed for impairment and unrecoverable amounts. The balance includes NT$17,948,000 of overdue receivables, for which a loss provision of NT$490,000 has been made.
2. Balances of notes receivable and premiums receivable as of December 31, 2019 included NT$6,000 and NT$62,769,000 that were overdue, for which the Company had made loss provisions totaling NT$6,000 and NT$39,026,000, respectively. Reinsurance accounts receivable has been assessed for impairment and unrecoverable amounts. The balance includes NT$949,000 of overdue receivables, for which a loss provision of NT$114,000 has been made.

3. Balances of notes receivable and premiums receivable as at September 30, 2019 included NT$3,000 and NT$156,030,000 that were overdue, for which the Company had made loss provisions totaling NT$3,000 and NT$39,512,000, respectively. Reinsurance accounts receivable has been assessed for impairment and unrecoverable amounts. The balance includes NT$1,284,000 of overdue receivables, for which a loss provision of NT$41,000 has been made.

13. Investment property

	January 1 to September 30, 2020		
	Land	Buildings	Total
Cost			
Balance as of January 1, 2020	$ 609,119	$ 364,598	$ 973,717
Reclassification	(22,659)	(22,660)	(45,319)
Balance as at September 30, 2020	586,460	341,938	928,398
Increase from revaluation			
Balance as of January 1, 2020	163,480	-	163,480
Balance as at September 30, 2020	163,480	-	163,480
Accumulated depreciation			
Balance as of January 1, 2020	-	172,251	172,251
Depreciation	-	4,820	4,820
Reclassification	-	(6,878)	(6,878)
Balance as at September 30, 2020	-	170,193	170,193
Cumulative impairment			
Balance as of January 1, 2020	15,526	6,172	21,698
Balance as at September 30, 2020	15,526	6,172	21,698
Net balance as of September 30, 2020	$ 734,414	$ 165,573	$ 899,987
Net balance as of December 31, 2019 and January 1, 2020	$ 757,073	$ 186,175	$ 943,248

	January 1 to September 30, 2019		
	Land	Buildings	Total
Cost			
Balance as of January 1, 2019	$ 609,119	$ 364,598	$ 973,717
Balance as at September 30, 2019	609,119	364,598	973,717

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	January 1 to September 30, 2019		
	Land	Buildings	Total
Increase from revaluation			
Balance as of January 1, 2019	$ 163,480	$ -	$ 163,480
Balance as at September 30, 2019	163,480	-	163,480
Accumulated depreciation			
Balance as of January 1, 2019	-	165,313	165,313
Depreciation	-	5,204	5,204
Balance as at September 30, 2019	-	170,517	170,517
Cumulative impairment			
Balance as of January 1, 2019	15,526	6,172	21,698
Balance as at September 30, 2019	15,526	6,172	21,698
Net balance as of September 30, 2019	$ 757,073	$ 187,909	$ 944,982

Some investment properties became self-occupied between January 1 and September 30, 2020, and were reclassified to property, plant and equipment as a result.

Depreciation expenses are provided on investment property on a straight-line basis over the number of useful years shown as follows:

Main structure	55 to 60 years
Renovation of exterior wall	41 years
Renovation of interior	10 years
Other constructions	10 years

The Company's investment property as of September 30, 2020, December 31, 2019, and September 30, 2019 amounted to NT$2,694,278,000, NT$2,747,898,000, and NT$2,673,437,000, respectively. Fair value was determined by the management based on actual transaction prices of properties near the investments in the one year dating back from the financial reporting date, as published on the website of the Department of Land Administration, Ministry of the Interior. The management had decided to use level 3 fair value input, and take the lowest or a range of prices transacted near the invested properties.

Investment properties are leased for 1 to 10 years. All operating lease agreements contain clauses that enable the lessor to adjust rent according to the market rate if the lessee chooses to renew lease at the end of the lease tenor. The lessees are not entitled any privileges to purchase the leased properties at the end of the lease period.

The outbreak of COVID-19 has severely impacted economic activities in 2020, and the Company agreed to reduce rent by a total of NT$1,732,000 between January and September 2020 on some leases. Based on assessment, the above reduction does not pose any material impact on the Company's ability to operate as a going concern, give rise to any additional asset impairment, or raise financing risk.

The sum of lease payments collectible on investment properties leased out through operating lease as of September 30, 2020, December 31, 2019, and September 30, 2019 is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	$ 68,331	$ 68,795	$ 64,116
Year 2	55,243	55,960	47,091
Year 3	36,659	42,345	34,251
Year 4	5,575	20,347	23,368
Year 5	600	4,333	2,684
	$ 166,408	$ 191,780	$ 171,510

14. Reinsurance contract assets

(1) Details:

	September 30, 2020	December 31, 2019	September 30, 2019
Claims recoverable from reinsurers	$ 132,475	$ 166,082	$ 224,851
Reinsurance accounts receivable	201,735	215,587	260,053
Reinsurance reserve assets	1,714,938	1,888,150	2,161,333
	$ 2,049,148	$ 2,269,819	$ 2,646,237

With regards to ceded insurance as of September 30, 2020, the Company was required to disclose ceded claim reserve for reported and unpaid liability totaling NT$28,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms.”

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms,” the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$71,000 and ceded claim reserve for reported and unpaid liability totaling NT$3,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$102,000 (including NT$71,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$31,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$102,000 of additional reserve and liability does not affect the Company’s financial statements.

With regards to ceded insurance as of December 31, 2019, the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$59,000 and ceded claim reserve for reported and unpaid liability totaling NT$85,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms.”

For the sum of commercial fire insurance ceded to ASIA CAPITAL REINSURANCE GROUP PTE LTD, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose substandard reinsurance premium expenses totaling NT$694,000.

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$117,000 and ceded claim reserve for reported and unpaid liability totaling NT$38,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$646,000 (including NT$347,000 of ceded unearned premium reserve, NT$176,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$123,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$646,000 of additional reserve and liability does not affect the Company's financial statements.

With regards to ceded insurance as of September 30, 2019, the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$61,000 and ceded claim reserve for reported and unpaid liability totaling NT$212,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms."

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$1,848,000 and ceded claim reserve for reported and unpaid liability totaling NT$30,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$2,151,000 (including NT$1,909,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$242,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$2,151,000 of additional reserve and liability does not affect the Company's financial statements.

(2) Please refer to Notes 12 and 38(1) for details and changes in the amount of claims recoverable from reinsurers, reinsurance accounts receivable, and related loss provisions presented above.

(3) Details of reinsurance reserve assets:

	September 30, 2020	December 31, 2019	September 30, 2019
Ceded unearned premium reserve	$ 1,003,624	$ 1,077,452	$ 1,244,948
Ceded claim reserve	701,530	803,134	907,252
Deficiency reserve for ceded coverage	9,784	7,564	9,133
	$ 1,714,938	$ 1,888,150	$ 2,161,333

Please refer to Items (2), (3) and (5) in Note 38 - Disclosure of insurance contract-related information for more details on reinsurance reserve assets presented above.

15. Property, plant, and equipment

	January 1 to September 30, 2020			
	Proprietary land	Buildings	Sundry equipment	Total
Cost				
Balance as of January 1, 2020	$ 308,401	$ 337,281	$ 52,309	$ 697,991
Increase - current period	-	379	15,636	16,015
Decrease - current period	-	-	(352)	(352)
Reclassification	22,659	22,660	-	45,319
Balance as at September 30, 2020	331,060	360,320	67,593	758,973
Increase from revaluation				
Balance as of January 1, 2020	123,786	-	-	123,786
Balance as at September 30, 2020	123,786	-	-	123,786
Accumulated depreciation				
Balance as of January 1, 2020	-	160,788	34,279	195,067
Depreciation	-	5,191	6,964	12,155
Decrease - current period	-	-	(352)	(352)
Reclassification	-	6,878	-	6,878
Balance as at September 30, 2020	-	172,857	40,891	213,748
Cumulative impairment				
Balance as of January 1, 2020	4,774	1,898	-	6,672
Balance as at September 30, 2020	4,774	1,898	-	6,672
Net balance as of September 30, 2020	$ 450,072	$ 185,565	$ 26,702	$ 662,339
Net balance as of December 31, 2019 and January 1, 2020	$ 427,413	$ 174,595	$ 18,030	$ 620,038

	January 1 to September 30, 2019			
	Proprietary land	Buildings	Sundry equipment	Total
Cost				
Balance as of January 1, 2019	$ 308,401	$ 337,142	$ 47,133	$ 692,676
Increase - current period	-	139	1,363	1,502
Balance as at September 30, 2019	308,401	337,281	48,496	694,178
Increase from revaluation				
Balance as of January 1, 2019	123,786	-	-	123,786
Balance as at September 30, 2019	123,786	-	-	123,786
Accumulated depreciation				
Balance as of January 1, 2019	-	154,126	31,421	185,547
Depreciation	-	4,996	3,951	8,947
Balance as at September 30, 2019	-	159,122	35,372	194,494
Cumulative impairment				
Balance as of January 1, 2019	4,774	1,898	-	6,672
Balance as at September 30, 2019	4,774	1,898	-	6,672
Net balance as of September 30, 2019	$ 427,413	$ 176,261	$ 13,124	$ 616,798

Please refer to Note 13 for explanation on reclassification from investment property.

Depreciation expenses are provided on property, plant and equipment on a straight-line basis over the number of useful years shown as follows:

Buildings	
Main structure	
- Confined masonry	35 years
- Steel-reinforced concrete	50 to 62 years
Renovation of exterior wall	41 years
Renovation of interior	8 to 19 years
Other constructions	10 to 25 years
Others	15 to 30 years
Sundry equipment	3 to 15 years

Property, plant, and equipment for periods from January 1 to September 30, 2020 and 2019, exclude capitalized interest.

The Company’s property, plant, and equipment showed no sign of impairment as of September 30, 2020, December 31, 2019, and September 30, 2019.

16. Lease arrangements

(1) Right-of-use asset

	September 30, 2020	December 31, 2019	September 30, 2019
Book value of right-of-use assets			
Buildings	$ 2,107	$ 3,452	$ 2,225
Transportation equipment	2,167	868	1,028
	$ 4,274	$ 4,320	$ 3,253

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Additional right-of-use asset			$ 1,901	$ 1,659
Depreciation expense on right-of-use assets				
Buildings	$ 447	$ 289	$ 1,345	$ 635
Transportation equipment	284	159	602	478
	$ 731	$ 448	$ 1,947	$ 1,113

(2) Lease liability

	September 30, 2020	December 31, 2019	September 30, 2019
Book value of lease liabilities	$ 4,320	$ 4,139	$ 3,181

Discount rate range for lease liabilities:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	2.65%	2.65%	2.65%
Transportation equipment	2.65%	2.65%	2.65%

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Interest expense on lease liabilities				
Buildings	$ 16	$ 16	$ 57	$ 34
Transportation equipment	13	8	23	26
	$ 29	$ 24	$ 80	$ 60

(3) Other lease information

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Short-term rent expense	$ 890	$ 1,045	$ 2,754	$ 3,352
Total cash (outflow) from lease			($ 4,554)	($ 4,597)

For buildings and transportation equipment rented through short-term lease that conform with relevant criteria, the Company chooses to adopt the exemption rule and forgo recognition of right-of-use asset and lease liabilities.

17. Intangible assets

	Computer software	
	January 1 to September 30, 2020	January 1 to September 30, 2019
Cost		
Opening balance	$ 27,805	$ 28,379
Additions	14,689	630
Disposals	-	(3,593)
Reclassification from prepayment for equipment purchase	25,643	-
Closing balance	68,137	25,416
Accumulated depreciation		
Opening balance	20,602	17,424
Amortization expenses	7,058	5,352
Disposals	-	(3,593)
Closing balance	27,660	19,183
Closing net balance	$ 40,477	$ 6,233

The above computer software is amortized on a straight-line basis over 3~5 years.

The Company's intangible assets showed no sign of impairment as of September 30, 2020, December 31, 2019 and September 30, 2019.

18. Guarantee deposits paid

	September 30, 2020	December 31, 2019	September 30, 2019
Guarantee deposit for insurance business - Government bonds	$ 579,036	$ 517,861	$ 515,524
Others	42,620	44,997	44,643
	$ 621,656	$ 562,858	$ 560,167

According to Articles 141 and 142 of the Insurance Act, insurance enterprises are required to place guarantee deposits amounting to 15% of paid-up capital with the treasury. This guarantee deposit will not be refunded unless the insurance enterprise ceases business operations and completes liquidation. The Company had placed the guarantee deposit in the form of government bonds.

19. Other assets - others

	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments	$ 5,777	$ 6,371	$ 6,292
Prepaid equipment purchase	6,257	29,073	16,480
Others	14,512	14,581	995
	$ 26,546	$ 50,025	$ 23,767

20. Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Salary and bonus payable	$ 61,059	$ 84,563	$ 63,270
Share settlements payable	4,328	16,147	14,906
Leave encashment payable	4,453	415	4,235
Pension payable	1,680	1,670	1,670
Others	69,183	75,893	60,001
	$ 140,703	$ 178,688	$ 144,082

21. Insurance liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Unearned premium reserve	$ 3,850,431	$ 3,726,659	$ 3,942,512
Claim reserve	2,382,209	2,491,233	2,613,303
Special reserve	1,690,860	1,669,565	1,673,744
Deficiency reserve	34,642	24,293	35,586
	$ 7,958,142	$ 7,911,750	$ 8,265,145

Please refer to Items (2) to (5) in Note 38 - Disclosure of insurance contract-related information for more details on insurance liabilities presented above.

22. Retirement benefit plan

Defined benefit plan expenses for periods from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019, were calculated using the rate of pension costs determined from actuarial method as of December 31, 2019 and 2018; the above amounts were reported at NT$2,364,000, NT$2,668,000, NT$7,090,000 and NT$8,004,000, respectively.

23. Other liabilities - others

	September 30, 2020	December 31, 2019	September 30, 2019
Amount collected on behalf	$ 85,142	$ 75,096	$ 79,144
Amount received in advance	3,161	1,744	2,783
	$ 88,303	$ 76,840	$ 81,927

24. Equity

	September 30, 2020	December 31, 2019	September 30, 2019
Share capital	$ 3,011,638	$ 3,011,638	$ 3,011,638
Retained Earnings	3,459,284	3,392,600	3,226,395
Other Equity	161,566	407,023	268,016
	$ 6,632,488	$ 6,811,261	$ 6,506,049

(1) Share capital

Common shares

	September 30, 2020	December 31, 2019	September 30, 2019
Authorized shares (thousands)	301,163.8	301,163.8	301,163.8
Authorized capital	$ 3,011,638	$ 3,011,638	$ 3,011,638
Shares issued and fully paid up (thousands)	301,163.8	301,163.8	301,163.8
Issued share capital	$ 3,011,638	$ 3,011,638	$ 3,011,638

All issued common shares have a face value of NT$10 per share. Each share is entitled to one voting right and the right to receive dividends.

(2) Retained earnings and dividend policy

According to the earnings appropriation policy of the Articles of Incorporation: Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 20% provision or reversal of special reserve as required by the authorities. The Company may retain an appropriate amount of earnings before distributing the remainder to shareholders as dividends. Refer to Note 25-(3) - Employee and director remuneration for the Company's employee and director remuneration policy outlined in the Articles of Incorporation.

In addition to complying with requirements of the Insurance Act (see Note 29), the Company's dividend decisions involve several factors including the current business environment and growth stage, its future capital requirements and long-term financial plan, and shareholders' needs for cash flow. Payment of cash dividends shall amount to no less than 10% of total dividends.

The Company shall continue providing for legal reserve until the balance equals its paid-up capital. Legal reserves can be taken to offset previous losses. The Company is permitted under Article 241 of the Company Act to distribute legal reserves that it had previously provided according to Article 145-1 of the Insurance Act back to shareholders at the existing shareholding percentage, when the Company has no cumulative losses outstanding. To do so, the Company is required to present documentary proof of its financial position and seek permission from the competent authority before a shareholder meeting in the manners outlined in Letter Jin-Guan-Bao-Cai-Zi No. 10202501991 dated February 8, 2013.

Provision and reversal of special reserves are performed in accordance with Letter Jin-Guan-Bao-Cai-Zi No. 10102508861, Letter Jin-Guan-Bao-Cai-Zi No. 10502066461, and "Q&A on Special Reserves Treatment after IFRSs Adoption" issued by the authority. If other contra equity items are reversed on a later date, the Company may distribute the amount of reversal back to shareholders.

The following are details of the 2019 and 2018 earnings appropriation resolved during annual general meetings held on June 23, 2020 and June 27, 2019, respectively:

	Earnings appropriation plan		Dividends per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$ 116,194	$ 90,358		
Special reserve (Note 1)	207,452	208,715		
Special reserve (Note 2)	(1,843)	2,160		
Dividends	289,117	147,570	$ 0.96	$ 0.49

Note 1: According to "Regulations Governing Reserve Provisioning by Insurance Enterprises," insurance enterprises are required to make new provisions of special claim reserve for major incidents and change of risk and add them to special earnings reserve at the end of each year, starting from January 1, 2011. As a result, this portion of earnings is unavailable for distribution or other purpose. New provisions amounting to NT$207,452,000 for 2019 had been made and accounted on December 31, 2019. Net provisions for January 1 to September 30, 2020 were estimated at NT$145,003,000.

Note 2: Represents net special reserve provided (reserved) for FinTech development according to Jin-Guan-Bao-Cai-Zi No. 10502066461 issued by the authority.

(3) Special reserve (including provision of special reserve required for first-time adoption of IFRSs)

1. Details of special reserve made for first-time adoption of IFRSs:

	September 30, 2020	December 31, 2019	September 30, 2019
Special reserve	$ 51,849	$ 51,849	$ 51,849

Because the amount of increase in retained earnings after first-time adoption of IFRSs was relatively low, the Company only provided for special reserve on the NT$51,849,000 increase in retained earnings that occurred following the adoption of IFRSs.

This special reserve can be reversed proportionally back into retained earnings and distributed to shareholders when the underlying assets are used, disposed or reclassified on a later date. Special reserves provided during first-time adoption of IFRSs can be used to offset losses in subsequent years. If the Company makes earnings in subsequent years at a time when the initial reason for providing special reserves no longer exists, the Company shall make up for the required amount of special reserve before distributing earnings.

In order to support development of financial technologies and protect the interests of employees, the Company is required to make provisions totaling 0.5% to 1% of after-tax net income to special reserve when distributing earnings between 2016 and 2018. Starting from 2017, the Company may reverse the above special reserve for amounts incurred on the transfer or reassignment of employees that are related to development of financial technology.

2. Change of special reserve balance between January 1 and September 30, 2020 and 2019:

	Special reserve	Financial technology	Provision for first-time adoption of IFRSs	Total
January 1 to September 30, 2020				
Opening balance	$ 1,681,701	$ 6,567	$ 51,849	$ 1,740,117
Current provisions	-	(1,843)	-	(1,843)
Closing balance	$ 1,681,701	$ 4,724	$ 51,849	$ 1,738,274
January 1 to September 30, 2019				
Opening balance	$ 1,474,249	$ 4,407	$ 51,849	$ 1,530,505
Current provisions	-	2,160	-	2,160
Closing balance	$ 1,474,249	$ 6,567	$ 51,849	$ 1,532,665

(4) Other equity items

Unrealized gains/losses on financial assets at fair value through other comprehensive income

	January 1 to September 30, 2020	January 1 to September 30, 2019
Opening balance	$ 407,023	$ 27,302
Generated in current period		
Unrealized gains		
Debt instrument	45,523	17,415
Equity instrument	(122,990)	223,299
Transfer of cumulative gains/losses to retained earnings following disposal of equity instrument	(167,990)	-
Closing balance	$ 161,566	$ 268,016

25. Net income from continuing operations

(1) Interest income

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Bank deposit	$ 6,352	$ 8,298	$ 20,475	$ 24,205
Financial Assets at Fair Value through Profit or Loss	3,498	491	13,136	13,030
Debt instruments at fair value through other comprehensive income	$ 3,071	$ 2,890	$ 9,122	$ 7,474
Financial assets carried at cost after amortization	7,867	8,178	23,796	25,720
Others	889	1,221	3,000	3,660
	$ 21,677	$ 21,078	$ 69,529	$ 74,089

(2) Employee benefit expenses

	July 1 to September 30, 2020			July 1 to September 30, 2019		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee welfare expenses						
Salary	$ 80,504	$ 139,625	$ 220,129	$ 70,134	$ 138,520	$ 208,654
Labor/ health insurance premium	-	14,620	14,620	-	14,263	14,263
Pension expense	-	7,501	7,501	-	7,583	7,583
Remuneration to Director	-	2,786	2,786	-	2,648	2,649
Other employee welfare expenses	-	3,973	3,973	-	3,594	3,593
	$ 80,504	$ 168,505	$ 249,009	$ 70,134	$ 166,608	$ 236,742

	January 1 to September 30, 2020			January 1 to September 30, 2019		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee welfare expenses						
Salary	$ 245,889	$ 423,284	$ 669,173	$ 245,480	$ 414,319	$ 659,799
Labor/ health insurance premium	-	43,935	43,935	-	43,925	43,925
Pension expense	-	22,292	22,292	-	22,832	22,832
Remuneration to Director	-	7,799	7,799	-	9,782	9,783
Other employee welfare expenses	-	10,518	10,518	-	10,702	10,701
	$ 245,889	$ 507,828	$ 753,717	$ 245,480	$ 501,560	$ 747,040

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Retirement benefits				
Defined contribution plan	$ 5,137	$ 4,915	$ 15,202	$ 14,828
Defined benefit plan (Note 22)	2,364	2,668	7,090	8,004
	$ 7,501	$ 7,583	$ 22,292	$ 22,832

As of September 30, 2020 and 2019, the Company employed a total of 870 and 860 employees, respectively.

(3) Employee and director remuneration

According to the Articles of Incorporation, the Company may provide employee remuneration at no less than 1% and director remuneration at no higher than 0.6% of pre-tax profit before employee and director remuneration. However, earnings must first be taken to offset cumulative losses, if any, before the remainder is distributed as employee and director remuneration in the above percentages. Employee remuneration and director remuneration were estimated at 1% and 0.6% of the abovementioned pre-tax profit, respectively, for periods July 1 to September 30 and January 1 to September 30, 2020 and 2019. All amounts have been expensed in statements of comprehensive income for the respective periods.

Employee remuneration and director remuneration estimated for periods July 1 to September 30 and January 1 to September 30, 2020 and 2019, are as follows:

Amount estimated

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Employee remuneration	$ 1,589	$ 1,640	$ 2,474	$ 5,313
Director remuneration	$ 954	$ 983	$ 1,485	$ 3,187

If the amount changes after the financial statements are approved and announced to the public, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

The following are details of the 2019 and 2018 employee and director remuneration resolved during board of directors meetings held on March 26, 2020 and 2019:

	2019		2018	
	Cash	Shares	Cash	Shares
Employee remuneration	$ 6,744	$ -	$ 5,322	$ -
Director remuneration	4,046	-	3,193	-

The actual amounts of employee remuneration and director remuneration paid for years 2019 and 2018, as resolved in the above board meetings, were indifferent from the amounts recognized in the 2019 and 2018 financial statements.

Please visit "Market Observation Post System" for more information regarding employee/director remuneration resolved during the Company's board of director meetings in 2020 and 2019.

(4) Depreciation and amortization

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Property, Plant and Equipment	$ 4,395	$ 3,005	$ 12,155	$ 8,947
Right-of-use asset	731	448	1,947	1,113
Investment Property	1,573	1,734	4,820	5,204
Intangible Assets	2,948	1,702	7,058	5,352
Total	$ 9,647	$ 6,889	$ 25,980	$ 20,616

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Depreciation and amortization expenses by function				
Depreciation (classified as operating costs)	$ 1,573	$ 1,734	$ 4,820	$ 5,204
Depreciation (classified as operating expenses)	5,126	3,453	14,102	10,060
Amortization (classified as operating expenses)	2,948	1,702	7,058	5,352
Total	$ 9,647	$ 6,889	$ 25,980	$ 20,616

(5) Gain/loss on investment property

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Rental income	$ 16,297	$ 17,462	$ 49,470	$ 52,334
Direct expenses associated with rental income	(3,241)	(3,410)	(10,170)	(10,148)
	$ 13,056	$ 14,052	$ 39,300	$ 42,186

(6) Gain/loss on foreign exchange

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Total gain on foreign exchange	$ 1,140	$ 7,591	$ 19,208	$ 27,078
Total loss on foreign exchange	(15,362)	(10,005)	(41,378)	(21,460)
Net gain (loss)	($ 14,222)	($ 2,414)	($ 22,170)	$ 5,618
Total gain/loss on foreign exchange				
Gain (loss) on exchange - investment (Note)	($ 10,653)	($ 3,231)	($ 17,283)	$ 2,843
Gain (loss) on exchange - non-investment	(3,569)	817	(4,887)	2,775
	($ 14,222)	($ 2,414)	($ 22,170)	$ 5,618

Note: Derived from foreign currency time deposits.

26. Income tax expense for continuing operations

(1) Income tax recognized in profit and loss

Main components of income tax expense:

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Current income tax				
From current profit	$ 14,323	$ 22,724	$ 53,560	$ 79,757
Adjustment of previous year figures	-	-	(57)	(179)
Deferred income tax				
From current profit	(2,002)	(882)	2,139	(818)
Income tax expense recognized in profit and loss	$ 12,321	$ 21,842	$ 55,642	$ 78,760

(2) Assessment of income tax return

The Company's profit-seeking enterprise income tax returns have been certified by the tax authority up till 2017.

27. Earnings per share

Net income and the number of weighted average common shares used for calculating earnings per share are explained below:

Current net income

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Net income used for calculating earnings per share	$ 144,045	$ 139,491	$ 187,811	$ 443,995

Number of shares

Unit: thousand shares

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Weighted average common shares used for calculating basic earnings per share	301,164	301,164	301,164	301,164
Dilutive effect of potential common shares:				
Employee remuneration	129	315	241	299
Weighted average common shares used for calculating diluted earnings per share	301,293	301,479	301,405	301,463

If the Company has the option to distribute employee remuneration either in cash or in shares, then the calculation of diluted earnings per share shall be made by assuming full share-based payment. In which case, the number of potential common shares is added to the calculation of weighted-average outstanding shares as soon as they become dilutive, and this is the basis used for calculating diluted earnings per share. Dilutive effects of potential common shares will continue to be taken into account when calculating diluted EPS for next year's decision of share-based employee remuneration.

28. Cash flow information

Change of liabilities relating to financing activities

January 1 to September 30, 2020

			Changes without cash effect			
	January 1, 2020	Cash flow	New leases	Amortization of interest expense	Others	September 30, 2020
Lease liabilities	$ 4,139	($ 1,720)	$ 1,901	$ 80	($ 80)	$ 4,320

January 1 to September 30, 2019

			Changes without cash effect			
	January 1, 2019	Cash flow	New leases	Amortization of interest expense	Others	September 30, 2019
Lease liabilities	$ 2,707	($ 1,185)	$ 1,659	$ 60	($ 60)	$ 3,181

29. Capital risk management

Please refer to Note 37(6) for more information on the management of asset and liability risks. According to the Insurance Act, the Company is required to maintain capital at no less than 200% of risk-weighted assets. Failure to maintain the abovementioned ratio will render the Company unable to distribute earnings; in addition, the Company would be required to raise capital within the due dates specified by the competent authority or have business activities and use of capital restricted in certain ways. As of September 30, 2020, the Company had maintained its capital above the percentage stated in the Insurance Act and was not subject to the above treatments.

30. Financial instruments

(1) Fair value information - financial instruments that are not measured at fair value

The management considers that all financial assets and liabilities not measured at fair value have had book values closely resembling their fair values, or that their fair values can not be determined reliably.

(2) Fair value information - financial instruments with fair value measured on a recurring basis

1. Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value through Profit or Loss				
TWSE/TPEx listed shares	$ 611,500	$ -	$ -	$ 611,500
Fund beneficiary certificates	1,639,998	-	-	1,639,998
Bond investments - bank debentures	-	-	50,087	50,087
Total	$ 2,251,498	$ -	$ 50,087	$ 2,301,585
Financial assets at fair value through other comprehensive income				
TWSE/TPEx listed common shares	$ 1,056,619	$ -	$ -	$ 1,056,619
Non-listed domestic common shares	-	-	848,028	848,028
Government bonds	491,016	-	-	491,016
Total	$ 1,547,635	$ -	$ 848,028	$ 2,395,663
Guarantee deposits paid				
TWSE/TPEx listed securities - Bond investments	$ 579,036	$ -	$ -	$ 579,036

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value through Profit or Loss				
TWSE/TPEx listed shares	$ 735,535	$ -	$ -	$ 735,535
Fund beneficiary certificates	858,993	-	-	858,993
Bond investments - bank debentures	-	-	50,565	50,565
Total	$ 1,594,528	$ -	$ 50,565	$ 1,645,093
Financial assets at fair value through other comprehensive income				
TWSE/TPEx listed common shares	$ 1,730,675	$ -	$ -	$ 1,730,675
Non-listed domestic common shares	-	-	945,763	945,763
Government bonds	509,305	-	-	509,305
Total	$ 2,239,980	$ -	$ 945,763	$ 3,185,743
Guarantee deposits paid				
TWSE/TPEx listed securities - Bond investments	$ 517,861	$ -	$ -	$ 517,861

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value through Profit or Loss				
TWSE/TPEx listed shares	$ 1,101,060	$ -	$ -	$ 1,101,060
Fund beneficiary certificates	1,059,781	-	-	1,059,781
Bond investments - bank debentures	-	-	50,068	50,068
Total	$ 2,160,841	$ -	$ 50,068	$ 2,210,909
Financial assets at fair value through other comprehensive income				
TWSE/TPEx listed common shares	$ 1,135,299	$ -	$ -	$ 1,135,299
Non-listed domestic common shares	-	-	930,539	930,539
Government bonds	507,442	-	-	507,442
Total	$ 1,642,741	$ -	$ 930,539	$ 2,573,280
Guarantee deposits paid				
TWSE/TPEx listed securities - Bond investments	$ 515,524	$ -	$ -	$ 515,524

In periods January 1 to September 30, 2020 and 2019, there was no change of fair value measurement between level 1 and level 2.

2. Reconciliation of level 3 fair value assessment on financial instruments

January 1 to September 30, 2020

Financial assets	Measured at fair value through profit and loss			Financial assets at fair value through other comprehensive income		
	Derivatives	Equity instrument	Debt instrument	Equity instrument	Debt instrument	Total
Opening balance	$ -	$ -	$ 50,565	$ 945,763	$ -	$ 996,328
Recognized through profit and loss (gain/loss on financial assets or liabilities at fair value through profit and loss)	-	-	(478)	-	-	(478)
Recognized through other comprehensive income (gain/loss on valuation of equity instruments at fair value through other comprehensive income)	-	-	-	(97,735)	-	(97,735)
Closing balance	$ -	$ -	$ 50,087	$ 848,028	$ -	$ 898,115
Unrealized gains and losses at the end of period	$ -	$ -	$ 87	$ 158,222	$ -	$ 158,309

January 1 to September 30, 2019

Financial assets	Measured at fair value through profit and loss			Financial assets at fair value through other comprehensive income		
	Derivatives	Equity instrument	Debt instrument	Equity instrument	Debt instrument	Total
Opening balance	$ -	$ -	$ 50,556	$ 700,464	$ -	$ 751,020
Recognized through profit and loss (gain/loss on financial assets or liabilities at fair value through profit and loss)	-	-	(488)	-	-	(488)
Recognized through other comprehensive income (gain/loss on valuation of equity instruments at fair value through other comprehensive income)	-	-	-	230,075	-	230,075
Closing balance	$ -	$ -	$ 50,068	$ 930,539	$ -	$ 980,607
Unrealized gains and losses at the end of period	$ -	$ -	$ 68	$ 240,733	$ -	$ 240,801

3. Level 3 fair value measurement technique and input

(1) For investments in domestic unlisted shares, fair value is calculated using the market comparable model. The market comparable model compares the subject to companies involved in the same or similar business activities. Factors such as the price of shares transacted in active market, the value multiples implied in pricing, and liquidity discount are used to determine the value of the subject. Liquidity premium/discount is a significant yet unobservable input.

(2) Bond investment - bank debentures are valued by calculating the present value of expected yields from the investment, which involves discounting of future expected cash flow. Future expected cash flow is a significant yet unobservable input.

(3) Types of financial instrument

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets			
Measured at fair value through profit and loss			
Mandatory at fair value throughout profit and loss	$ 2,301,585	$ 1,645,093	$ 2,210,909
Loans and receivables (Note 1)	334,210	381,669	484,904
Financial assets carried at cost after amortization (Note 2)	6,589,346	6,560,882	6,301,988
Financial assets at fair value through other comprehensive income			
Investment in equity instruments	1,904,647	2,676,438	2,065,838
Investment in debt instruments (Note 3)	1,070,052	1,027,166	1,022,966
Financial liabilities			
Carried at cost after amortization (Note 4)	598,892	653,734	658,784

Note 1: The balance includes loans and receivables carried at cost after amortization, such as claims recoverable from reinsurers and reinsurance accounts receivable.

Note 2: Balance includes cash, investment in debt instruments carried at cost after amortization, notes receivable - net, premiums receivable - net, other receivables, other financial assets, guarantee deposits paid (excluding insurance enterprise performance bonds placed in the form of securities), and financial assets carried at cost after amortization.

Note 3: Balance includes debt instruments at fair value through other comprehensive income and insurance enterprise performance bonds placed in the form of securities (presented as guarantee deposits paid).

Note 4: Balance includes insurance claims and benefits payable, commissions payable, reinsurance account payable, other payables (excluding salary, bonus and leave encashment payable and pension payable), guarantee deposits received, and financial liabilities carried at cost after amortization.

(4) Purpose and policy of financial risk management

For the purpose of establishing sound risk management practice, internal risk awareness, and robust risk management framework, the Company has implemented relevant principles and policies along with qualitative and quantitative methods to assess, respond and monitor potential risks. The Company's financial instruments mainly comprise equity and debt investments, receivables and payables. Key risk exposures include market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk.

1. Market risk

Market risk refers to changes in market risk factors such as exchange rate, product price, interest rate, share price etc that may reduce the Company's profitability or portfolio value. The Company continues to adopt Value at Risk (VaR), stress test and market risk management tools to effectively measure, monitor and manage market risks.

There is no change in how the Company manages and assesses market risk exposure of its financial instruments.

(1) Exchange rate risk

The Company holds assets and liabilities denominated in foreign currencies, which presents the Company with risk of exchange rate variation. As at September 30, 2020, the Company had about 4.76% of assets that were not denominated in the functional currency of the transaction entity.

The Company had the following financial assets denominated in foreign currencies that were exposed to material exchange rate risk as at the balance sheet date:

Unit: in thousands of foreign currency or NTD

	September 30, 2020		
Financial assets	Foreign currency	Exchange rate	TWD (NTD)
Monetary items			
Bank deposit and notes receivable			
USD	$ 5,230	29.100	$ 152,194
EUR	40	34.150	1,363
CNY (RMB)	27	4.269	117
HKD	332	3.754	1,248
GBP	56	37.300	2,087
Other financial assets			
USD	20,100	29.100	584,910

Financial assets	December 31, 2019 Foreign currency	Exchange rate	TWD (NTD)
Monetary items			
Bank deposit and notes receivable			
USD	$ 3,376	29.980	$ 101,211
EUR	17	33.590	558
CNY (RMB)	29	4.305	126
HKD	524	3.849	2,018
GBP	6	39.360	247
Other financial assets			
USD	18,600	29.980	557,628
CNY (RMB)	5,000	4.305	21,525

Financial assets	September 30, 2019 Foreign currency	Exchange rate	TWD (NTD)
Monetary items			
Bank deposit and notes receivable			
USD	$ 2,147	31.040	$ 66,656
EUR	25	33.950	848
CNY (RMB)	248	4.350	1,080
HKD	124	3.958	490
GBP	7	38.200	279
Other financial assets			
USD	16,200	31.040	502,848
CNY (RMB)	17,000	4.350	73,950

Unrealized foreign currency gain/loss of material impact:

	January 1 to September 30, 2020		January 1 to September 30, 2019	
Foreign currency	Exchange rate	Unrealized net loss on exchange	Exchange rate	Unrealized net Gain on currency exchange
USD	1:29.100 (USD:NTD)	($ 17,688)	1:31.040 (USD:NTD)	$ 5,265
CNY (RMB)	1:4.269 (CNY:TWD)	-	1:4.350 (CNY:TWD)	(2,074)
		($ 17,688)		$ 3,191

Sensitivity analysis

The Company is prone to the impact of changes in USD and CNY exchange rates.

The following sensitivity analysis shows the impact of a 1% strengthening/weakening in the foreign currency against NTD (the functional currency) to the Company. 1% is the rate of sensitivity adopted by the management when reporting exchange rate risks. It also represents the management's estimate on the reasonable range of exchange rate variation. The sensitivity analysis only covered monetary items denominated in foreign currency, and the analysis was performed by making a 1% adjustment to the exchange rate applicable at the end of the period. The sensitivity analysis covered foreign currency bank deposit, other financial assets, and notes receivable. The following table shows decrease in pre-tax profit and equity if NTD strengthens against other currencies by 1%. Effects on pre-tax profit and equity following a 1% strengthening of the NTD against the respective foreign currencies would be the positive figure of the same amount.

	January 1 to September 30, 2020	January 1 to September 30, 2019
Gain (loss) on USD	($ 7,371)	($ 5,695)
Gain (loss) on CNY	(1)	(750)

(2) Interest rate risk

The book value of financial assets exposed to interest rate risks as at the balance sheet date is presented below:

	September 30, 2020	December 31, 2019	September 30, 2019
Risk of cash flow changes due to interest rate			
- Financial assets	$ 895,641	$ 777,511	$ 657,720
Risk of fair value changes due to interest rate			
- Financial assets	1,070,052	1,027,166	1,022,966

Sensitivity analysis

The following sensitivity analysis has been prepared based on interest rate risk exposures of financial assets as at the balance sheet date. The Company had conducted the sensitivity analysis based on 1 basis-point increase/decrease in interest rate, which also represents the management's estimate on the reasonable range of interest rate variation.

A. Risk of cash flow changes due to interest rate

If interest rate increased/decreased by 1 basis point, the Company's pre-tax profit and equity for the periods January 1 to September 30, 2020 and 2019, would increase/decrease by NT$67,000 and NT$49,000, respectively, provided that all other variables remain unchanged. Exposure to interest rate risk is mainly attributed to bank deposits (demand deposits and foreign currency deposits) held on hand.

B. Risk of fair value changes due to interest rate

All of the Company's bond investments pay fixed interest. A change in market interest rate would cause changes in the fair value of bond investments.

If the market interest rate increased/decreased by 1 basis point, other comprehensive income (pre-tax) and equity between January 1 and September 30, 2020 and 2019, would decrease/increase by NT$1,257,000 and NT$1,245,000, respectively, due to changes in the fair value of debt instruments carried at fair value through other comprehensive income.

(3) Other price risks

The Company is exposed to the risk of equity price variation due to investment in TWSE/TPEx-listed beneficiary securities and fund beneficiary certificates.

Sensitivity analysis

The sensitivity analysis is based on equity price risks of beneficiary securities and fund beneficiary certificates outstanding as at the balance sheet date.

If the equity price increased/decreased by 1%, pre-tax profit and equity between January 1 and September 30, 2020 and 2019, would increase/decrease by NT$22,515,000 and NT$21,608,000, respectively, due to changes in the fair value of financial assets carried at fair value through profit and loss. Meanwhile, other comprehensive income (pre-tax) and equity between January 1 and September 30, 2020 and 2019, would increase/decrease by NT$19,406,000 and NT$20,658,000, respectively, due to changes in the fair value of equity instruments carried at fair value through other comprehensive income.

(4) Value at risk (VaR)

VaR measures the maximum possible losses that a portfolio may incur due to a change in market risk factor, within a specified period of time and Confidence Level. The Company currently calculates VaR of the following day (2 months) at 95% confidence level.

The VaR model must be able to reasonably, completely and correctly assess maximum potential risks of financial instruments or investment portfolios held on hand to be considered a valid risk management model. When used for risk management, the VaR model must continuously undergo validation and back-testing to ensure that the model remains appropriate and effective in assessing the maximum potential risks of financial instruments or investment portfolios held on hand.

(5) Stress-testing

In addition to the VaR model, the Company conducts stress tests regularly to assess potential risks should an extreme event occur. Stress-testing is intended to measure potential impacts on the value of investment portfolio given extreme changes in a series of financial variables.

Date: September 30, 2020 Unit: NTD thousands

Risk factors	Variation	Portfolio gains/losses Variation
Price risk - at fair value through profit and loss	Down 10%	($ 225,150)
Price risk - at fair value through other comprehensive income	Down 10%	(190,465)
Risk of fair value changes due to interest rate	A 100bps increase in the yield curve	(125,655)
Exchange rate risk - other financial assets	1% strengthening of NTD against all foreign currencies	(5,849)

2. Credit risk

The Company is exposed to credit risks for engaging in treasury transactions, including issuer credit risk, counterparty credit risk, and asset credit risk:

(1) Issuer credit risks are mostly prevalent in treasury debt instruments or bank deposits held on hand, and refer to the possibility of the Company suffering financial losses as a result of the issuer (or guarantor) or bank failing to fulfill repayment (or stand-in payment) obligation due to default, bankruptcy or liquidation.

(2) Counterparty credit risks refer to the possibility of the Company suffering financial losses as a result of the transaction counterparty failing to fulfill settlement or payment obligations on the agreed date.

(3) Asset credit risks refer to the possibility of losses suffered as a result of deteriorated credit quality, credit rating downgrade or occurrence of default event in the underlying asset of a financial instrument.

A. Credit risk concentration analysis

The table below shows financial assets with the largest credit risk exposures by region and industry:

Credit risk exposure - by region

Date: September 30, 2020 Unit: NTD thousands

Financial assets	Taiwan	Asia	America	Europe	Others	Total
Cash and cash equivalents	$ 1,676,052	$ -	$ -	$ -	$ -	$ 1,676,052
Financial assets at fair value through profit and loss (securitized beneficiary certificates and debt instruments)	244,790	-	-	-	-	244,790
Financial assets (debt instrument) at fair value through other comprehensive income (Note)	1,070,052	-	-	-	-	1,070,052
Financial assets carried at cost after amortization	1,759,019	-	-	-	-	1,759,019
Other financial assets (time deposit)	2,658,910	-	-	-	-	2,658,910
Total	7,408,823	-	-	-	-	7,408,823
Regional weight	100%	0.00%	0.00%	0.00%	0.00%	100%

Note: includes debt instruments placed as guarantee deposit.

B. Credit risk quality grading

Credit risk quality is internally graded into Class I, II and III. Class I refers to financial assets that exhibit no significant increase in credit risk compared to the date of initial recognition; Class II refers to financial assets that exhibit significant increase in credit risk compared to the date of initial recognition; and Class III refers to financial assets that exhibit objective evidence of credit impairment.

Financial assets	I	II	III	Total
Financial assets (debt instrument) at fair value through other comprehensive income	$ 1,070,052	$ -	$ -	$ 1,070,052
Financial assets carried at cost after amortization	1,759,019	-	-	1,759,019
Total	$ 2,829,071	$ -	$ -	$ 2,829,071

Expected credit loss rates for the abovementioned Class I financial assets are 0.0258% ~ 1.9463%.

For information on credit risk management and impairment assessment of receivables, please refer to Note 12(2)~(3).

C. Criteria for significant increase in credit risk since initial recognition

A significant increase in credit risk refers to the situation where the credit rating of a financial asset on the balance sheet date is two grades lower or more than the date of initial recognition, and lower than twBBB. For bonds that are not credit-rated, the issuer's credit rating is used instead.

D. Definition of defaulted and credit-impaired financial assets

The Company assesses financial assets for objective evidence of credit impairment. If there is evidence to suggest impairment, the financial asset will be classified Class III with expected credit losses recognized over the remaining duration.

Objective evidence of credit impairment, as mentioned above, refers to any of the following occurrences:

a. The indicative market price falls below book cost in a continuous downward trend for more than one year, unless there is reason to suggest likely recovery of the indicative market price.
b. The issuer undergoes financial distress and is de-listed or liquidated as a result.
c. Event of default, such as failure to pay interest or principal.
d. The issuer undergoes bankruptcy.

(4) Assessment of expected credit losses

A. Expected credit losses are estimated by multiplying the amount of credit exposure with the probability of default (PD) and loss given default (LGD).

Financial assets that are classified as Class I as at the balance sheet date shall have expected credit losses estimated over the next 12 months.

Financial assets that are classified as Class II as at the balance sheet date shall have expected credit losses estimated over the remaining duration

Financial assets that exhibit objective evidence of credit impairment as at the balance sheet date shall be classified as Class III and have expected credit losses estimated over the remaining duration.

B. Loss provisions variation chart

Reconciliation of opening and closing loss provision balance between January 1 and September 30, 2020:

	12-month expected credit loss I	Expected credit loss over the remaining duration II	Expected credit loss over the remaining duration III	Impairment provided in accordance with IFRS 9 (Subtotal)	Difference with impairments provided in accordance with "Regulation on Asset Valuation, Overdue Collection and Loan Loss Provisioning by Insurance Companies"	Total
Investment in debt instruments						
Opening balance	$ 17,079	$ -	$ -	$ 17,079	$ -	$ 17,079
Variation	(953)	-	-	(953)		(953)
Closing balance	$ 16,126	$ -	$ -	$ 16,126	$ -	$ 16,126
Receivables						
Opening balance	$ 5,706	$ -	$ -	$ 5,706	$ 43,001	$ 48,707
Variation	(47)	-	-	(47)	47	-
Closing balance	$ 5,659	$ -	$ -	$ 5,659	$ 43,048	$ 48,707

3. Liquidity risk

(1) Definition of liquidity risk

For each financial instrument, liquidity risk is distinguished between "capital liquidity risk" and "market liquidity risk."

"Capital liquidity risk" refers to the inability to liquidate an asset or obtain sufficient funding to meet obligations upon maturity. "Market liquidity risk" refers to the possibility of incurring losses due to significant price changes when the asset held on hand is being disposed or settled in a market that lacks depth or at a time of disorder.

(2) Liquidity risk management

The Company has implemented a robust capital liquidity risk management system, and adopted market liquidity risk management practices that conform to the volume of market transactions and the positions held on hand. The Company has also devised response plans for extraordinary and emergency liquidity situations where the Company may require additional capital.

(3) The Company maintains adequate position of cash and cash equivalents to support corporate operations and to mitigate effects of cash flow variation.

The following table is a maturity analysis for non-derivative financial liabilities (including insurance claims payable, commissions payable, reinsurance account payable, other payables and lease liabilities) with pre-arranged repayment date. The analysis has been prepared based on the earliest date by which the Company may be required to repay, using undiscounted cash flow.

September 30, 2020

	Repayable upon demand or within 1 month	1~3 months	3 months ~ 1 year	1~5 years	5 years and above
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 230,213	$ 97,898	$ 256,251	$ 14,530	$ -
Lease liabilities	-	793	1,661	1,984	-
	$ 230,213	$ 98,691	$ 257,912	$ 16,514	$ -

December 31, 2019

	Repayable upon demand or within 1 month	1~3 months	3 months ~ 1 year	1~5 years	5 years and above
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 261,262	$ 54,168	$ 323,190	$ 15,114	$ -
Lease liabilities	-	510	1,790	1,961	-
	$ 261,262	$ 54,678	$ 324,980	$ 17,075	$ -

September 30, 2019

	Repayable upon demand or within 1 month	1~3 months	3 months ~ 1 year	1~5 years	5 years and above
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 227,625	$ 95,332	$ 320,713	$ 15,114	$ -
Lease liabilities	-	463	1,389	1,517	-
	$ 227,625	$ 95,795	$ 322,102	$ 16,631	$ -

31. Related party transactions

(1) Name and relationship of related parties

Name of related party	Relationship with the Company
Yi Chih Co., Ltd.	Other related parties
OSTA TRADING CO., LTD.	Other related parties
Zong Cheng Enterprise Co., Ltd.	Other related parties
Du Ho Enterprise Co., Ltd.	Other related parties
Chien Yi Industrial Co., Ltd.	Other related parties
Chien Cheng Development Co., Ltd.	Other related parties
Hua Wang Manufacturer Co., Ltd.	Other related parties
Hai Hwa Construction Co., Ltd.	Other related parties
Tsai Cheng Enterprise Co., Ltd.	Other related parties

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Name of related party	Relationship with the Company
Tai Jing Apartment Building Management and Maintenance Co., Ltd.	Other related parties
Taiwan Fuji Die Co., Ltd.	Other related parties
Yongji Enterprise Co., Ltd.	Other related parties
Chimax Development Company	Other related parties
Pao Shan Construction Co., Ltd.	Other related parties
Yiguang Enterprise Development Co., Ltd.	Other related parties
Chien Chi Co., Ltd.	Other related parties
Taiwan Real Estate Management Co., Ltd.	Other related parties
Jiatai Construction Co., Ltd.	Other related parties
Jinshi Construction Co., Ltd.	Other related parties
Jui San Co., Ltd.	Other related parties
Fu Bi Shi Construction Co., Ltd.	Other related parties
Other related parties	Second degree relatives or closer to the company's director, Chairman, President, Manager, or spouse thereof

(2) Major transactions with related parties

1. Premium revenues

Type of related party	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Other related parties	$ 762	$ 818	$ 2,581	$ 2,631

The above insurance coverage to other related parties were underwritten with the same terms as non-related parties.

2. Insurance claims paid

Type of related party	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Other related parties	$ 172	$ 1	$ 2,814	$ 4

The above insurance coverage to other related parties were underwritten with the same terms and claim criteria as non-related parties.

3. Rental expense

Type of related party	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Other related parties	$ -	$ -	$ 4	$ 6

Rental of conference room from the above related parties were undertaken at terms that were not materially different from ordinary transactions.

4. Premiums receivable

Type of related party	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	$ 354	$ 464	$ 540

(3) Remuneration to the executive management

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Short-term employee benefits	$ 11,471	$ 11,492	$ 33,840	$ 36,793
Retirement benefits	1,023	664	3,069	1,991
	$ 12,494	$ 12,156	$ 36,909	$ 38,784

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

32. Major contingent liabilities and unrecognized contractual commitments

The Company is a non-life insurance company, and had no major commitment or contingent liability as at the balance sheet date apart from those mentioned in other footnotes and the following.

(1) Major unrecognized contractual commitments

As of September 30, 2020, December 31, 2019, and September 30, 2019, the Company had the following expenses that were contracted but unpaid.

Types of unrecognized contractual commitments	September 30, 2020	December 31, 2019	September 30, 2019
System development expense	$ 6,196	$ 14,994	$ 23,237
Project consultancy expense	$ 52,500	$ -	$ -

(2) Contingent liabilities

As of September 30, 2020, the Company had 7 unresolved major lawsuits concerning its insurance business. The Company was being claimed for a sum of NT$34,068,000, and NT$24,935,000 of which were covered by reinsurance while the remaining balance was covered by adequate claim reserve. These cases are currently being reviewed by court.

33. Losses from major disasters: None.

34. Other matters

Please see Note 13 for impacts of COVID-19.

35. Major post-balance sheet events: None.

36. Information on foreign currency-denominated financial assets and liabilities and exchange rate:

Please refer to paragraph 1. Market risk in Note 30(4) for foreign currency-denominated financial assets of material impact.

37. Risk management goals, policies, procedures and methods

(1) Risk management policies and goals

The Company has established risk management policies and procedures according to “Risk Management Best Practice Principles for Insurance Enterprises” and “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises” to provide the foundation needed to facilitate proper risk management, business expansion, accomplishment of operational targets, and enhancement of shareholder value. These policies and procedures also provide the basis for other risk management guidelines within the Company.

(2) Risk management framework, organization and responsibilities

1. Risk management framework and organization

The board of directors outlines the Company's risk management policies based on overall operational strategies and the prevailing business environment. The board is ultimately responsible for overall risk management within the Company. A Risk Management Committee has been assembled under the board of directors while a Risk Management Department has been created outside of business units to enable continuous monitoring of the risk management system. The independent director serves as the convener for the Risk Management Committee. The committee's responsibilities are to supervise risk exposures and to ensure that the Company has adequate capital to meet all risks. The Risk Management Department is responsible for executing the risk management policy, consolidating risk information from all departments, and communicating/coordinating across different departments for the execution of risk policies and limits.

2. The responsibilities of each unit are listed as below:

<u>Board of Directors</u>

(1) The board of directors is the highest decision maker of risk management issues, and is ultimately responsible for overall risk management within the Company.

(2) The board is responsible for the establishment of proper risk management systems and cultures, approval and regular review of risk management policies, and making the most efficient allocation of available resources.

(3) The board evaluates risks, consequences and effects from the perspective of the entire organization. It also makes decisions in line with legal capital requirements imposed by the competent authority, while taking into consideration various financial and business rules that are relevant to capital allocation.

(4) The board reviews risk appetite on a yearly basis and makes adjustments as deemed appropriate.

(5) The Chairman is authorized to approve risk management-related policies within the Company.

<u>Risk Management Committee</u>

(1) The committee outlines the Company's risk management policies, framework and organization, and implements quantitative or qualitative standards for the Company's major risk exposures. The committee presents formal reports to the board of directors at least twice a year, and provides the board with relevant updates and recommendation as deemed necessary.

(2) The committee executes the board's risk management decisions and performs full-scale review of the Company's risk management system, implementation and execution at least once a year.

(3) The committee assists and supervises various departments in risk management activities.

(4) The committee adjusts risk exposure category, risk limit and risk mitigation methods depending on changes in the environment.

(5) The committee coordinates risk management practices and establishes communication and interaction across different departments.
(6) The committee supervises overall risk management of the Company.

Risk Management Department

(1) The department assists in the development of risk management policy, framework and organization, and executes board-approved risk management policy.
(2) The department assists in setting risk limits based on risk appetite.
(3) The department is responsible for consolidating risk information from all departments, and communicating/coordinating across different departments for the execution of risk policies and limits.
(4) The department prepares monthly risk management reports.
(5) The department monitors breach and use of risk limit by business units at least twice a year.
(6) The department assists in stress testing.
(7) The department performs back testing where necessary.
(8) The department resolves breach of risk limit by other units.
(9) Other risk management-related affairs.

Business units

(1) Identify risk and report risk exposure
(2) Assess extent of impact (quantitative or qualitative) in the occurrence of risk event, and convey risk information in a timely and accurate manner.
(3) Review risk exposure and limits at least twice a year to ensure that risk limits are properly executed within business units.
(4) Monitor risk exposure and report limit breach, including actions taken by the business unit in response to the breach.
(5) Assist in the development of risk model. Ensure that the business unit adopts consistent and rational assumptions and basis for its risk assessment and modeling.
(6) Ensure that internal control procedures are effectively executed by the business unit in a manner that complies with laws and the Company's risk management policy.
(7) Assist in the gathering of operational risk-related data.
(8) The head of each business unit shall supervise the transfer of risk management information to the Risk Management Department, and is responsible for the daily risk management, reporting and response of the assigned unit.
(9) The head of each business unit shall assign risk management personnel to assist them in the effective execution of risk management tasks.

Internal audit

Internal auditors are responsible for auditing business activities of high integrity risk in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and prevailing regulations. They also assess risk management practices of various business units and the Risk Management Department, and review the design and execution of internal control system. A formal report containing internal auditors' findings is prepared and presented to the board of directors.

(3) Control and disclosure of key risks

The Company has systems and practices in place to manage key risk categories that arise in relation to its business activities, such as market risk, credit risk, liquidity risk, assets and liabilities matching risk, insurance risk and operational risk. These systems and practices are constantly reviewed (including assessment on the effectiveness of risk management system and appropriateness of risk factors) to accommodate the Company's goals, risk exposures and changes in the external environment. The board of directors is reported regularly on the Company's risk management progress, and advised on possible improvements whenever deemed necessary.

(4) Control of insurance contract risks

Insurance contract risks can be distinguished into several risk sub-categories by stages of business activity, including product design and pricing risk, underwriting risk, reinsurance risk, disaster risk, claims risk, and reserve-related risk. Definitions of each risk sub-category are as follows:

1. Insurance risks

   Insurance risk refers to the risk of loss caused by unexpected changes after the Company has collected insurance premiums, assumed the transfer of risk from insured parties and become obliged to pay claims and associated expenses.

2. Product design and pricing risks

   Product design and pricing risk refers to the risk of using inappropriate or inconsistent information for product design, terms setting and pricing, or the risk of reference information becoming obsolete due to unexpected change in circumstances.

3. Underwriting risks

   Underwriting risk refers to the risk of unexpected losses and expenses arising from business solicitation and underwriting review.

4. Reinsurance risks

   Reinsurance risk refers to the risk of reinsurers becoming unable to fulfill obligations for undertaking risks beyond capacity without proper reinsurance arrangement, and thereby rendering the Company unable to collect premiums, claims, or expenses from reinsurers.

5. Disaster risks

   Disaster risk refers to the risk of one or multiple insurance categories suffering losses due to occurrence of risk events, to the extent that may negatively affect the Company's credit rating or solvency.

6. Claims risks

   Claims risk refers to the risk of mishandling customers' claim requests.

7. Reserve-related risks

   Reserve-related risk refers to the risk of underestimating liabilities on insurance coverage underwritten by the Company, leaving insufficient reserves to meet future obligations.

The Company has a set of "Insurance Risk Management Guidelines" and systems in place to manage insurance risks. The risk management process includes risk identification, assessment, response, monitoring and reporting.

(5) Control of insurance risk exposure and avoidance of risk concentration

The Company has adopted practices in accordance with "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms "to manage the risks of retained, ceded, and assumed insurance coverage. Reinsurance plans are devised and executed after taking into consideration the Company's risk tolerance. Please refer to Note 38(9) for retention limits of each insurance category.

(6) Asset and liability management

The Company's insurance liabilities are of short-term nature, which makes liquidity the primary concern in asset and liability management. The Company has identified three liquidity levels: Normal, Cautious and Critical based on the liquidity ratio, and applied different management practices for each of the above levels. The Company tries to maintain liquidity within the Normal level at all times. Any sign of liquidity deteriorating to the Cautious level (before the Critical level) must be reported with asset positions reviewed immediately, followed by a reassessment of asset allocation if necessary. If liquidity deteriorates to the Critical level, an emergency response meeting must be convened immediately to discuss possible solutions.

38. Disclosure of insurance contract-related information

(1) Insurance contract receivables and payables:

Receivables

	September 30, 2020		
	Notes receivable	Premiums receivable	Total
Fire Insurance	$ 8,434	$ 137,725	$ 146,159
Marine insurance	34,614	40,193	74,807
Automobile Insurance	91,710	55,307	147,017
Engineering insurance	1,282	6,485	7,767
Other insurance	7,849	67,310	75,159
	143,889	307,020	450,909
Less: loss provisions	(3,605)	(39,740)	(43,345)
Net amount	$ 140,284	$ 267,280	$ 407,564

	December 31, 2019		
Insurance category	Notes receivable	Premiums receivable	Total
Fire Insurance	$ 8,908	$ 106,686	$ 115,594
Marine insurance	29,028	35,254	64,282
Automobile Insurance	97,810	56,820	154,630
Engineering insurance	409	19,388	19,797
Other insurance	4,612	100,685	105,297
	140,767	318,833	459,600
Less: loss provisions	(3,573)	(40,306)	(43,879)
Net amount	$ 137,194	$ 278,527	$ 415,721

	September 30, 2019		
	Notes receivable	Premiums receivable	Total
Fire Insurance	$ 10,764	$ 179,401	$ 190,165
Marine insurance	34,142	54,448	88,590
Automobile Insurance	85,898	60,685	146,583
Engineering insurance	1,317	7,430	8,747
Other insurance	8,352	84,514	92,866
	140,473	386,478	526,951
Less: loss provisions	(3,534)	(40,664)	(44,198)
Net amount	$ 136,939	$ 345,814	$ 482,753

Commission payable

Class	September 30, 2020	December 31, 2019	September 30, 2019
Fire Insurance	$ 15,416	$ 12,148	$ 16,036
Marine insurance	7,540	6,992	9,414
Automobile Insurance	54,955	68,042	55,293
Engineering insurance	1,488	1,158	1,655
Other insurance	20,153	21,822	23,050
Total	$ 99,552	$ 110,162	$ 105,448

Reinsurance accounts receivable (payable) - retained reinsurance

	September 30, 2020	
	Reinsurance accounts receivable	Reinsurance accounts payable
MAT	$ 88,688	$ 21,947
CMP	46,100	75,951
CRC	16,123	129,354
WIL	12,726	24,804
Others	40,480	157,457
Less: loss provisions	(2,382)	-
Net amount	$ 201,735	$ 409,513

	December 31, 2019	
	Reinsurance accounts receivable	Reinsurance accounts payable
MAT	$ 74,186	$ 80,288
CRC	30,048	98,455
CMP	28,954	59,612
WIL	27,288	29,817
FPH	8,198	3,324
Others	50,502	164,922
Less: loss provisions	(3,589)	-
Net amount	$ 215,587	$ 436,418

	September 30, 2019	
	Reinsurance accounts receivable	Reinsurance accounts payable
MAT	$ 100,425	$ 80,847
CMP	32,428	61,112
CRC	30,367	127,746
WOC	18,120	325
WRT	13,208	16,515
Others	66,712	175,041
Less: loss provisions	(1,207)	-
Net amount	$ 260,053	$ 461,586

(2) Unearned premium reserve

1. Details of unearned premium reserve:

Class	September 30, 2020	December 31, 2019	September 30, 2019
One-year commercial fire insurance	$ 228,247	$ 193,492	$ 246,722
General automobile hull insurance for private vehicle	957,155	914,858	862,687
General automobile liabilities insurance for private vehicle	872,805	836,070	794,923
Mandatory automobile liabilities insurance for private vehicle	257,616	255,166	254,346
Personal accident insurance	330,087	397,695	476,804
Others	1,204,521	1,129,378	1,307,030
	$ 3,850,431	$ 3,726,659	$ 3,942,512

Due to the extensive range of insurance categories involved, only categories that represented more than 5% of outstanding balance were presented above.

2. Details of retained unearned premium reserve:

	September 30, 2020			
	Unearned premium reserve		Ceded unearned premium reserve	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Fire Insurance	$ 601,185	$ 37,054	$ 292,300	$ 345,939
Marine insurance	84,949	1,829	47,708	39,070
Automobile Insurance	2,241,373	145,221	364,401	2,022,193
Engineering/ liability insurance	223,570	22,476	108,868	137,178
Accident/ health insurance	331,746	2,197	130,800	203,143
Other insurance	146,673	12,158	59,547	99,284
	$ 3,629,496	$ 220,935	$ 1,003,624	$ 2,846,807

	December 31, 2019			
	Unearned premium reserve		Ceded unearned premium reserve	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Fire Insurance	$ 556,443	$ 31,493	$ 302,532	$ 285,404
Marine insurance	72,767	2,061	37,876	36,952
Automobile Insurance	2,153,139	146,807	356,645	1,943,301
Engineering/ liability insurance	218,126	22,934	110,827	130,233
Accident/ health insurance	405,792	1,832	231,408	176,216
Other insurance	104,579	10,686	38,164	77,101
	$ 3,510,846	$ 215,813	$ 1,077,452	$ 2,649,207

	September 30, 2019			
	Unearned premium reserve		Ceded unearned premium reserve	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Fire Insurance	$ 663,376	$ 34,090	$ 343,329	$ 354,137
Marine insurance	100,180	3,996	51,733	52,443
Automobile Insurance	2,069,328	145,913	345,448	1,869,793
Engineering/ liability insurance	226,105	24,205	111,663	138,647
Accident/ health insurance	527,214	1,872	344,025	185,061
Other insurance	132,637	13,596	48,750	97,483
	$ 3,718,840	$ 223,672	$ 1,244,948	$ 2,697,564

Note: Presented as reinsurance contract assets.

3. Changes in unearned premium reserve and ceded unearned reserve:

	January 1 to September 30, 2020	
Item	Unearned premium reserve	Ceded unearned premium reserve
Opening amount	$ 3,726,659	$ 1,077,452
Provisions in the current period	3,850,431	1,003,624
Recoveries in the current period	(3,726,659)	(1,077,452)
Closing amount	$ 3,850,431	$ 1,003,624

Item	January 1 to September 30, 2019 Unearned premium reserve	Ceded unearned premium reserve
Opening amount	$ 4,032,127	$ 1,391,535
Provisions in the current period	3,942,512	1,244,948
Recoveries in the current period	(4,032,127)	(1,391,535)
Closing amount	$ 3,942,512	$ 1,244,948

(3) Claim reserve

1. Details of claim reserve:

Class	September 30, 2020	December 31, 2019	September 30, 2019
One-year commercial fire insurance	$ 252,646	$ 303,266	$ 557,514
General automobile hull insurance for private vehicle	232,641	215,473	568,107
General automobile liabilities insurance for private vehicle	598,804	605,136	400,880
Mandatory automobile liabilities insurance for private vehicle	427,202	481,165	231,310
Mandatory motorcycle liabilities insurance	136,597	150,177	208,925
General liabilities insurance	226,923	204,552	157,069
Personal accident insurance	128,193	108,641	90,657
Others	379,203	422,823	398,841
	$ 2,382,209	$ 2,491,233	$ 2,613,303

Due to the extensive range of insurance categories involved, only categories that represented more than 5% of outstanding balance were presented above.

2. Details of retained claim reserve:

	September 30, 2020			
	Claim reserve		Ceded claim reserve	
	Direct underwritten insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Reported but not paid				
Fire Insurance	$ 287,530	$ 2,900	$ 138,377	$ 152,053
Marine insurance	35,286	-	7,063	28,223
Automobile Insurance	686,668	42,094	106,418	622,344
Engineering/ liability insurance	238,629	1,547	110,131	130,045
Accident/ health insurance	24,940	30	12,002	12,968
Other insurance	41,884	41,901	14,853	68,932
	1,314,937	88,472	388,844	1,014,565
Not reported				
Fire Insurance	4,595	1,196	7	5,784
Marine insurance	10,896	-	5,410	5,486
Automobile Insurance	637,392	150,146	232,611	554,927
Engineering/ liability insurance	49,400	711	20,243	29,868
Accident/ health insurance	105,888	12	46,318	59,582
Other insurance	18,461	103	8,097	10,467
	826,632	152,168	312,686	666,114
	$ 2,141,569	$ 240,640	$ 701,530	$ 1,680,679

	December 31, 2019			
	Claim reserve		Ceded claim reserve	
	Direct underwritten insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Reported but not paid				
Fire Insurance	$ 342,255	$ 815	$ 172,105	$ 170,965
Marine insurance	39,319	806	7,609	32,516
Automobile Insurance	693,735	40,565	109,857	624,443
Engineering/ liability insurance	248,831	12,244	124,539	136,536
Accident/ health insurance	16,590	-	7,900	8,690
Other insurance	47,439	3,413	16,706	34,146
	1,388,169	57,843	438,716	1,007,296
Not reported				
Fire Insurance	2,753	277	23	3,007
Marine insurance	20,830	-	13,026	7,804
Automobile Insurance	691,511	149,708	270,406	570,813
Engineering/ liability insurance	45,754	4,756	18,495	32,015
Accident/ health insurance	111,320	-	55,212	56,108
Other insurance	16,930	1,382	7,256	11,056
	889,098	156,123	364,418	680,803
	$ 2,277,267	$ 213,966	$ 803,134	$ 1,688,099

	September 30, 2019			
	Claim reserve		Ceded claim reserve	
	Direct underwritten insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (Note)(3)	Retained insurance (4)=(1)+(2)-(3)
Reported but not paid				
Fire Insurance	$ 433,642	$ 3,170	$ 213,714	$ 223,098
Marine insurance	24,689	840	9,086	16,443
Automobile Insurance	749,073	38,739	145,789	642,023
Engineering/ liability insurance	241,073	11,777	125,360	127,490
Accident/ health insurance	11,240	9	7,132	4,117
Other insurance	51,941	3,503	17,834	37,610
	1,511,658	58,038	518,915	1,050,781
Not reported				
Fire Insurance	3,332	997	40	4,289
Marine insurance	19,651	-	12,019	7,632
Automobile Insurance	683,042	148,123	281,192	549,973
Engineering/ liability insurance	66,817	3,982	30,557	40,242
Accident/ health insurance	102,219	3	57,476	44,746
Other insurance	14,217	1,224	7,053	8,388
	889,278	154,329	388,337	655,270
	$ 2,400,936	$ 212,367	$ 907,252	$ 1,706,051

Note: Presented as reinsurance contract assets.

3. Net change in claim reserves and net change in ceded claim reserves

	January 1 to September 30, 2020							
	Direct underwritten insurance		Assumed reinsurance		Net change in claim reserves (5)=(1)-(2)+(3)-(4)	Ceded reinsurance		Net change in ceded claim reserve (8)=(6)-(7)
	Provisions (1)	Recoveries (2)	Provisions (3)	Recoveries (4)		Provisions (6)	Recoveries (7)	
Reported but not paid								
Fire Insurance	$ 287,530	$ 342,255	$ 2,900	$ 815	($ 52,640)	$ 138,377	$ 172,105	($ 33,728)
Marine insurance	35,286	39,319	-	806	(4,839)	7,063	7,609	(546)
Automobile Insurance	686,668	693,735	42,094	40,565	(5,538)	106,418	109,857	(3,439)
Engineering/ liability insurance	238,629	248,831	1,547	12,244	(20,899)	110,131	124,539	(14,408)
Accident/ health insurance	24,940	16,590	30	-	8,380	12,002	7,900	4,102
Other insurance	41,884	47,439	41,901	3,413	32,933	14,853	16,706	(1,853)
	1,314,937	1,388,169	88,472	57,843	(42,603)	388,844	438,716	(49,872)
Not reported								
Fire Insurance	4,595	2,753	1,196	277	2,761	7	23	(16)
Marine insurance	10,896	20,830	-	-	(9,934)	5,410	13,026	(7,616)
Automobile Insurance	637,392	691,511	150,146	149,708	(53,681)	232,611	270,406	(37,795)
Engineering/ liability insurance	49,400	45,754	711	4,756	(399)	20,243	18,495	1,748
Accident/ health insurance	105,888	111,320	12	-	(5,420)	46,318	55,212	(8,894)
Other insurance	18,461	16,930	103	1,382	252	8,097	7,256	841
	826,632	889,098	152,168	156,123	(66,421)	312,686	364,418	(51,732)
	$ 2,141,569	$ 2,277,267	$ 240,640	$ 213,966	($ 109,024)	$ 701,530	$ 803,134	($ 101,604)

	January 1 to September 30, 2019							
	Direct underwritten insurance		Assumed reinsurance		Net change in claim reserves (5)=(1)-(2) +(3)-(4)	Ceded reinsurance		Net change in ceded claim reserve (8)=(6)-(7)
	Provisions (1)	Recoveries (2)	Provisions (3)	Recoveries (4)		Provisions (6)	Recoveries (7)	
Reported but not paid								
Fire Insurance	$ 433,642	$ 567,654	$ 3,170	$ 2,786	($ 133,628)	$ 213,714	$ 303,826	($ 90,112)
Marine insurance	24,689	166,107	840	317	(140,895)	9,086	110,318	(101,232)
Automobile Insurance	749,073	677,158	38,739	38,798	71,856	145,789	113,584	32,205
Engineering/ liability insurance	241,073	216,752	11,777	15,189	20,909	125,360	99,499	25,861
Accident/ health insurance	11,240	6,927	9	-	4,322	7,132	3,260	3,872
Other insurance	51,941	78,219	3,503	3,615	(26,390)	17,834	23,778	(5,944)
	1,511,658	1,712,817	58,038	60,705	(203,826)	518,915	654,265	(135,350)
Not reported								
Fire Insurance	3,332	5,011	997	778	(1,460)	40	297	(257)
Marine insurance	19,651	7,536	-	-	12,115	12,019	414	11,605
Automobile Insurance	683,042	790,629	148,123	144,849	(104,313)	281,192	348,212	(67,020)
Engineering/ liability insurance	66,817	34,078	3,982	3,764	32,957	30,557	4,050	26,507
Accident/ health insurance	102,219	79,866	3	-	22,356	57,476	38,903	18,573
Other insurance	14,217	9,050	1,224	1,117	5,274	7,053	2,856	4,197
	889,278	926,170	154,329	150,508	(33,071)	388,337	394,732	(6,395)
	$ 2,400,936	$ 2,638,987	$ 212,367	$ 211,213	($ 236,897)	$ 907,252	$ 1,048,997	($ 141,745)

Changes in claim reserves and ceded claim reserves:

	January 1 to September 30, 2020	
Item	Claim reserve	Ceded claim reserve
Opening amount	$ 2,491,233	$ 803,134
Provisions in the current period	2,382,209	701,530
Recoveries in the current period	(2,491,233)	(803,134)
Closing amount	$ 2,382,209	$ 701,530

	January 1 to September 30, 2019	
Item	Claim reserve	Ceded claim reserve
Opening amount	$ 2,850,200	$ 1,048,997
Provisions in the current period	2,613,303	907,252
Recoveries in the current period	(2,850,200)	(1,048,997)
Closing amount	$ 2,613,303	$ 907,252

(4) Special claim reserve

1. Details of special claim reserve:

Nature	Class	September 30, 2020	December 31, 2019	September 30, 2019
Major incident	Commercial earthquake insurance	$ 87,801	$ 90,760	$ 91,747
	Typhoon and flood insurance	61,485	63,558	64,249
		149,286	154,318	155,996
Change of risk	Mandatory automobile liabilities insurance for private vehicle	71,562	35,881	29,477
	Mandatory commercial automobile liabilities insurance	(98,766)	(102,353)	(106,182)
	Mandatory motorcycle liabilities insurance	525,066	538,007	550,741
	Nuclear risks insurance	74,687	74,687	74,687
	Commercial earthquake insurance	587,411	587,411	587,411
	Typhoon and flood insurance	184,082	184,083	184,082
	Government-regulated earthquake insurance	197,532	197,531	197,532
		1,541,574	1,515,247	1,517,748
		$1,690,860	$1,669,565	$1,673,744

2. Details of special claim reserve - mandatory automobile/motorcycle liabilities insurance:

Item	January 1 to September 30, 2020	January 1 to September 30, 2019
Opening amount	$ 471,535	$ 470,860
Provisions in the current period	39,269	13,269
Recoveries in the current period	(12,942)	(10,093)
Closing amount	$ 497,862	$ 474,036

3. Special claim reserve - voluntary automobile/motorcycle liabilities insurance

	January 1 to September 30, 2020					
	Liabilities			Special reserve		
Item	Major incident	Change of risk	Total	Major incident	Change of risk	Total
Opening amount	$ 154,318	$ 1,043,712	$ 1,198,030	$ 569,792	$ 1,111,909	$ 1,681,701
Recoveries in the current period	(5,032)	-	(5,032)	-	-	-
Closing amount	$ 149,286	$ 1,043,712	$ 1,192,998	$ 569,792	$ 1,111,909	$ 1,681,701

	January 1 to September 30, 2019					
	Liabilities			Special reserve		
Item	Major incident	Change of risk	Total	Major incident	Change of risk	Total
Opening amount	$ 161,028	$ 1,043,712	$ 1,204,740	$ 504,170	$ 970,079	$ 1,474,249
Recoveries in the current period	(5,032)	-	(5,032)	-	-	-
Closing amount	$ 155,996	$ 1,043,712	$ 1,199,708	$ 504,170	$ 970,079	$ 1,474,249

Note 1: "Notes on Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon/Flood Insurance) Reserve Enhancement for Non-life Insurance Companies" issued by the competent authority in Jin-Guan-Bao-Cai-Zi No. 10102515061 dated November 9, 2012 permitted the reclassification of special claim reserves for major incidents to special claim reserves for change of risk. The Company had yet to make full provision of special claim reserves for commercial earthquake and Typhoon/flood insurance at that time, and was therefore unable to reclassify balances to special reserves.

Note 2: If the Company had not adopted "Notes on Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon/Flood Insurance) Reserve Enhancement, Notes on Residential Earthquake Coinsurance Members' Reserves, and Rules on Nuclear Risks Insurance Reserves for Non-life Insurance Companies," the amount of Insurance liability - Special claim reserve would have decreased by NT$954,398,000 (net of NT$238,600,000 tax impact) against an increase in special reserve of the same amount as of September 30, 2020; meanwhile, net income for the period from January 1 to September 30, 2020 would have fallen by NT$4,026,000 and earnings per share would have reduced by NT$0.01.

(5) Deficiency reserve

Details of deficiency reserve:

	September 30, 2020			
	Deficiency reserve		Deficiency reserve for ceded coverage	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (3)	Retained insurance (4)=(1)+(2)-(3)
Aviation Insurance	$ 7,599	$ -	$ -	$ 7,599
Professional liability insurance	2,255	14	-	2,269
Fishing Vessel Insurance	10,450	284	9,784	950
Vessel hull insurance	1,031	-	-	1,031
Health Insurance	520	-	-	520
Engineering insurance	5,638	6,851	-	12,489
	$ 27,493	$ 7,149	$ 9,784	$ 24,858

	December 31, 2019			
	Deficiency reserve		Deficiency reserve for ceded coverage	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (3)	Retained insurance (4)=(1)+(2)-(3)
Aviation Insurance	$ 1,424	$ -	$ -	$ 1,424
Professional liability insurance	2,376	18	-	2,394
Fishing Vessel Insurance	8,035	307	7,564	778
Vessel hull insurance	605	-	-	605
Health Insurance	368	-	-	368
Engineering insurance	5,153	6,007	-	11,160
	$ 17,961	$ 6,332	$ 7,564	$ 16,729

	September 30, 2019			
	Deficiency reserve		Deficiency reserve for ceded coverage	
	Direct insurance (1)	Assumed reinsurance (2)	Ceded reinsurance (3)	Retained insurance (4)=(1)+(2)-(3)
Aviation Insurance	$ 4,194	$ -	$ -	$ 4,194
Typhoon and flood insurance	12,216	1,307	-	13,523
Fishing Vessel Insurance	9,552	177	9,133	596
Vessel hull insurance	673	-	-	673
Health Insurance	546	-	-	546
Engineering insurance	3,140	3,781	-	6,921
	$ 30,321	$ 5,265	$ 9,133	$ 26,453

Note: Deficiency reserve for ceded coverage is presented under reinsurance contract assets.

(6) Retained earned premium revenue

The following shows amount and calculation of retained earned gross premiums for the Company's mandatory and voluntary automobile liabilities insurance for the period January 1 to September 30, 2020:

Class	Premium revenues (1)	Reinsurance Premium (2)	Reinsurance premiums expense (3)	Retained premium (4)=(1)+(2)-(3)
Mandatory automobile liabilities insurance	$ 582,604	$ 192,177	$ 243,634	$ 531,147
Voluntary automobile liabilities insurance	4,718,791	114,604	1,124,839	3,708,556
	$ 5,301,395	$ 306,781	$ 1,368,473	$ 4,239,703

For voluntary automobile liabilities insurance, a sum of NT$9,438,000 was contributed to the stabilization fund using applicable percentages for the period January 1 to September 30, 2020.

Class	Direct written insurance unearned premium reserve		Assumed reinsurance unearned premium reserve		Net change in unearned premium reserve (9)=(5)-(6) +(7)-(8)
	Provisions (5)	Recoveries (6)	Provisions (7)	Recoveries (8)	
Mandatory automobile liabilities insurance	$ 309,202	$ 309,040	$ 145,221	$ 146,807	($ 1,424)
Voluntary automobile liabilities insurance	3,320,294	3,201,806	75,714	69,006	125,196
	$ 3,629,496	$ 3,510,846	$ 220,935	$ 215,813	$ 123,772

Item	Ceded reinsurance unearned premium reserve		Net change in ceded unearned premium reserve (12)= (10)-(11)	Retained earned gross premium (13)= (4)-(9)+(12)
	Provisions (10)	Recoveries (11)		
Mandatory automobile liabilities insurance	$ 185,542	$ 185,437	$ 105	$ 532,676
Voluntary automobile liabilities insurance	818,082	892,015	(73,933)	3,509,427
	$ 1,003,624	$ 1,077,452	($ 73,828)	$ 4,042,103

The following shows amount and calculation of retained earned gross premiums for the Company’s mandatory and voluntary automobile liabilities insurance for the period January 1 to September 30, 2019:

Class	Premium revenues (1)	Reinsurance Premium (2)	Reinsurance premiums expense (3)	Retained premium (4)=(1)+(2)-(3)
Mandatory automobile liabilities insurance	$ 580,352	$ 194,711	$ 241,436	$ 533,627
Voluntary automobile liabilities insurance	4,653,623	116,751	1,250,393	3,519,981
	$ 5,233,975	$ 311,462	$ 1,491,829	$ 4,053,608

For voluntary automobile liabilities insurance, a sum of NT$9,307,000 was contributed to the stabilization fund using applicable percentages for the period January 1 to September 30, 2019.

Class	Direct written insurance unearned premium reserve		Assumed reinsurance unearned premium reserve		Net change in unearned premium reserve (9)=(5)-(6) +(7)-(8)
	Provisions (5)	Recoveries (6)	Provisions (7)	Recoveries (8)	
Mandatory automobile liabilities insurance	$ 309,821	$ 319,204	$ 145,912	$ 144,164	($ 7,635)
Voluntary automobile liabilities insurance	3,409,019	3,505,321	77,760	63,438	(81,980)
	$ 3,718,840	$ 3,824,525	$ 223,672	$ 207,602	($ 89,615)

Item	Ceded reinsurance unearned premium reserve Provisions (10)	Ceded reinsurance unearned premium reserve Recoveries (11)	Net change in ceded unearned premium reserve (12)=(10)-(11)	Retained earned gross premium (13)=(4)-(9)+(12)
Mandatory automobile liabilities insurance	$ 185,908	$ 191,527	($ 5,619)	$ 535,643
Voluntary automobile liabilities insurance	1,059,040	1,200,008	(140,968)	3,460,993
	$ 1,244,948	$ 1,391,535	($ 146,587)	$ 3,996,636

(7) Retained claims

The following shows amount and calculation of retained claims for the Company's mandatory and voluntary automobile liabilities insurance for the period January 1 to September 30, 2020:

Class	Insurance claims (including claim-related expenses) (1)	Claims paid for reinsurance (2)	Claims recovered from reinsurers (3)	Retained claims (4)=(1)+(2)-(3)
Mandatory automobile liabilities insurance	$ 409,898	$ 194,778	$ 245,789	$ 358,887
Voluntary automobile liabilities insurance	2,316,607	20,754	483,123	1,854,238
	$ 2,726,505	$ 215,532	$ 728,912	$ 2,213,125

The following shows amount and calculation of retained claims for the Company's mandatory and voluntary automobile liabilities insurance for the period January 1 to September 30, 2019:

Class	Insurance claims (including claim-related expenses) (1)	Claims paid for reinsurance (2)	Claims recovered from reinsurers (3)	Retained claims (4)=(1)+(2)-(3)
Mandatory automobile liabilities insurance	$ 461,895	$ 181,266	$ 269,835	$ 373,326
Voluntary automobile liabilities insurance	2,546,101	59,674	727,292	1,878,483
	$ 3,007,996	$ 240,940	$ 997,127	$ 2,251,809

(8) Policyholders' reported claims liability

Policyholders' reported and paid/unpaid and unreported claims liability:

	September 30, 2020			
	Insurance claims payable	Claim reserves		
	Reported and paid	Reported but not paid	Not reported	Total
Fire Insurance	$ -	$ 290,430	$ 5,791	$ 296,221
Marine insurance	-	35,286	10,896	46,182
Automobile Insurance	172	728,762	787,538	1,516,300
Engineering/ liability insurance	-	240,176	50,111	290,287
Accident/ health insurance	-	24,970	105,900	130,870
Other insurance	1,614	83,785	18,564	102,349
	$ 1,786	$ 1,403,409	$ 978,800	$ 2,382,209

	December 31, 2019			
	Insurance claims payable	Claim reserves		
	Reported and paid	Reported but not paid	Not reported	Total
Fire Insurance	$ -	$ 343,070	$ 3,030	$ 346,100
Marine insurance	-	40,125	20,830	60,955
Automobile Insurance	-	734,300	841,219	1,575,519
Engineering/ liability insurance	-	261,075	50,510	311,585
Accident/ health insurance	-	16,590	111,320	127,910
Other insurance	-	50,852	18,312	69,164
	$ -	$ 1,446,012	$ 1,045,221	$ 2,491,233

	September 30, 2019			
	Insurance claims payable	Claim reserves		
	Reported and paid	Reported but not paid	Not reported	Total
Fire Insurance	$ -	$ 436,812	$ 4,329	$ 441,141
Marine insurance	-	25,529	19,651	45,180
Automobile Insurance	4	787,812	831,165	1,618,977
Engineering/ liability insurance	10	252,850	70,799	323,649
Accident/ health insurance	-	11,249	102,222	113,471
Other insurance	1,715	55,444	15,441	70,885
	$ 1,729	$ 1,569,696	$ 1,043,607	$ 2,613,303

Reinsurance contract asset - claims recoverable from reinsurers for obligatory payments made to policyholders

	September 30, 2020	December 31, 2019	September 30, 2019
Class	Actual payments	Actual payments	Actual payments
Fire Insurance	$ 1,250	$ 4,968	$ 2,961
Marine insurance	3,669	17,977	49,508
Automobile Insurance	77,636	76,637	74,067
Engineering/ liability insurance	10,922	11,682	14,899
Accident/ health insurance	37,363	49,562	82,659
Other insurance	2,371	6,266	3,795
Subtotal	133,211	167,092	227,889
Less: allowance for bad debt	(736)	(1,010)	(3,038)
Net amount	$ 132,475	$ 166,082	$ 224,851

Reinsurance contract asset - please refer to Note 38(3) for the amount of ceded claim reserve provided on policyholders' reported and unpaid and unreported claims liability.

(9) Retention limits by insurance category

Class	January 1 to September 30, 2020	January 1 to September 30, 2019
Fire Insurance	$ 250,000	$ 250,000
Engineering insurance	250,000	250,000
Liabilities insurance	150,000	150,000
Cargo insurance	75,000	75,000
Vessel hull insurance	60,000	60,000
Fishing Vessel Insurance	60,000	60,000
Automobile hull insurance	13,800	13,800
Automobile third-party liability insurance (per incident)	202,400	202,400
Automobile passenger liability insurance (per incident)	644,000	644,000
Personal accident insurance	30,000	30,000
Health insurance	2,000	2,000

(10) Acquisition costs for insurance contracts

	January 1 to September 30, 2020			
	Commission Expenses	Service Charges	Reinsurance commission expense	Total
Fire Insurance	$ 63,792	$ -	$ 3,170	$ 66,962
Marine insurance	25,113	-	471	25,584
Automobile Insurance	469,610	100,343	-	569,953
Engineering/ liability insurance	36,584	-	7,980	44,564
Accident/ health insurance	81,724	-	121	81,845
Other insurance	17,942	-	1,860	19,802
	$ 694,765	$ 100,343	$ 13,602	$ 808,710

	January 1 to September 30, 2019			
	Commission Expenses	Service Charges	Reinsurance commission expense	Total
Fire Insurance	$ 69,538	$ -	$ 3,342	$ 72,880
Marine insurance	27,452	-	780	28,232
Automobile Insurance	449,335	103,735	-	553,070
Engineering/ liability insurance	44,194	-	8,546	52,740
Accident/ health insurance	83,467	-	115	83,582
Other insurance	20,825	-	1,899	22,724
	$ 694,811	$ 103,735	$ 14,682	$ 813,228

None of the insurance contract acquisition cost above was recognized on a deferred basis.

(11) Insurance profitability analysis

Profitability analysis for direct underwritten insurance:

	January 1 to September 30, 2020					
	Premium revenues (1)	Net change in unearned premium reserve (2)	Acquisition costs for insurance contracts (3)	Insurance claims (including claim-related expenses) (4)	Net change in claim reserves (5)	Profit (loss) on insurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 762,656	$ 44,742	$ 63,792	$ 127,073	($ 52,883)	$ 579,932
Marine insurance	246,669	12,182	25,113	90,328	(13,967)	133,013
Automobile Insurance	3,413,257	88,234	569,953	2,080,870	(61,186)	735,386
Engineering/ liability insurance	260,917	5,444	36,584	104,121	(6,556)	121,324
Accident/ health insurance	395,859	(74,046)	81,724	271,254	2,918	114,009
Other insurance	222,037	42,094	17,942	52,859	(4,024)	113,166
	$ 5,301,395	$ 118,650	$ 795,108	$ 2,726,505	($ 135,698)	$ 1,796,830

	January 1 to September 30, 2019					
	Premium revenues (1)	Net change in unearned premium reserve (2)	Acquisition costs for insurance contracts (3)	Insurance claims (including claim-related expenses) (4)	Net change in claim reserves (5)	Profit (loss) on insurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 789,375	$ 19,647	$ 69,538	$ 191,750	($ 135,691)	$ 644,131
Marine insurance	295,544	3,417	27,452	286,206	(129,303)	107,772
Automobile Insurance	3,199,603	3,648	553,070	2,063,094	(35,672)	615,463
Engineering/ liability insurance	280,750	(7,065)	44,194	103,506	57,060	83,055
Accident/ health insurance	463,504	(158,212)	83,467	336,232	26,666	175,351
Other insurance	205,199	32,880	20,825	27,208	(21,111)	145,397
	$ 5,233,975	($ 105,685)	$ 798,546	$ 3,007,996	($ 238,051)	$ 1,771,169

Profitability analysis for assumed reinsurance:

	January 1 to September 30, 2020					
	Reinsurance Premium (1)	Net change in unearned premium reserve (2)	Reinsurance commission expense (3)	Claims paid for reinsurance (4)	Net change in claim reserves (5)	Profit (loss) on assumed reinsurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 55,102	$ 5,561	$ 3,170	$ 1,480	$ 3,004	$ 41,887
Marine insurance	4,806	(232)	471	6,311	(806)	(938)
Automobile Insurance	192,177	(1,586)	-	194,778	1,967	(2,982)
Engineering/ liability insurance	33,224	(458)	7,980	11,465	(14,742)	28,979
Accident/ health insurance	3,285	365	121	441	42	2,316
Other insurance	18,187	1,472	1,860	1,057	37,209	(23,411)
	$ 306,781	$ 5,122	$ 13,602	$ 215,532	$ 26,674	$ 45,851

	January 1 to September 30, 2019					
	Reinsurance Premium (1)	Net change in unearned premium reserve (2)	Reinsurance commission expense (3)	Claims paid for reinsurance (4)	Net change in claim reserves (5)	Profit (loss) on assumed reinsurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 48,855	$ 3,518	$ 3,342	$ 7,090	$ 603	$ 34,302
Marine insurance	7,751	115	780	6,365	523	(32)
Automobile Insurance	194,711	1,765	-	181,266	3,215	8,465
Engineering/ liability insurance	37,698	3,229	8,546	45,237	(3,194)	(16,120)
Accident/ health insurance	2,759	137	115	218	12	2,277
Other insurance	19,688	7,306	1,899	764	(5)	9,724
	$ 311,462	$ 16,070	$ 14,682	$ 240,940	$ 1,154	$ 38,616

Current profit/loss recognized on ceded insurance contracts:

	January 1 to September 30, 2020					
	Reinsurance premiums expense (1)	Net change in ceded unearned premium reserve (2)	Reinsurance commission revenues (3)	Claims recovered from reinsurers (4)	Net change in ceded claim reserve (5)	(Profit) loss on ceded reinsurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 393,973	($ 10,232)	$ 21,911	$ 58,366	($ 33,744)	$ 357,672
Marine insurance	85,263	9,832	9,403	6,499	(8,162)	67,691
Automobile Insurance	513,008	7,756	103,036	410,794	(41,234)	32,656
Engineering/ liability insurance	119,281	(1,959)	30,713	49,931	(12,660)	53,256
Accident/ health insurance	144,450	(100,608)	39,796	183,974	(4,792)	26,080
Other insurance	112,498	21,383	9,505	19,348	(1,012)	63,274
	$ 1,368,473	($ 73,828)	$ 214,364	$ 728,912	($ 101,604)	$ 600,629

	January 1 to September 30, 2019					
	Reinsurance premiums expense (1)	Net change in ceded unearned premium reserve (2)	Reinsurance commission revenues (3)	Claims recovered from reinsurers (4)	Net change in ceded claim reserve (5)	(Profit) loss on ceded reinsurance (6)=(1)-(2)-(3)-(4)-(5)
Fire Insurance	$ 430,109	($ 9,890)	$ 23,716	$ 109,758	($ 90,369)	$ 396,894
Marine insurance	108,285	12,036	12,241	162,572	(89,627)	11,063
Automobile Insurance	487,359	(10,259)	82,256	427,051	(34,815)	23,126
Engineering/ liability insurance	133,042	(4,962)	45,068	61,505	52,368	(20,937)
Accident/ health insurance	230,726	(146,831)	49,303	236,875	22,445	68,934
Other insurance	102,308	13,319	8,004	(634)	(1,747)	83,366
	$ 1,491,829	($ 146,587)	$ 220,588	$ 997,127	($ 141,745)	$ 562,446

(12) Information on insurance risks

1. Sensitivity analysis for insurance risks

The Company conducts sensitivity analysis on major assumptions that have the potential to affect claim reserves, such as average cost of claim, claim-related expenses and number of claim cases. Impacts on claim reserves are established by making reasonable and possible changes to one assumption while holding other major assumptions constant. For example, a change to the variable “average cost of claim” would result in a proportional change in claim reserves. Detailed analysis is presented below:

	September 30, 2020				
		Effect on gross claims reserve	Effect on net claims reserve	Effect on pre-tax profit	Pre-tax effect on owners’ equity
	Single-variable change	Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
Average cost of claim	5%	$ 88,416	$ 66,010	(66,010)	(66,010)

Note: The above analysis does not include mandatory automobile liabilities insurance, nuclear risks insurance, and government-regulated earthquake insurance.

2. Explanation to concentration of insurance risks

The Company sets retention limits depending on the risks associated with individual insurance categories. Risks are transferred away through the use of reinsurance, which reduces concentration of insurance risks and the impacts they have on the Company. Risk concentration by business category is explained below:

	January 1 to September 30, 2020		January 1 to September 30, 2020	
	Direct written premiums	%	Cumulative retained premiums (Note)	%
Fire Insurance	$ 762,656	14.39	$ 423,785	10.00
Marine insurance	246,669	4.65	166,212	3.92
Automobile Insurance	3,413,257	64.38	3,092,426	72.94
Engineering/ liability insurance	260,917	4.92	174,860	4.12
Accident/ health insurance	395,859	7.47	254,694	6.01
Other insurance	222,037	4.19	127,726	3.01
	$ 5,301,395	100.00	$ 4,239,703	100.00

	January 1 to September 30, 2019		January 1 to September 30, 2019	
	Direct written premiums	%	Cumulative retained premiums (Note)	%
Fire Insurance	$ 789,375	15.08	$ 408,121	10.07
Marine insurance	295,544	5.65	195,010	4.81
Automobile Insurance	3,199,603	61.13	2,906,955	71.72
Engineering/ liability insurance	280,750	5.36	185,406	4.57
Accident/ health insurance	463,504	8.86	235,537	5.81
Other insurance	205,199	3.92	122,579	3.02
	$ 5,233,975	100.00	$ 4,053,608	100.00

Note: represents the sum of premium revenue, reinsurance premium revenue and reinsurance premium expense.

<u>Claims trends</u>

Trend analysis for claims on direct insurance is as follows:

	September 30, 2020					
	Year count					
Year of accident	1	2	3	4	5	6
≤2015	$ 30,978,975	$ 31,120,332	$ 31,172,606	$ 31,172,925	$ 31,141,265	$ 31,147,909
2016	3,518,890	3,768,046	3,753,540	3,755,040	3,742,509	
2017	2,844,485	3,138,851	3,155,289	3,150,617		
2018	3,350,844	3,575,988	3,580,640			
2019	2,878,243	3,090,387				
2020	2,043,630					

Note: The above table does not include mandatory automobile liabilities insurance, nuclear risks insurance, and government-regulated earthquake insurance.

(13) Credit risk, liquidity risk and market risk of insurance contracts

1. Credit risk of insurance contracts

All reinsurance contracts held by the Company are evaluated according to "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms."

With regards to ceded insurance as of September 30, 2020, the Company was required to disclose ceded claim reserve for reported and unpaid liability totaling NT$28,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms."

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$71,000 and ceded claim reserve for reported and unpaid liability totaling NT$3,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$102,000 (including NT$71,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$31,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$102,000 of additional reserve and liability does not affect the Company's financial statements.

With regards to ceded insurance as of December 31, 2019, the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$59,000 and ceded claim reserve for reported and unpaid liability totaling NT$85,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms."

For the sum of commercial fire insurance ceded to ASIA CAPITAL REINSURANCE GROUP PTE LTD, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose substandard reinsurance premium expenses totaling NT$694,000.

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$117,000 and ceded claim reserve for reported and unpaid liability totaling NT$38,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$646,000 (including NT$347,000 of ceded unearned premium reserve, NT$176,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$123,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$646,000 of additional reserve and liability does not affect the Company's financial statements.

With regards to ceded insurance as of September 30, 2019, the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$61,000 and ceded claim reserve for reported and unpaid liability totaling NT$212,000 on the sum of marine hull insurance ceded to Tugu Insurance Company Ltd., a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms."

For the sum of accident insurance ceded to Trust International Insurance and Reinsurance Company B.S.C.(C).Trust Re Labuan Branch, a reinsurer that did not conform with the credit grading requirements stated in Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the Company was required to disclose claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months totaling NT$1,848,000 and ceded claim reserve for reported and unpaid liability totaling NT$30,000.

In addition, the Company was required to make provisions for substandard reinsurance reserve of NT$2,151,000 (including NT$1,909,000 of claims recoverable from reinsurers for obligatory payments made to policyholders in the last 9 months, and NT$242,000 of ceded claim reserve for reported and unpaid liability) when preparing regulatory reports; however, this NT$2,151,000 of additional reserve and liability does not affect the Company's financial statements.

2. Liquidity risk of insurance contracts

The Company manages liquidity risk of its insurance contracts in three liquidity levels: Normal, Cautious and Critical. The Company's liquidity position as of September 30, 2020 was considered to be at the Normal level, which posed no concern of liquidity risk.

3. Market risk of insurance contracts

None of the insurance contracts and reinsurance contracts issued or held by the Company involved any significant market risk.

(14) Assets, liabilities, revenues and costs of mandatory automobile liabilities insurance

1. Assets and liabilities of mandatory automobile liabilities insurance

(in NT$ 1,000)

Item	Amount			Item	Amount		
Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities	September 30, 2020	December 31, 2019	September 30, 2019
Cash and bank deposits (Note)	$ 1,088,698	$ 1,089,353	$ 1,130,063	Notes payable	$ -	$ -	$ -
Cash equivalents	-	-	-	Claims payable	-	-	-
Notes receivable	14,880	8,511	8,496	Claims payable to reinsurers	-	-	-
Premiums receivable	12,190	16,055	11,230	Reinsurance accounts payable	75,951	59,612	61,112
Claims recoverable from reinsurers	20,136	23,744	22,452	Unearned premium reserve	454,424	455,847	455,734
Reinsurance accounts receivable	67,397	50,416	53,752	Claim reserve	613,821	683,359	770,353
Other receivables	-	-	524	Special reserve	497,862	471,535	474,036
Financial assets at fair value through other comprehensive income	-	-	-	Receipts in suspense and pending settlement	208	-	-
Ceded unearned premium reserve	185,542	185,437	185,908	Other liabilities	-	-	-
Ceded claim reserve	253,423	296,837	348,350				
Payments in suspense and pending settlement	-	-	460				
Other assets	-	-	-				
Total assets	1,642,266	$ 1,670,353	$ 1,761,235	Total liabilities	1,642,266	$ 1,670,353	$ 1,761,235

Note: As of September 30, 2020, December 31, 2019 and September 30, 2019, NT$372,697,000, NT$373,353,000 and NT$414,063,000 of which were presented as cash, while NT$716,000,000, NT$716,000,000 and NT$716,000,000 of which were presented as other financial assets, respectively.

2. Revenues and costs of mandatory automobile liabilities insurance

(in NT$ 1,000)

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Revenue				
Pure premium revenues	$ 139,408	$ 133,448	$ 406,020	$ 402,368
Reinsurance Premium	65,133	65,011	192,177	194,711
Premium revenues	204,541	198,459	598,197	597,079
Less: reinsurance premiums expense	(83,650)	(80,070)	(243,634)	(241,436)
Net change in unearned premium reserve	(877)	489	1,528	2,015
Retained Earned Premium	120,014	118,878	356,091	357,658
Interest income	889	1,218	2,999	3,655
Total operating revenues	120,903	$ 120,096	359,090	$ 361,313
Operating Cost				
Insurance claims (including reinsurance claims of NT$63,452,000, NT$50,133,000, NT$194,778,000 and NT$181,266,000, respectively)	189,992	$ 172,709	604,676	$ 643,161
Less: claims recovered from reinsurers	(75,584)	(73,392)	(245,789)	(269,835)
Retained claims	114,408	99,317	358,887	373,326
Net change in claim reserves	(1,070)	24,285	(26,124)	(15,189)
Net change in special claim reserves	7,565	(3,506)	26,327	3,176
Total operating costs	120,903	$ 120,096	359,090	$ 361,313

39. Other disclosures

(1) Major transactions:

1. Acquisition of real estate properties amounting to more than NT$100 million or 20% of paid up capital: None.
2. Disposal of real estate properties amounting to more than NT$100 million or 20% of paid up capital: None.
3. Core business transactions conducted with related parties that amount to more than NT$100 million or more than 20% of paid-up capital: None.
4. Related party receivables amounting to more than NT$100 million or 20% of paid-up capital: None.
5. Trading of derivatives: None.
6. Others: None.

(2) Information on invested businesses: None.

(3) Information relating to investments and business activities in the Mainland: None.

(4) Information of dominant shareholders:

Unit: shares

Shareholding / Name of dominant shareholder	Shares held	Shareholding percentage (%)
Chien Cheng Development Co., Ltd.	18,806,192	6.24%
OSTA TRADING CO., LTD.	15,823,085	5.25%
Sheng Ching Investment Co., Ltd.	15,159,289	5.03%

Note 1: Information on major shareholders, as presented in this chart, was taken from records of the Taiwan Depository & Clearing Corporation as of the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: Shareholders who placed shares under trust are disclosed based on sub-accounts under trustee's main trust account. Shareholders with more than 10% ownership interest are subject to insider equity reporting, according to the Securities and Exchange Act. Insider equity includes shares held in own name and any shares placed under trust that the insider has control over. Please access the Market Observation Post System for reports on insider equity.

40. Segment information

Non-life insurance was the Company's primary and only major business segment for periods from January 1 to September 30, 2020 and 2019; therefore, segment-by-segment disclosure of financial information is not required.