CENTRAL REINSURANCE CORPORATION

FINANCIAL STATEMENTS AND REVIEW REPORT

OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2015 AND 2014

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR15000011

To Central Reinsurance Corporation

We have reviewed the accompanying balance sheets of Central Reinsurance Corporation as of March 31, 2015 and 2014, and the related statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

April 29, 2015

Taipei, Taiwan

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

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

Items	Notes	Three months ended March 31 2015 AMOUNT	2015 %	2014 (adjusted) AMOUNT	2014 (adjusted) %
Operating revenues					
Gross premiums written		$ 4,029,068	105	$ 4,457,085	108
Less: Reinsurance premiums ceded		(314,382)	(8)	(393,824)	(9)
Net change in unearned premium reserve	6(9)	(177,740)	(4)	(126,645)	(3)
Retention earned premiums		3,536,946	93	3,936,616	96
Reinsurance commission revenue		82,423	2	83,984	2
Overriding commission revenue		3,527	-	3,953	-
Net gain from investment					
Interest income		67,364	2	72,111	2
Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss	6(3)	43,796	1	(32,808)	(1)
Realized gain or loss on available-for-sale financial assets		105,237	3	12,812	-
Realized gain or loss on investments in debt instrument without active market		19,323	-	-	-
Foreign exchange gain		(38,897)	(1)	31,481	1
Gain on investment property	6(8)	6,209	-	5,426	-
Total net gain from investment		203,032	5	89,022	2
Other operating revenues		981	-	2,826	-
Total operating revenues		3,826,909	100	4,116,401	100
Operating costs					
Reinsurance claims paid		(2,843,668)	(74)	(2,619,035)	(64)
Less: Reinsurance claims recovery		122,009	3	124,439	3
Retention reinsurance claims paid		(2,721,659)	(71)	(2,494,596)	(61)
Net changes in other insurance liabilities	6(9)	488,399	13	(14,974)	-
Reinsurance commission expenses		(1,131,516)	(30)	(1,243,470)	(30)
Other operating costs		(7,086)	-	(464)	-
Total operating costs		(3,371,862)	(88)	(3,753,504)	(91)
Operating expenses					
Selling expenses		(55,834)	(2)	(70,554)	(2)
Administration expenses		(33,945)	(1)	(29,911)	(1)
Training expenses		(171)	-	(64)	-
Total operating expenses		(89,950)	(3)	(100,529)	(3)
Net operating income		365,097	9	262,368	6
Non-operating income and expenses		1	-	21	-
Income from continuing operations before tax		365,098	9	262,389	6
Income tax expense	6(18)	(52,226)	(1)	(38,254)	(1)
Income from continuing operations after tax		312,872	8	224,135	5
Net income		312,872	8	224,135	5

(Continued)

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

		Three months ended March 31			
		2015		2014 (adjusted)	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Items may be reclassified to profit or loss subsequently					
Unrealized gain on available-for-sale financial assets	6(4)	$ 100,955	3	($ 46,897)	(1)
Income tax relating to the items may be reclassified to profit or loss subsequently	6(4)(18)	(2,358)	-	3,669	-
Total other comprehensive income (loss) for the year (after tax)		98,597	3	(43,228)	(1)
Total comprehensive income for the year		$ 411,469	11	$ 180,907	4
Earnings per share (after tax)					
Basic and Diluted (in NT dollars)			$ 0.56		$ 0.40

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

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

				Retained Earnings			Other Equity	
	Notes	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings	Unrealized Gain or Loss on Available-for sale Financial Assets	Total Equity
For the three months ended March 31, 2014								
Balance at January 1, 2014		$ 5,622,750	$ 300,000	$ 1,127,818	$ 1,266,462	$ 784,255	($ 67,737)	$ 9,033,548
Net income for the period		-	-	-	-	224,135	-	224,135
Other comprehensive income for the period	6(4)	-	-	-	-	-	(43,228)	(43,228)
Balance at March 31, 2014		$ 5,622,750	$ 300,000	$ 1,127,818	$ 1,266,462	$ 1,008,390	($ 110,965)	$ 9,214,455
For the three months ended March 31, 2015								
Balance at January 1, 2015		$ 5,622,750	$ 300,000	$ 1,274,236	$ 976,714	$ 1,118,951	$ 164,265	$ 9,456,916
Net income for the period		-	-	-	-	312,872	-	312,872
Other comprehensive income for the period	6(4)	-	-	-	-	-	98,597	98,597
Balance at March 31, 2015		$ 5,622,750	$ 300,000	$ 1,274,236	$ 976,714	$ 1,431,823	$ 262,862	$ 9,868,385

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

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

	Notes	For the three months ended March 31 2015	For the three months ended March 31 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		$ 365,098	$ 262,389
Adjustments to reconcile profit before income tax to net cash (used in) provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation		2,265	1,854
Amortization	6(19)	387	324
Net change in reserves		(310,659)	141,619
Net gain on financial assets and liabilities at fair value through profit or loss		(76,377)	(29,894)
Net gain on available-for-sale financial assets		(102,175)	(1,119)
Net gain on investments in debt instrument without active market		(19,323)	-
Interest income		(72,034)	(76,420)
Dividend income		(3,063)	(21,110)
Unrealized foreign exchange loss (gain)		52,498	(9,430)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(37,678)	(46,475)
Financial assets at fair value through profit or loss		(12,487)	(16,945)
Reinsurance contract assets		(48,377)	(252,113)
Other assets		35,549	(6,123)
Net changes in liabilities relating to operating activities			
Accounts payable		123,184	161,569
Provisions		(59)	(188)
Other liabilities		(7,001)	14,279
Cash (used in) generated from operations		(110,252)	122,217
Interest received		56,427	58,102
Dividend received		2,956	19,689
Cash paid for income tax		(4,210)	(4,663)
Net cash (used in) provided by operating activities		(55,079)	195,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(3,015)	-
Acquisition of available-for-sale financial assets		(3,815,428)	(2,281,414)
Proceeds from disposal of available-for-sale financial assets		3,020,136	2,039,234
Acquisition of investments in debt instrument without active market		(206,456)	(5,196)
Proceeds from repayments of investments in debt instrument without active market		423,249	34,266
Acquisition of property and equipment	6(12)	(2,241)	(5,174)
Acquisition of investment property	6(8)	-	(1,528)
Increase in other financial assets		262,000	(262,000)
Acquisition of intangible assets		(313)	-
Net cash used in investing activities		(322,068)	(481,812)
Effects of exchange rate changes		(22,795)	1,700
Decrease in cash and cash equivalents		(399,942)	(284,767)
Cash and cash equivalents at beginning of period		18,430,910	17,673,887
Cash and cash equivalents at end of period		$ 18,030,968	$ 17,389,120

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

CENTRAL REINSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)
(Unaudited)

1. HISTORY AND ORGANIZATION

Central Reinsurance Corporation ("the Company") was originally a state-owned enterprise, incorporated on October 31, 1968, and provides a broad range of property and life inward and outward reinsurance services. The Company's shares of stock have been traded on the Taiwan Stock Exchange since July 6, 2000. On July 9, 2002, the Ministry of Finance (MOF), the major shareholder of the Company, privatized the Company in accordance with rules of privatization of government-owned enterprises, effective on July 11, 2002. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company's parent company.

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

These financial statements were authorized for issuance by the Board of Directors on April 29, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, the Company shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Rules for the Preparation of Financial Reports by Insurance Institutions" effective January 1, 2015 (collectively referred herein as "the 2013 version of IFRS") in preparing the financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A.IAS 19 (revised), 'Employee benefits'

The revised standard requires net interest expense or income, calculated by applying the discount rate to the net defined benefit liability (asset), replaces the finance charge and expected return on plan assets. Based on the Company's assessment, the adoption of the standard has no impact on its financial statements, and the Company will disclose additional information about defined benefit plans accordingly.

B.IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C.Disclosures - Offsetting financial assets and financial liabilities (amendment to IFRS 7)

The standard requirements in accordance with IAS 32, 'Financial Instruments: Presentation': financial assets and liabilities shall be offset and the net amount presented in the statement of financial position when the Company currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In order to enable financial reporting users to assess the impact or potential impact of net settlement of financial instruments to companies' finance, financial instruments that qualify the definition to offset shall be presented in a tabular format of net amount of financial assets and financial liabilities for quantitative disclosure of total amount. The Company includes qualitative and quantitative disclosures for offsetting financial assets and financial liabilities.

D.IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Company will disclose additional information about its interests in unconsolidated structured entities accordingly.

E.IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. The standard also requires disclosures about fair value measurements. Based on the Company's assessment, the adoption of the standard has no impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the financial statements will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These financial statements are prepared by the Company in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and IAS 34, 'Interim Financial Report' as endorsed by the FSC.

(2) Basis of preparation

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

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

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Available-for-sale financial assets measured at fair value.

(c)Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

(d)Various insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

C.The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A.Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction date. The translation differences upon actual payment are recognized in current profit or loss.

B.Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the reporting date. Exchange differences arising upon re-translation at the reporting date are recognized in current profit or loss.

C.Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D.Except for aforementioned non-monetary assets denominated in foreign currencies held at fair value through profit or loss, foreign exchange gains or losses that arise from investing activities are recognized under net gain (loss) from investment in the statement of comprehensive income. Other foreign exchange gains or losses that do not arise from investing activities are recognized under other operating revenues or other operating costs.

(4) Cash equivalents

A.The statement of cash flows is prepared on the basis of cash and cash equivalents.

B.Cash equivalents refer to short-term, highly liquid investments that are:

(a)Readily convertible to known amount of cash; and

(b)Subject to an insignificant risk of changes in value.

C.Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A.Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a)Hybrid (combined) contracts; or

(b)They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c)They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B.On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C.Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

D.Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss recognized in the statement of comprehensive income includes gain or loss arising from transactions, dividend and bonus, interest income, and evaluation at fair value on balance sheet date.

(6) Available-for-sale financial assets

A.Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B.On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C.Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. The cumulative gain or loss should be reclassified from equity to profit or loss when financial assets are derecognized.

D.The realized gain or loss on available-for-sale financial assets recognized in the statement of comprehensive income includes gain or loss arising from transactions as well as dividend and bonus except interest income.

(7) Investments in debt instrument without active market

A.Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

(a)Not designated on initial recognition as at fair value through profit or loss;

(b)Not designated on initial recognition as available-for-sale;

(c)Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

B.On a regular way purchase or sale basis, investments in debt instrument without active market are recognized and derecognized using trade date accounting.

C.Investments in debt instrument without active market are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

D.The realized gain (loss) on investments in debt instrument without active market recognized in the statement of comprehensive income includes gain or loss arising from transactions except interest income.

(8) Derivative financial instruments

A derivative financial instrument is initially recognized and subsequently measured at fair value. Any changes in the fair value are recognized in profit or loss.

The gain or loss relating to derivative financial instrument is recognized in the statement of comprehensive income within “gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss”.

(9) Impairment of financial assets

A.The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B.The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(a)Significant financial difficulty of the issuer or debtor;

(b)A breach of contract, such as a default or delinquency in interest or principal payments;

(c)The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d)It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(e)The disappearance of an active market for that financial asset because of financial difficulties;

(f)Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g)Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(h)A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C.When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a)Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss.

Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Investment property

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

B.The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions can be sold separately, the own-use portion is accounted for in accordance with IAS 16, "Property, plant and equipment". However, property held either to earn rental income or for capital appreciation or for both is subject to IAS 40, "Investment Property". If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.

C.An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain or loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain or loss on investment property under net gain from investment. Except for land, property is depreciated on a straight-line basis over its estimated useful life of 3 to 60 years. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

(11) Lease

The Company's lease contracts are all operating leases, where substantially all risks and rewards of ownership of the assets remain with the lessor. If the Company is a lessor, assets involved in operating lease are recognized under "investment property". If the Company is a lessee, leased assets will not be recognized in the balance sheet. Payments that the Company receives or charges under the operating lease are recognized as "gain or loss on investment property" and "operating expenses".

(12) Reinsurance contract assets

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

(13) Impairment on reinsurance contract assets

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

(14) Property and equipment

A.Property and equipment are stated initially at its cost including related transaction costs, measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Reserve for land revaluation increment tax set aside for revaluation over the current land value is recognized as deferred income tax liabilities. Subsequent costs of major renewals and betterments are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B.Depreciation is computed using straight-line method over the estimated service lives as follows: buildings and equipment, 3 to 60 years; computer equipment, 3 to 6 years; transportation equipment, 3 to 10 years; and miscellaneous equipment, 3 to 10 years.

C.The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.

D.When an asset is retired or disposed, the cost plus revaluation increment, if any, and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to non-operating income and expenses during the financial period in which they are incurred.

(15) Impairment of non-financial assets

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

(16) Allowance for doubtful accounts

Accounts receivable, due from reinsurers and ceding companies under reinsurance contract assets, refundable deposits and funds held by other insurance companies under other assets, and other rights may be transferred to overdue accounts booked in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts" and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Delinquent Accounts Receivable on Demand by Insurance Enterprises", and the Company shall also recognize appropriate allowance for doubtful accounts with consideration of impairment losses and unrecoverable amounts.

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

A.Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B.Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(18) Derecognition of financial assets and financial liabilities

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

(a)The contractual rights to receive the cash flows from the financial asset expire.

(b)The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

(c)The contractual rights to receive cash flows from the financial asset have been transferred; however, the Company has not retained control of the financial asset.

B.A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires. Any difference between the book value of extinguished or transferred financial liabilities and the consideration paid is recognized in profit or loss.

(19) Offsetting financial instruments

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

(20) Classification of reinsurance contracts

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

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

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

(21) Basis of valuation of insurance liabilities

The reserves related to Compulsory Automobile Liability Insurance are determined in accordance with "Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance".

The equalization reserve related to residential earthquake insurance is determined in accordance with "Regulations Governing Implementation of the Residential Earthquake Risk Spreading Mechanism".

The reserve related to nuclear insurance is determined in accordance with "Regulations Governing the Setting Aside of Nuclear Insurance Liability Reserves".

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

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

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

(22) Liability adequacy test

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

(23) Employee benefits

A.Short-term employee benefits

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

B.Pensions

(a)Defined contribution plan

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

(b)Defined benefit plan

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

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

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

C.Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(24) <u>Income tax</u>

A. The income tax expense (benefit) for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Income tax (10%) on undistributed earnings is recorded as expense in the year when the stockholders approve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. Pursuant to Income Basic Tax Act, if the amount of regular income tax is equal to or more than the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the income tax payable shall be equal to the basic tax, and the related information is disclosed accordingly.

G.The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Dividends

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

(26) Reinsurance revenues

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

(27) Operating segments

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

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

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

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

A.Financial assets-impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B.Classification of reinsurance contracts and significant insurance risk transfer test

The Company assesses the insurance risk and other risks of the reinsurance policies issued. In addition, the Company makes significant judgement about whether the extent of the insurance risks that it assumes for the reinsurance policies issued are material. Test of whether insurance risk assumed is significant is then executed. The result of the judgement will affect the classification of reinsurance contracts, the revenue recognition, liability measurement and presentation of the financial statements.

(2) Critical accounting estimates and assumptions

A.Reinsurance premiums

The Company's estimates for reinsurance premiums are assessed according to the estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Any changes in the estimates will affect the Company's financial position and performance.

B.Claims reserve (under insurance liabilities)

According to the nature of risk insurance, claim development, market experience, judgement over claim approval and other factors, appropriate actuarial calculation is adopted to recognize claims reserve except statutory insurance.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2015	December 31, 2014	March 31, 2014
Cash:			
Petty cash	$ 114	$ 123	$ 125
Checking accounts	61,769	49,843	17,355
Demand deposits	3,604,180	3,441,690	3,398,853
Cash equivalents:			
Time deposits	14,364,905	14,939,254	13,972,787
	$ 18,030,968	$ 18,430,910	$ 17,389,120

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

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

C.According to Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance, the demand deposits and time deposits which the Company deposited in the financial institutions are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Demand deposits	$ 1,115,489	$ 1,130,258	$ 1,276,028
Time deposits	3,253,398	3,468,086	3,284,700
	$ 4,368,887	$ 4,598,344	$ 4,560,728

D.Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please refer to Note 6 (6) for details.

(2) Accounts receivable

	March 31, 2015	December 31, 2014	March 31, 2014
Notes receivable	$ 9,914	$ 9,385	$ 5,534
Other receivables	444,662	390,516	245,529
Other receivables-overdue	-	-	-
Total	454,576	399,901	251,063
Less: allowance for bad debts	-	-	-
Net amount	$ 454,576	$ 399,901	$ 251,063

A.The credit quality information of accounts receivable that are neither past due nor impaired was in the following categories based on the payment records:

	March 31, 2015	December 31, 2014	March 31, 2014
Good	$ 454,027	$ 399,901	$ 250,477
Delayed previously	-	-	-
	$ 454,027	$ 399,901	$ 250,477

Accounts receivable that are neither past due nor impaired are accounted for in accordance with the "Guidelines for Handling Assessment of Assets, Loans Overdue, Delinquent Accounts Receivable on Demand by Insurance Enterprises". The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B.The balances and ageing analysis of accounts receivable that were past due but not impaired is as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
31 to 90 days	$ 549	$ -	$ 574
91 to 180 days	-	-	12
	$ 549	$ -	$ 586

The Company does not have accounts receivable that were past due but not impaired at December 31, 2014.

(a)Ageing of accounts receivable above, notes receivable are classified by maturity date and other receivables are classified by the date for recognition except that repayment date shall be stipulated according to the contract.

(b)The overdue accounts receivable above indicate those that were due but not paid. Except for notes receivable that were overdue and transferred to overdue accounts, other receivables were transferred to overdue accounts in three months after they were due.

C.The Company does not have accounts receivable that were impaired.

D.The Company does not hold any collateral as security.

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

	March 31, 2015	December 31, 2014	March 31, 2014
Financial assets held for trading			
Listed (TSE and OTC) stocks	$ 335,950	$ 323,464	$ 320,427
Foreign listed stocks	-	-	17,170
Domestic index funds	-	-	16,281
Foreign index funds	61,698	61,698	61,698
Non-hedging derivatives	37,598	6,747	9,722
	435,246	391,909	425,298
Valuation adjustment of financial assets held for trading	(14,924)	5,983	44,023
	420,322	397,892	469,321
Financial assets designated as at fair value through profit or loss on initial recognition			
Domestic convertible corporate bonds	5,515	2,500	-
Domestic mandatory convertible corporate bonds	500,000	500,000	500,000
	505,515	502,500	500,000
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	49,818	48,899	43,013
	555,333	551,399	543,013
	$ 975,655	$ 949,291	$ 1,012,334

	March 31, 2015	December 31, 2014	March 31, 2014
Financial liabilities held for trading			
Non-hedging derivatives	$ 955	$ 66,470	$ 13,645

A.The Company's loss or gain on financial asset or financial liability at fair value through profit or loss are as follows:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Financial instruments held for trading	$ 39,182	($ 40,366)
Financial instruments designated as at fair value through profit or loss on initial recognition	4,614	7,558
	$ 43,796	($ 32,808)

B.The credit rating levels of the counterparties of the Company's debt instrument investments are provided in Note 13 (1).

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

	March 31, 2015		December 31, 2014	
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
FX swap contracts	$ 4,123,918	2015.01.22~ 2015.07.01	$ 3,938,424	2014.07.31~ 2015.02.04
Forward foreign exchange contracts	329,699	2015.01.08~ 2015.05.26	313,567	2014.12.08~ 2015.01.15

	March 31, 2014	
Derivative instruments	Contract amount (Notional principal)	Contract period
FX swap contracts	$ 3,788,427	2014.02.20~ 2014.06.12
Forward foreign exchange contracts	456,912	2014.03.05~ 2014.04.18

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

(a)FX swap contracts

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

(b)Forward foreign exchange contracts

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

(c)Futures

The Company entered into futures contracts under the Taiwan Stock Index Futures. As of March 31, 2015, December 31, 2014 and March 31, 2014, all futures contracts were settled, and the related margins were $19,513, $19,504 and $0, respectively.

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

E.The Company recognized domestic convertible corporate bonds and domestic mandatory convertible corporate bonds under "financial assets designated as at fair value through profit or loss on initial recognition”. As there is no significant change in credit ratings of related investments in the past and expected future, the impact of changes in fair value as a result of credit risk is deemed immaterial.

(4) Available-for-sale financial assets

	March 31, 2015	December 31, 2014	March 31, 2014
Domestic items:			
Listed (TSE and OTC) stocks	$ 2,084,624	$ 1,629,963	$ 2,386,371
Listed (TSE and OTC) preferred stocks	14,232	14,232	14,517
Real estate securitization products	654,825	671,699	697,706
Government bonds	924,363	925,876	930,460
Corporate bonds	299,985	299,980	299,965
Financial bonds	-	-	300,000
Open-end funds	5,000	5,000	-
Index funds	310,172	203,340	211,075
Foreign items:			
Listed stocks	1,016,559	798,963	448,811
Open-end funds	587,838	537,905	281,191
Hedge funds	58,108	58,108	443,430
Index funds	493,999	408,680	166,874
	6,449,705	5,553,746	6,180,400
Adjustment of available-for-sale financial assets	274,625	173,670	(137,646)
Less: statutory deposits	(876,329)	(875,255)	(881,603)
	$ 5,848,001	$ 4,852,161	$ 5,161,151

A.The credit rating levels of the counterparties of the Company’s debt instrument investments are provided in Note 13 (1).

B.Under the Insurance Law of the Repulic of China, the Company is required to deposit an amount equal to 15% of its paid-up-capital. As of March 31, 2015, December 31, 2014 and March 31, 2014, the Company provided government bonds with par value of $850,000 as statutory deposit.

C.Changes in unrealized gain or loss on available-for-sale financial assets under other comprehensive income are as follows:

	2015	2014
At January 1	$ 164,265	($ 67,737)
Recognizd directly in other comprehensive income	203,130	(45,778)
Deducted in equity adjustment and recognized in profit or loss	(102,175)	(1,119)
Income tax from loss (gain) on valuation of foreign available-for-sale financial assets	(2,358)	3,669
At March 31	$ 262,862	($ 110,965)

(5) Investments in debt instrument without active market

	March 31, 2015	December 31, 2014	March 31, 2014
Domestic items:			
Financial assets securitization products	$ 87,596	$ 228,446	$ 267,383
Corporate bonds	300,000	500,000	400,000
Foreign items:			
Financial assets securitization products	942,956	949,685	928,437
Corporate bonds	505,740	509,707	490,174
Financial bonds	1,061,807	1,024,776	1,157,444
	2,898,099	3,212,614	3,243,438
Less: accumulated impairment	-	(87,567)	(87,567)
	$ 2,898,099	$ 3,125,047	$ 3,155,871

A.The Company recognized interest income of $20,941 and $22,679 for amortized cost in profit or loss for the three-month periods ended March 31, 2015 and 2014, respectively.

B.The credit rating levels of the counterparties of the Company's investments are provided in Note 13 (1).

C.Accumulated impairment resulted from domestic investments, which were reorganized due to changes in credit default rates leading to a decrease in future cash flows. Changes in analysis of accumulated impairment set aside by the Company is as follows:

	2015	2014
At January 1	($ 87,567)	($ 87,567)
Disposal	87,567	-
At March 31	$ -	($ 87,567)

D.As of March 31, 2015, December 31, 2014 and March 31, 2014, no investments in debt instrument without active market held by the Company were pledged to others.

(6) Other financial assets

	March 31, 2015	December31,2014	March 31, 2014
Time deposits	$ 262,296	$ 524,296	$ 509,560

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

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

(7) Structured entities

A.According to IFRS 12, 'Disclosure of interests in other entities', the information about the interests in structured entities that are not controlled by the Company are shown below:

March 31, 2015		
Type of structured entities	Book value	Nature
Real estate securitization products	$ 1,033,941	The beneficial securities were issued by trustee to provide investor gain on transaction, rent and value increment of real estate market.
Financial assets securitization products	1,030,552	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
	$ 2,064,493	

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

B.The structured entities that are not controlled by the Company is accounted for as available-for-sale financial assets and investments in debt instrument without active market. The entity's maximum exposure is the carrying amount of assets held. The investment position is restricted by contract terms and conditions of issue and exposes the corresponding market risk. The Company has considered risk management of relevant market. Please refer to Note 13 (1) for details.

(8) Investment property

	Land	Building	Total
At January 1, 2015			
Cost	$ 411,606	$ 84,821	$ 496,427
Accumulated depreciation	-	(37,400)	(37,400)
	$ 411,606	$ 47,421	$ 459,027
2015			
At January 1	$ 411,606	$ 47,421	$ 459,027
Depreciation charge	-	(642)	(642)
At March 31	$ 411,606	$ 46,779	$ 458,385
At March 31, 2015			
Cost	$ 411,606	$ 84,821	$ 496,427
Accumulated depreciation	-	(38,042)	(38,042)
	$ 411,606	$ 46,779	$ 458,385

	Land	Building	Total
At January 1, 2014			
Cost	$ 411,606	$ 82,708	$ 494,314
Accumulated depreciation	-	(34,744)	(34,744)
	$ 411,606	$ 47,964	$ 459,570
2014			
At January 1	$ 411,606	$ 47,964	$ 459,570
Addition-from subsequent expenditure	-	1,528	1,528
Depreciation charge	-	(656)	(656)
At March 31	$ 411,606	$ 48,836	$ 460,442
At March 31, 2014			
Cost	$ 411,606	$ 84,236	$ 495,842
Accumulated depreciation	-	(35,400)	(35,400)
	$ 411,606	$ 48,836	$ 460,442

A.On the first adoption of the International Financial Reporting Standards endorsed by the FSC, the Company elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as deemed cost of property and equipment. As of March 31, 2015, December 31, 2014 and March 31, 2014, the revaluation increments included in the cost above were all $2,835.

B.Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Rental revenue from the lease of the investment property	$ 7,111	$ 6,361
Direct operating expenses arising from the investment property that generated rental income in the period	902	935

C.The Company leases investment properties to others under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the lessees enjoy preferential right to lease at the end of the lease period. The future aggregate lease payments receivable under leases contracted but not yet due are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Due in one year	$ 23,434	$ 18,186	$ 14,688
Due after one year through three years	11,234	11,828	3,359
	$ 34,668	$ 30,014	$ 18,047

D.For the fair value of investment property held by the Company, the fair value is estimated by an accredited external independent appraiser under "Regulations on Real Estate Appraisal" using two valuation approaches like income approach and comparison approach, based on observable active market price and the characteristics, location and condition of each asset. As of March 31, 2015, December 31, 2014 and March 31, 2014, the fair values of investment property are $1,227,586, which is categorized within Level 2 in the fair value hierarchy. Key assumptions of income approach are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Capitalization rate	1.09%~1.70%	1.09%~1.70%	1.24%~1.81%

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

(9) Reinsurance contract assets and insurance liabilities

A.Details of reinsurance contract assets are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Due from reinsurers and ceding companies	$ 2,526,196	$ 2,480,177	$ 2,777,729
Due from reinsurers and ceding companies-overdue	44,258	41,900	50,231
Reinsurance reserve assets			
Ceded unearned premium reserve	493,594	414,183	571,525
Ceded claims reserve	868,426	897,152	880,761
Ceded liability reserve	74,135	74,421	-
Ceded premium deficiency reserve	2,879	3,902	6,915
	4,009,488	3,911,735	4,287,161
Less: allowance for doubtful accounts	(52,143)	(52,143)	(53,130)
	$ 3,957,345	$ 3,859,592	$ 4,234,031

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

	March 31, 2015	December 31, 2014	March 31, 2014
Group 1	$ 17,886	$ 8,573	$ 11,648
Group 2	1,295,379	1,154,975	826,268
Group 3	1,726,492	1,443,751	2,001,906
Group 4	231,339	496,815	635,272
Group 5	153	155	58
Group 6	643,723	676,769	724,476
	$ 3,914,972	$ 3,781,038	$ 4,199,628

Group 1: S&P AAA or equivalent.

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

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

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

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

Group 6: Without rating.

Note: The object without rating are mostly Taiwan insurance companies.

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

	March 31, 2015	December 31, 2014	March 31, 2014
31 to 90 days	$ 26,947	$ 67,060	$ 46,883
91 to 180 days	20,888	28,313	4,214
181 to 270 days	11,140	4,404	(2,746)
Over 270 days	35,541	30,920	39,182
	$ 94,516	$ 130,697	$ 87,533

i.The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classfied by its booking date.

ii.The overdue due from reinsurance and ceding companies above indicate those that were due but not paid and were transferred to overdue accounts in nine months after they were due.

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

	2015	2014
At January 1	$ 52,143	$ 53,130
Write-off of bad debts	-	-
At March 31	$ 52,143	$ 53,130

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

B.Details of insurance liabilities are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Unearned premium reserve	$ 5,338,660	$ 5,081,509	$ 5,608,229
Claims reserve	13,868,840	14,211,559	13,699,686
Liability reserve	74,135	74,421	-
Equalization reserve	4,031,028	4,210,477	4,211,634
Premium deficiency reserve	90,514	86,494	109,244
	$ 23,403,177	$ 23,664,460	$ 23,628,793

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

	2015	2014
Ceded unearned premium reserve		
At January 1	$ 414,183	$ 467,799
Provision	493,594	571,525
Recovery	(414,183)	(467,799)
At March 31	$ 493,594	$ 571,525

Unearned premium reserve	2015	2014
At January 1	$ 5,081,509	$ 5,377,858
Provision	5,338,660	5,608,229
Recovery	(5,081,509)	(5,377,858)
At March 31	$ 5,338,660	$ 5,608,229

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

	March 31, 2015	December 31, 2014	March 31, 2014
Ceded claims reserve			
Outstanding losses	$ 298,676	$ 320,200	$ 342,323
Incurred but not reported losses	569,750	576,952	538,438
	$ 868,426	$ 897,152	$ 880,761

	March 31, 2015	December 31, 2014	March 31, 2014
Claims reserve			
Outstanding losses	$ 4,239,147	$ 4,528,018	$ 4,589,040
Incurred but not reported losses	9,629,693	9,683,541	9,110,646
	$ 13,868,840	$ 14,211,559	$ 13,699,686

	2015	2014
Ceded claims reserve		
At January 1	$ 897,152	$ 874,691
Provision	868,426	880,761
Recovery	(897,152)	(874,691)
At March 31	$ 868,426	$ 880,761

	2015	2014
Claims reserve		
At January 1	$ 14,211,559	$ 12,295,022
Provision	13,868,840	13,699,686
Recovery	(14,211,559)	(12,295,022)
At March 31	$ 13,868,840	$ 13,699,686

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

	2015			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Ceded liability reserve				
At January 1	14,590	CNY	5.101	$ 74,421
Provision	88			(145)
Recovery	(28)			(141)
At March 31	$ 14,650	CNY	5.060	$ 74,135

	2014			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Liability reserve				
At January 1	14,590	CNY	5.101	$ 74,421
Provision	88			(145)
Recovery	(28)			(141)
At March 31	$ 14,650	CNY	5.060	$ 74,135

Note: The Company has underwritten life reinsurance business with insurance period due after one year since the fourth quarter of 2014, and recognized ceded liability reserve and liability reserve in compliance with relevant regulations.

F.Equalization reserves

(a)Details of equalization reserves are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Equalization reserve for statutory insurance	$ 1,449,950	$ 1,629,399	$ 1,630,556
Reserve for fluctuation of risk	2,055,296	2,055,296	2,055,296
Reserve for extraordinary business losses	525,782	525,782	525,782
	$ 4,031,028	$ 4,210,477	$ 4,211,634

(b)Movement of equalization reserves are as follows:

	2015	2014
At January 1	$ 4,210,477	$ 5,580,412
Provision	(179,449)	(1,368,778)
Recovery	-	-
At March 31	$ 4,031,028	$ 4,211,634

(c) According to Jin-Guan-Pao-Tsai Order No. 10102517491, “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, Jin-Guan-Pao-Chan Order No. 10102531541, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and Jin-Guan-Pao-Tsai Order No. 10102517091, “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, the Company’s accounts applicable or not applicable for the reserve for the three-month periods ended March 31, 2015 and 2014 are as follows:

	Three-month period ended March 31, 2015			
	Net income	Earnings per share	Total liabilities	Total equity
Applicable amount	$ 312,872	$ 0.56	$ 24,365,885	$ 9,868,385
Not applicable amount	312,872	0.56	22,065,405	12,168,865
Effect	$ -	$ -	($ 2,300,480)	$ 2,300,480

	Three-month period ended March 31, 2014			
	Net income	Earnings per share	Total liabilities	Total equity
Applicable amount	$ 224,135	$ 0.40	$ 24,361,960	$ 9,214,455
Not applicable amount	224,135	0.40	22,061,480	11,514,935
Effect	$ -	$ -	($ 2,300,480)	$ 2,300,480

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

	2015	2014
Ceded premium deficiency reserve		
At January 1	$ 3,902	$ 12,167
Provision	2,879	6,915
Recovery	(3,902)	(12,167)
At March 31	$ 2,879	$ 6,915

	2015	2014
Premium deficiency reserve		
At January 1	$ 86,494	$ 129,338
Provision	90,514	109,244
Recovery	(86,494)	(129,338)
At March 31	$ 90,514	$ 109,244

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

March 31, 2015	Due in one year or less	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	$ 2,434,944	$ 1,474,101	$ 3,909,045
Claims reserve	7,342,819	4,445,300	11,788,119
Liability reserve	-	74,135	74,135
Premium deficiency reserve	56,381	34,133	90,514

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,510,336).

December 31, 2014	Due in one year or less	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	$ 2,427,312	$ 1,239,322	$ 3,666,634
Claims reserve	8,000,328	4,084,759	12,085,087
Liability reserve	-	74,421	74,421
Premium deficiency reserve	57,259	29,235	86,494

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,541,347).

March 31, 2014	Due in one year or less	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	$ 2,748,193	$ 1,403,156	$ 4,151,349
Claims reserve	7,703,491	3,933,202	11,636,693
Premium deficiency reserve	72,320	36,924	109,244

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,519,873).

(10) Reserves for unqualified reinsurance

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

The Company entered into contracts with insurance companies and insurance brokers as follows: The scope of reinsurance is the same as the Company’s insurance contracts.

Insurance companies / insurance brokers	Type of contract
WALSUN INSURANCE LTD.	Fire insurance, Marine cargo insurance, Inland marine insurance, Marine hull insurance, Fishing vessel insurance, Automobile insurance, Casualty insurance, Personal accident insurance and Engineering insurance
M.B. BODA REINSURANCE BROKERS PVT. LTD.	Fire insurance
INTERLINK INSURANCE & REINSURANCE BROKERS PVT. LTD.	Fire insurance, Marine cargo insurance and Marine hull insurance
J B BODA INSURANCE SERVICES (L) BHD	Fire insurance and Marine hull insurance
CATHAY INSURANCE (BERMUDA) CO., LTD.	Personal accident insurance

B. The unqualified reinsurance premiums ceded was both $0 for the three-month periods ended March 31, 2015 and 2014.

C. Reserve for unqualified reinsurance as of March 31, 2015, December 31, 2014 and March 31, 2014 were $1,497, $1,584 and $2,222, respectively.

(11) Offsetting financial assets and financial liabilities

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

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

(a)Financial assets

Description	Gross amounts of recognized financial assets (1)	Gross amounts of recognized financial liabilities set off (2)	Net amounts of financial assets presented in the balance sheet (3)=(1)-(2)	Not set off in the balance sheet: Financial instruments (4)	Not set off in the balance sheet: Finance collateral (5)	Net amount (6)=(3)-(4)-(5)
March 31, 2015						
Non-hedging derivatives (under financial assets at fair value through profit or loss)	$ 37,598	$ -	$ 37,598	$ 955	$ -	$ 36,643
December 31, 2014						
Non-hedging derivatives (under financial assets at fair value through profit or loss)	$ 6,747	$ -	$ 6,747	$ 2,525	$ -	$ 4,222
March 31, 2014						
Non-hedging derivatives (under financial assets at fair value through profit or loss)	$ 9,722	$ -	$ 9,722	$ 1,596	$ -	$ 8,126

(b)Financial liabilities

Description	Gross amounts of recognized financial liabilities (1)	Gross amounts of recognized financial assets set off (2)	Net amounts of financial liabilities presented in the balance sheet (3)=(1)-(2)	Not set off in the balance sheet: Financial instruments (4)	Not set off in the balance sheet: Finance collateral (5)	Net amount (6)=(3)-(4)-(5)
March 31, 2015						
Non-hedging derivatives (under financial liabilities at fair value through profit or loss)	$ 955	$ -	$ 955	$ 955	$ -	$ -
December 31, 2014						
Non-hedging derivatives (under financial liabilities at fair value through profit or loss)	$ 66,470	$ -	$ 66,470	$ 2,525	$ -	$ 63,945
March 31, 2014						
Non-hedging derivatives (under financial liabilities at fair value through profit or loss)	$ 13,645	$ -	$ 13,645	$ 1,596	$ -	$ 12,049

(12) Property and equipment

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
At January 1, 2015						
Cost	$ 180,796	$ 87,570	$ 14,861	$ 6,092	$ 3,454	$ 292,773
Accumulated depreciation	-	(62,243)	(8,814)	(4,314)	(2,630)	(78,001)
	$ 180,796	$ 25,327	$ 6,047	$ 1,778	$ 824	$ 214,772
2015						
At January 1	$ 180,796	$ 25,327	$ 6,047	$ 1,778	$ 824	$ 214,772
Additions	-	1,575	666	-	-	2,241
Depreciation charge	-	(886)	(602)	(81)	(54)	(1,623)
At March 31	$ 180,796	$ 26,016	$ 6,111	$ 1,697	$ 770	$ 215,390
At March 31, 2015						
Cost	$ 180,796	$ 89,145	$ 15,527	$ 6,092	$ 3,454	$ 295,014
Accumulated depreciation	-	(63,129)	(9,416)	(4,395)	(2,684)	(79,624)
	$ 180,796	$ 26,016	$ 6,111	$ 1,697	$ 770	$ 215,390

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
At January 1, 2014						
Cost	$ 180,796	$ 77,902	$ 14,593	$ 5,321	$ 3,136	$ 281,748
Accumulated depreciation	-	(59,308)	(10,765)	(5,321)	(2,381)	(77,775)
	$ 180,796	$ 18,594	$ 3,828	$ -	$ 755	$ 203,973
2014						
At January 1	$ 180,796	$ 18,594	$ 3,828	$ -	$ 755	$ 203,973
Additions	-	4,229	945	-	-	5,174
Depreciation charge	-	(597)	(517)	-	(84)	(1,198)
At March 31	$ 180,796	$ 22,226	$ 4,256	$ -	$ 671	$ 207,949
At March 31, 2014						
Cost	$ 180,796	$ 82,131	$ 15,538	$ 5,321	$ 3,136	$ 286,922
Accumulated depreciation	-	(59,905)	(11,282)	(5,321)	(2,465)	(78,973)
	$ 180,796	$ 22,226	$ 4,256	$ -	$ 671	$ 207,949

A.On the first adoption of the International Financial Reporting Standards endorsed by the FSC, the Company elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as deemed cost of property and equipment. As of March 31, 2015, December 31, 2014 and March 31, 2014, the revaluation increments included in the cost above were all $165,277.

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

(13) Accounts payable

	March 31, 2015	December 31, 2014	March 31, 2014
Due to reinsurers and ceding companies	$ 441,665	$ 248,963	$ 297,817
Other payables	259,425	328,943	257,519
	$ 701,090	$ 577,906	$ 555,336

(14) Employee benefits

A.Defined benefit obligation

(a)The Company has established a defined benefit pension plan in accordance with the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b)For the aforementioned pension plan, the Company recognized pension costs of $1,092 and $1,013 for the three-month periods ended March 31, 2015 and 2014, respectively.

(c)Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2016 amounts to $4,804.

B.Defined contribution plan

(a)Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance.

(b)The pension costs under the defined contribution pension plan of the Company for the three-month periods ended March 31, 2015 and 2014 were $1,531 and $1,455, respectively.

(15) Common stock

As of March 31, 2015, the Company's authorized capital was $6,000,000, and the paid-up- capital was $5,622,750, with a par value of $10 (in dollars) per share.

(16) Capital reserve

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

(17) Retained earnings

A.Limitation on distribution of retained earnings and dividend policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve. Recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders. Bonus distributed to the employees should account from 0.5% to 5% of the total distributed amount and can either be in the form of cash or stock upon resolution of the stockholders, and remuneration paid to directors should account for 1% at most of the total distributed amount.

The Company's dividends are distributed in the form of cash dividends and stock dividends in a coordinated way, among which, the cash dividends shall account for at least 50% of the total dividends distributed. Employees' bonus may be distributed in the form of stocks or cash through a resolution in the stockholders' meeting.

Pursuant to the R.O.C. Company Law, legal reserve shall be set aside until the total amount reaches the total capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-up capital. In addition, instructions for those who need official approval to use legal reserve to issue cash in accordance with Jin-Guan-Pao-Tzai Letter No. 10202501991 are set out in Note 6 (16).

Under the Integrated Income Tax System, ROC, tax credits allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date.

B.Special reserve

	March 31, 2015	December 31, 2014	March 31, 2014
Equalization reserve	$ 850,157	$ 850,157	$ 620,189
Unrealized revaluation increment	126,557	126,557	126,557
Net deduction from other equity	-	-	519,716
	$ 976,714	$ 976,714	$ 1,266,462

(a)According to regulations, the Company should set aside special reserve equal to the deducted amount of the equity from earnings after tax of the current year and the unappropriated earnings of the prior period. For the deducted amount from the equity accumulated from prior periods, an equal amount of special reserve should be set aside from unappropriated earnings of the prior period and is not to be distributed. If there is a reversal of deducted amount of equity, earnings may be distributed based on the reversal.

(b)For the three-month periods ended March 31, 2015 and 2014, the provision for equalization reserve amounting to $77,194 and $83,095, respectively, will be recognized as special reserve under equity upon annual resolution and is not available for distribution.

(c)The amounts previously set aside by the Company as special reserve on initial application of

IFRSs in accordance with Jin-Guan-Zheng-Fa Order No. 1010012865, dated April 6, 2012 and Jin-Guan-Pao-Tzai Letter No. 10102508861, dated June 5, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

C.For the three-month periods ended March 31, 2015 and 2014, employees' bonus was accrued at $2,566 and $1,659, respectively; directors' remuneration was accrued at $747 and $675, respectively. The Company estimates employees' bonus based on a certain percentage of net income in accordance with the Company's Articles of Incorporation and previous years' experiences. The directors' remuneration is estimated based on prior years' remuneration per person in proportion to the directors' term of service. The difference between estimated amount and actual payment will be recognized in profit or loss of the following year.

D.On June 11, 2014, total dividends for the distribution of earnings for 2013 resolved by stockholders was $674,730 (cash dividend of $1.2 (in dollars) per share). On June 13, 2013, total dividends for the distribution of earnings for 2012 resolved by stockholders was $385,875 (stock dividend of $0.2 (in dollars) per share and cash dividend of $0.5 (in dollars) per share). On March 25, 2015, the Board of Directors proposed that total dividends for the distribution of earnings for 2014 was $674,730 (cash dividend of $1.2 (in dollars) per share).

Earnings appropriation for 2014 has not yet been resolved at the stockholders' meeting as of the reporting date. Detailed information on earnings appropriation proposed by the Board of Directors and resolved by the stockholders is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A.Income tax expense

(a)Components of income tax expense:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Current income tax:		
Current income tax on profits for the period	$ 30,612	$ 37,853
Deferred income tax:		
Origination and reversal of temporary difference	21,614	401
Income tax expense	$ 52,226	$ 38,254

(b)The income tax relating to components of other comprehensive income is as follows:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Net change in unrealized gains on valuation of available-for-sale financial assets	$ 2,358	($ 3,669)

B.The Company's income tax returns through 2010 and 2012 have been assessed and approved by the Tax Authority.

C.Unappropriated retained earnings:

	March 31, 2015	December 31, 2014	March 31, 2014
Earnings generated in and after 1998	$ 1,431,823	$ 1,118,951	$ 1,008,390

D.As of March 31, 2015, December 31, 2014 and March 31, 2014, the balance of the imputation tax credit account was $85,685, $85,685 and $58,237, respectively. The creditable tax rate was 14.27% for 2013 and is estimated to be 7.66% for 2014.

(19) Employee benefits, depreciation and amortization

For the three-month periods ended March 31, 2015 and 2014, employee benefits, depreciation and amortization by function are as follows:

Function / Expense	Three-month period ended March 31, 2015		Three-month period ended March 31, 2014	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee Benefit Expense	$ -	$ 52,882	$ -	$ 50,366
Salaries	-	44,957	-	42,624
Employees' insurance	-	3,217	-	3,152
Pension	-	2,623	-	2,468
Other employee benefit expenses (Note 1)	-	2,085	-	2,122
Depreciation (Note 2)	642	1,623	656	1,198
Amortization	-	387	-	324

The Company had 139 employees as of March 31, 2015 and 2014.

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

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

(20) Non-cash transaction

Investing activities with partial cash payments:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Increase in investment	($ 3,980,534)	($ 2,680,259)
Decrease in investment	3,741,987	2,115,670
Add: ending balance of payable on investment	169,907	156,922
opening balance of receivable on investment	287,929	79,586
Less: opening balance of payable on investment	(214,272)	(25,273)
ending balance of receivable on investment	(324,531)	(121,756)
Net cash used in investments	(319,514)	(475,110)
Cash paid during the year	($ 319,514)	($ 475,110)

7. RELATED PARTY TRANSACTIONS

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

Names of related parties	Relationship with the Company
Evergreen International Corporation	Parent company
Evergreen Insurance Company Limited	Associates
Evergreen International Engineering Corporation	Associates
Directors (executive and non-executive), general managers, vice general managers, etc.	Key management of the Company

(2) Significant related party transactions and balances

A.Due from (to) reinsurers and ceding companies (under reinsurance contract assets and accounts payable, respectively)

	March 31, 2015	December 31, 2014	March 31, 2014
Associates	$ 681	$ 516	$ 1,232

B.Property and equipment

	March 31, 2015	December 31, 2014	March 31, 2014
Associates	$ 1,575	$ 8,500	$ 4,229

C.Other payables (under accounts payable)

	March 31, 2015	December 31, 2014	March 31, 2014
Parent	$ 2,148	$ 3,515	$ 3,350
Associate	-	44	4,229
	$ 2,148	$ 3,559	$ 7,579

D.Operating revenues and operating costs

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Associates		
Gross premiums written	$ 5,475	$ 2,774
Reinsurance premiums ceded	5	1
Reinsurance commission expenses	2,427	981
Reinsurance commission revenue	(4)	54
Reinsurance claims paid	140	27
Reinsurance claims recovery	110	130

The differences of prices and conditions between related parties and non-related parties were not significant.

E.Operating expenses

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	$ 2,543	$ 4,515
Associate		
Repair and maintenance expense, etc.	$ 11	$ -

(3) Key management compensation

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Salaries and other short-term employee benefits	$ 7,567	$ 5,902
Post-employment benefits	177	164
	$ 7,744	$ 6,066

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

As of March 31, 2015, December 31, 2014 and March 31, 2014, the Company's unused letters of credit issued were USD 1,426 thousand, USD 1,410 thousand and USD 1,300 thousand, respectively.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Fair value information

A.The fair value of the Company's financial assets and liabilities not measured at fair value is provided in Note 12 (1)K. The fair value of the Company's investment property measured at cost is provided in Note 6 (8).

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates and convertible corporate bonds is included in Level 1.

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

Level 3: Inputs for the asset or liability that are not based on observable market data. The fair value of the Company's investment in part of investments in debt instrument without active market is included in Level 3.

C.The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2015, December 31, 2014 and March 31, 2014 is as follows:

March 31, 2015	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 328,815	$ -	$ -	$ 328,815
Index funds	53,909	-	-	53,909
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	5,858	-	-	5,858
Mandatory convertible corporate bonds	-	-	549,475	549,475
Available-for-sale financial assets				
Real estate securitization products	1,033,941	-	-	1,033,941
Corporate bonds	-	304,572	-	304,572
Index funds	985,747	-	-	985,747
Government bonds	-	934,424	-	934,424
Listed (TSE and OTC) stocks	2,770,039	-	-	2,770,039
Listed (TSE and OTC) preferred stocks	-	22,935	-	22,935
Open-end funds	601,802	-	-	601,802
Hedge funds	-	70,870	-	70,870
	$ 5,780,111	$ 1,332,801	$ 549,475	$ 7,662,387
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 27,748	$ -	$ 27,748
Forward foreign exchange contracts	-	9,850	-	9,850
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	(955)	-	(955)
	$ -	$ 36,643	$ -	$ 36,643

December 31, 2014	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 335,880	$ -	$ -	$ 335,880
Index funds	55,265	-	-	55,265
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	2,735	-	-	2,735
Mandatory convertible corporate bonds	-	-	548,664	548,664
Available-for-sale financial assets				
Real estate securitization products	1,015,401	-	-	1,015,401
Corporate bonds	-	305,941	-	305,941
Index funds	748,642	-	-	748,642
Government bonds	-	933,144	-	933,144
Listed (TSE and OTC) stocks	2,079,872	-	-	2,079,872
Listed (TSE and OTC) preferred stocks	-	22,935	-	22,935
Open-end funds	553,824	-	-	553,824
Hedge funds	-	67,657	-	67,657
	$ 4,791,619	$ 1,329,677	$ 548,664	$ 6,669,960
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 2,073	$ -	$ 2,073
Forward foreign exchange contracts	-	4,674	-	4,674
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	(66,018)	-	(66,018)
Forward foreign exchange contracts	-	(452)	-	(452)
	$ -	($ 59,723)	$ -	($ 59,723)

March 31, 2014	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 381,354	$ -	$ -	$ 381,354
Index funds	78,245	-	-	78,245
Financial assets designated as at fair value through profit or loss on initial recognition				
Mandatory convertible corporate bonds	-	-	543,013	543,013
Available-for-sale financial assets				
Real estate securitization products	1,061,570	-	-	1,061,570
Corporate bonds	-	309,779	-	309,779
Financial bonds	-	300,000	-	300,000
Index funds	345,441	-	-	345,441
Government bonds	-	940,390	-	940,390
Listed (TSE and OTC) stocks	2,372,651	-	-	2,372,651
Listed (TSE and OTC) preferred stocks	-	22,660	-	22,660
Open-end funds	295,860	-	-	295,860
Hedge funds	-	394,403	-	394,403
	$ 4,535,121	$ 1,967,232	$ 543,013	$ 7,045,366
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 5,877	$ -	$ 5,877
Forward foreign exchange contracts	-	3,845	-	3,845
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	(12,734)	-	(12,734)
Forward foreign exchange contracts	-	(911)	-	(911)
	$ -	($ 3,923)	$ -	($ 3,923)

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

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

Listed shares	Index funds	Convertible bond	Real estate securitization products	Open-end funds
Closing price	Closing price	Closing	Closing price	Net asset value

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

(c)When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market and swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d)For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12 (1) I.

(e)The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques. Forward exchange contracts are usually valued based on the current forward exchange rate.

(f)The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company’s financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company’s management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(g)The Company takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Company’s credit quality.

E.For the three-month periods ended March 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F.The following table presents the changes in level 3 instruments for the three-month periods ended March 31, 2015 and 2014:

	Three-month period ended March 31, 2015							
		Gain or loss on valuation		Acquired in the period		Disposed of in the period		
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	Ending balance
Financial assets at fair value through profit or loss								
Financial assets designated as at fair value through profit or loss on initial recognition	$ 548,664	$ 811	$ -	$ -	$ -	$ -	$ -	$ 549,475

	Three-month period ended March 31, 2014							
		Gain or loss on valuation		Acquired in the period		Disposed of in the period		
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	Ending balance
Financial assets at fair value through profit or loss								
Financial assets designated as at fair value through profit or loss on initial recognition	$ 539,153	$ 3,860	$ -	$ -	$ -	$ -	$ -	$ 543,013

Gain or loss on valuation recognized in profit or loss arising from the assets held for the three-month periods ended March 31, 2015 and 2014 was $811 and $3,860, respectively.

G.For the three-month periods ended March 31, 2015 and 2014, there was no transfer into or out from Level 3.

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

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

	Fair value at March 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Financial assets at fair value through profit or loss					
Financial assets designated as at fair value through profit or loss on initial recognition					
Domestic mandatory convertible corporate bonds	$ 549,475	The binary tree stock discount model of convertible bonds	Liquidity premium	6.73%	Liquidity premium lower, fair value higher

J.The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable; however, different valuation model or input could result in different valuation result. Specifically, if the valuation input of financial instrument classified in Level 3 such as market interest rates increase or decrease by 50 basis points, the effects on profit and loss in the period are as follows:

	March 31, 2015		March 31, 2014	
	Change in fair value recognized in profit and loss		Change in fair value recognized in profit and loss	
	Favorable	Unfavorable	Favorable	Unfavorable
Hybrid instrument:				
Financial assets at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss on initial recognition	$ 4,454	($ 3,514)	$ 5,816	($ 4,958)

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

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

	March 31, 2015			
		Fair value		
Financial assets	Book value	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Investments in debt instrument without active market	$ 2,898,099	$ -	$ 1,856,556	$ 1,046,354

	December 31, 2014		March 31, 2014	
Financial assets	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Investments in debt instrument without active market	$ 3,125,047	$ 3,132,345	$ 3,155,871	$ 3,166,759

The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (2) B, and the methods and assumptions are as follows:

If investments in debt instrument without active market which recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

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

	March 31, 2015			December 31, 2014		
Assets	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 18,030,968	$ 18,030,968	$ -	$ 18,430,910	$ 18,430,910	$ -
Accounts receivable	454,576	454,576	-	399,901	399,901	-
Current income tax assets	133,340	133,340	-	133,340	133,340	-
Financial assets at fair value through profit or loss	975,655	420,322	555,333	949,291	397,892	551,399
Available-for-sale financial assets	5,848,001	5,789,905	58,096	4,852,161	4,794,272	57,889
Investments in debt instrument without active market	2,898,099	177,112	2,720,987	3,125,047	358,599	2,766,448
Other financial assets	262,296	262,296	-	524,296	524,296	-
Investment property	458,385	-	458,385	459,027	-	459,027
Reinsurance contract assets	3,957,345	3,088,919	868,426	3,859,592	2,962,440	897,152
Property and equipment	215,390	-	215,390	214,772	-	214,772
Intangible assets	1,457	-	1,457	1,531	-	1,531
Other assets	988,401	23,663	964,738	1,022,876	28,005	994,871
Liabilities						
Accounts payable	$ 701,090	$ 701,090	$ -	$ 577,906	$ 577,906	$ -
Current income tax liabilities	142,029	142,029	-	115,627	115,627	-
Financial liabilities at fair value through profit or loss	955	955	-	66,470	66,470	-
Insurance liabilities	23,403,177	13,344,480	10,058,697	23,664,460	14,026,246	9,638,214
Provisions	5,719	-	5,719	5,778	-	5,778
Other liabilities	37,210	34,055	3,155	44,211	41,390	2,821

	March 31, 2014		
Assets	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 17,389,120	$ 17,389,120	$ -
Accounts receivable	251,063	251,063	-
Current income tax assets	111,284	111,284	-
Financial assets at fair value through profit or loss	1,012,334	469,321	543,013
Available-for-sale financial assets	5,161,151	4,792,585	368,566
Investments in debt instrument without active market	3,155,871	524,296	2,631,575
Other financial assets	509,560	509,560	-
Investment property	460,442	-	460,442
Reinsurance contract assets	4,234,031	3,353,270	880,761
Property and equipment	207,949	-	207,949
Intangible assets	1,818	-	1,818
Other assets	1,029,696	23,858	1,005,838
Liabilities			
Accounts payable	$ 555,336	$ 554,814	$ 522
Current income tax liabilities	58,230	58,230	-
Financial liabilities at fair value through profit or loss	13,645	13,645	-
Insurance liabilities	23,628,793	14,043,877	9,584,916
Provisions	584	-	584
Other liabilities	52,522	51,841	681

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

	Three-month period ended March 31, 2015				
Category of insurance	Reinsurance premiums (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net changes in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$ 3,454,365	$ 314,382	$ 3,139,983	$ 181,433	$ 2,958,550
Compulsory insurance	574,703	-	574,703	(3,693)	578,396
	$ 4,029,068	$ 314,382	$ 3,714,686	$ 177,740	$ 3,536,946

	Three-month period ended March 31, 2014				
Category of insurance	Reinsurance premiums (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net changes in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$ 3,884,079	$ 393,824	$ 3,490,255	$ 122,905	$ 3,367,350
Compulsory insurance	573,006	-	573,006	3,740	569,266
	$ 4,457,085	$ 393,824	$ 4,063,261	$ 126,645	$ 3,936,616

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

Category of insurance	Three-month period ended March 31, 2015		
	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 2,035,198	$ 122,009	$ 1,913,189
Compulsory insurance	808,470	-	808,470
	$ 2,843,668	$ 122,009	$ 2,721,659

Category of insurance	Three-month period ended March 31, 2014		
	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 1,939,702	$ 124,439	$ 1,815,263
Compulsory insurance	679,333	-	679,333
	$ 2,619,035	$ 124,439	$ 2,494,596

(5) Details of balance, provision and recovery of each reserve for compulsory automobile liability insurance are as follows:

	2015			
	Beginning balance	Provision	Recovery	Ending balance
Unearned premium reserve	$ 1,413,613	$ 1,409,920	($ 1,413,613)	$ 1,409,920
Claims reserve	2,126,449	2,080,698	(2,126,449)	2,080,698
Equalization reserve	1,438,814	(179,449)	-	1,259,365
	$ 4,978,876	$ 3,311,169	($ 3,540,062)	$ 4,749,983

	2014			
	Beginning balance	Provision	Recovery	Ending balance
Unearned premium reserve	$ 1,433,930	$ 1,437,670	($ 1,433,930)	$ 1,437,670
Claims reserve	794,625	2,062,851	(794,625)	2,062,851
Equalization reserve	2,808,749	(1,368,778)	-	1,439,971
	$ 5,037,304	$ 2,131,743	($ 2,228,555)	$ 4,940,492

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

	March 31, 2015	December 31, 2014	March 31, 2014
Assets			
Cash and cash equivalents	$ 4,368,887	$ 4,598,344	$ 4,560,728
Due from reinsurers and ceding companies	381,096	380,532	379,764
	$ 4,749,983	$ 4,978,876	$ 4,940,492
Liabilities			
Unearned premium reserve	$ 1,409,920	$ 1,413,613	$ 1,437,670
Claims reserve	2,080,698	2,126,449	2,062,851
Equalization reserve	1,259,365	1,438,814	1,439,971
	$ 4,749,983	$ 4,978,876	$ 4,940,492

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

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Operating revenues		
Reinsurance premiums	$ 574,703	$ 573,006
Net change in unearned premium reserve	3,693	(3,740)
Retention earned premiums	578,396	569,266
Interest income	4,874	9,515
	$ 583,270	$ 578,781
Operating costs		
Reinsurance claims paid	$ 808,470	$ 679,333
Net change in claims reserve	(45,751)	1,268,226
Net change in equalization reserve	(179,449)	(1,368,778)
	$ 583,270	$ 578,781

13. RISK MANAGEMENT

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

With regard to the overall risk management of various circumstances, the Company implemented “Risk Managing Mechanism” covering market, credit, liquidity, operation, insurance, asset and liability, emerging market and other risks. In addition, in order to better improve the strategic risk management efficiency, risk quantitative module, finance of risk variance are put to use to analyze various businesses and calculate Value at Risk (VaR) and Risk-adjusted Return of Capital (RAROC). In addition, the Company sets up risk capacity and risk bearing as the basis for risk management, and promoting the computerization of various risk modules to continually strengthen the efficiency of risk management at the same time.

(1) Financial instruments

A.Financial risk management policies

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

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

B.Significant financial risks and degrees of financial risks

(a)Market risk

i.Foreign exchange risk

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

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

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

	March 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD thousand)
Financial assets			
Monetary items			
AUD	573	23.884	$ 13,676
CNY	441,133	5.060	2,232,289
DKK	1,533	4.514	7,011
EUR	836	33.718	28,183
GBP	301	46.348	13,940
HKD	150,721	4.049	610,314
IDR	8,053,684	0.002	19,338
INR	22,813	0.502	11,447
JPY	284,494	0.261	74,340
KRW	3,844,669	0.028	108,793
MYR	1,121	8.479	9,503
USD	67,574	31.401	2,121,894
Non-monetary items			
CAD	2,730	24.651	67,289
CNY	44,420	5.060	224,783
EUR	963	33.718	32,465
HKD	221,173	4.049	895,595
JPY	1,070,526	0.261	279,734
USD	24,832	31.401	779,737
Financial liabilities			
Monetary items			
CNY	44,706	5.060	226,230
DKK	2,185	4.514	9,862
EUR	2,059	33.718	69,427
GBP	344	46.348	15,960
HKD	31,811	4.049	128,811
IDR	21,777,441	0.002	52,290
INR	171,559	0.502	86,084
JPY	693,010	0.261	181,087
KRW	8,383,464	0.028	237,228
MYR	2,264	8.479	19,196
PHP	12,142	0.702	8,529
SGD	2,779	22.835	63,466
THB	13,064	0.965	12,603
TRY	593	12.019	7,128
USD	20,799	31.401	653,120

	December 31, 2014		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD thousand)
Financial assets			
Monetary items			
AUD	525	25.977	$ 13,634
CNY	481,829	5.101	2,457,650
EUR	747	38.560	28,814
HKD	79,299	4.090	324,323
IDR	5,632,881	0.003	14,403
INR	50,474	0.502	25,335
JPY	946,279	0.265	250,849
KRW	4,234,241	0.029	123,102
USD	72,708	31.718	2,306,152
Non-monetary items			
CAD	2,624	27.348	71,759
EUR	827	38.560	31,887
HKD	268,341	4.090	1,097,486
JPY	200,280	0.265	53,092
USD	20,809	31.718	660,020
Financial liabilities			
Monetary items			
CNY	47,311	5.101	241,316
DKK	2,864	5.178	14,832
EUR	1,909	38.560	73,613
GBP	344	49.369	16,976
HKD	39,219	4.090	160,403
IDR	22,777,029	0.003	58,239
INR	203,754	0.502	102,274
JPY	911,115	0.265	241,527
KRW	9,248,345	0.029	268,876
MYR	2,762	9.067	25,042
SGD	2,801	23.987	67,179
THB	13,056	0.964	12,587
USD	21,685	31.718	687,803

	March 31, 2014		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD thousand)
Financial assets			
Monetary items			
AUD	400	28.170	$ 11,275
CAD	137	27.576	3,775
CNY	460,080	4.907	2,257,630
DKK	2,475	5.625	13,919
EUR	656	41.991	27,553
GBP	193	50.756	9,790
HKD	164,518	3.933	647,052
IDR	8,230,512	0.003	22,103
INR	55,896	0.509	28,475
JPY	432,241	0.296	128,098
KRW	5,549,376	0.029	159,023
MYR	886	9.344	8,281
USD	72,052	30.510	2,198,321
Non-monetary items			
CAD	2,528	27.576	69,701
EUR	758	41.991	31,829
HKD	32,487	3.933	127,770
JPY	626,917	0.296	185,792
USD	27,716	30.510	845,602
Financial liabilities			
Monetary items			
CNY	46,310	4.907	227,244
DKK	3,721	5.625	20,929
EUR	2,066	41.991	86,764
GBP	317	50.756	16,080
HKD	1,964	3.933	7,726
IDR	21,286,015	0.003	57,164
INR	162,157	0.509	82,608
JPY	1,102,073	0.296	326,608
KRW	8,559,267	0.029	245,274
MYR	1,578	9.344	14,742
PHP	13,991	0.681	9,525
SAR	588	8.135	4,784
SGD	3,218	24.207	77,902
THB	60,082	0.941	56,516
USD	22,303	30.510	680,454

b) Sensitivity analysis of foreign exchange risk listed in the table below is performed for reasonably possible changes in foreign exchange rates with other conditions held constant for monetary financial assets, showing the effect on profit or loss before tax.

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Foreign currencies to NTD appreciate by 5%	$ 174,050	$ 179,654
Foreign currencies to NTD depreciate by 5%	(174,050)	(179,654)

ii. Price risk

a) The values of financial instruments may be changed by economic situations, industrial circumstances, market capital flows and government monetary policies. To hedge market value risk exposures, the Company adopts diversified assets allocation strategy taking into account the current trends of financial markets to flexibly adjust assets portfolio under the provisions of Article 146 (1) ~ (8) of the Insurance Act, regulating the limits of funds utilization ratios and accordingly, disperse the market value risk.

b) The Company adopts the FX swap contracts and forward foreign exchange contracts to hedge exchange rate fluctuations risk on foreign-currency denominated assets. As the gain (loss) arising from exchange rate changes will mostly offset against the loss (gain) on hedged objectives, the Company estimates no material market value risk would arise. The Company is exposed to price risk because of investments in Taiwan Stock Index Futures, which have fair value in the active market. The Company sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

c) The Company's investments comprise equity securities and REITs, etc. Their fair value would change due to the change of the prices of equity securities. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the three-month periods ended March 31, 2015 and 2014 would have increased/decreased by $3,827 and $4,596, respectively, as a result of gains on equity securities classified as at fair value through profit or loss. Other components of other comprehensive income would have increased/decreased by $54,853 and $44,926, respectively, as a result of gains on equity securities classified as available-for-sale.

iii.Interest rate risk

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

	March 31, 2015		
	Changes in variables	Changes in in profit or loss before tax	Changes in other comprehensive income before tax
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $3,554/Increase $4,494	-
Available-for-sale financial assets	Increase/decrease 50 basis points	-	Decrease $15,756/Increase $15,756

	March 31, 2014		
	Changes in variables	Changes in in profit or loss before tax	Changes in other comprehensive income before tax
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $4,958/Increase $5,816	-
Available-for-sale financial assets	Increase/decrease 50 basis points	Increase $375/Decrease $375	Decrease $21,577/Increase $21,577
Investments in debt instrument without active market	Increase/decrease 50 basis points	Increase $191/Decrease $191	-

(b)Credit risk

i.When investing in financial instruments, the Company will encounter the risks that the transaction counterparties may default on contracts and the custodians may incur operating difficulties. The Company utilizes funds and makes investments in accordance with the Article 146 of Insurance Act and relevant laws, and conducts transactions only with counterparties with good credit ratings, or ensures that financial instruments are issued or guaranteed by reputable financial institutions, or acquires adequate collaterals. The Insurance Act also puts a limit to the transaction amount on an individual counterparty. Accordingly, the maximum loss to the Company is the total amount of all book value.

ii.The Company utilizes funds and makes investments in financial instruments except for short-term notes and bills, time deposits, demand deposits and cash equivalents in accordance with the Article 146 of Insurance Act and related laws, and sets limits to control the investment volume with an individual institution. Therefore, the Company has lower significant concentrations of credit risk. As for the management of credit risk of debt instruments, the Company identifies the credit risk by its rating provided by external institutions, credit quality, conditions of locations and risk of counterparties. For credit ratings of counterparties, the Company strictly complies with the Article 146 of Insurance Act, the relevant legal interpretations and the Company's internal regulations on risk control. The counterparties of bond investments are those financial institutions and companies with a certain degree of credit rating.

iii.The Company undertakes FX swap contracts and forward foreign exchange contracts only with high-credit-quality financial institutions. If the counterparties of Taiwan Stock Index Futures default, the futures brokers will be liable for the losses incurred on the default. Accordingly, the Company estimates no material credit risk would arise.

iv.The credit quality information of financial instruments is as follows:

Financial instruments	Assets are neither past due nor impaired — Credit rating: S&P AAA or equivalent	Over S&P AA- or equivalent	Over S&P A- or equivalent	Over S&P BBB- or equivalent	Over S&P BB- or equivalent	Without rating (Note)	Impaired assets	Impairment reserve	Total
March 31, 2015									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 549,475	$ 5,858	$ -	$ -	$ 555,333
Available-for-sale financial assets	-	934,424	304,572	-	-	-	-	-	1,238,996
Investments in debt instrument without active market	942,956	364,708	1,137,712	252,723	200,000	-	-	-	2,898,099
	$ 942,956	$ 1,299,132	$ 1,442,284	$ 252,723	$ 749,475	$ 5,858	$ -	$ -	$4,692,428
December 31, 2014									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 548,664	$ 2,735	$ -	$ -	$ 551,399
Available-for-sale financial assets	-	933,144	-	305,941	-	-	-	-	1,239,085
Investments in debt instrument without active market	949,685	419,403	1,101,286	254,673	400,000	-	87,567	(87,567)	3,125,047
	$ 949,685	$ 1,352,547	$ 1,101,286	$ 560,614	$ 948,664	$ 2,735	$ 87,567	($ 87,567)	$4,915,531
March 31, 2014									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 543,013	$ -	$ -	$ -	$ 543,013
Available-for-sale financial assets	-	940,390	300,000	309,779	-	-	-	-	1,550,169
Investments in debt instrument without active market	928,437	351,563	1,231,049	244,822	400,000	-	87,567	(87,567)	3,155,871
	$ 928,437	$ 1,291,953	$ 1,531,049	$ 554,601	$ 943,013	$ -	$ 87,567	($ 87,567)	$5,249,053

Note: Domestic convertible corporate bonds.

(c)Liquidity risk

i. The Company uses time deposits to adequately adjust its cash flows. When conducting investment evaluation, the Company will take into account the liquidity of financial instruments in secondary markets and may allocate some funds to lower-liquidity but higher-yield-rate financial instruments on condition that the risk is controlled. Even if those financial instruments are sold in the short-term, there is a less likelihood that liquidity risk would arise due to the selling price being significantly lower than the fair value. However, those financial instruments are not intended to be sold in the short-term.

ii. The notional principal of FX swap contracts and forward foreign exchange contracts is normally used as a calculation basis of receivables and payables for these transactions, and is not the actual settlement amount. The actual settlement amount is usually lower than the notional principal. The Company has paid margins in advance before undertaking Taiwan Stock Index Futures transactions, and daily evaluates the unsettled futures positions. In case when additional margins have to be paid later on, the Company has sufficient working capital to fulfill its payment obligations. Accordingly, the Company estimates no material cash flow risk would arise.

iii. The table below analyzes the Company's non-derivative financial liabilities and net-settled derivative financial instruments into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

a)Non-derivative financial liabilities

March 31, 2015	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 701,090	$ -	$ 701,090
Deposits-in (under other liabilities)	1,712	3,155	4,867

December 31, 2014	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 577,906	$ -	$ 577,906
Deposits-in (under other liabilities)	2,046	2,821	4,867

March 31, 2014	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 554,814	$ 522	$ 555,336
Deposits-in (under other liabilities)	4,486	681	5,167

b)Net-settled derivative financial instruments

March 31, 2015	Due in three months or less	Due after three months through one year	Total
FX swap contracts	$ 26,628	$ 165	$ 26,793
Forward foreign exchange contract	9,850	-	9,850

December 31, 2014	Due in three months or less	Due after three months through one year	Total
FX swap contracts	($ 63,945)	$ -	($ 63,945)
Forward foreign exchange contract	4,222	-	4,222

March 31, 2014	Due in three months or less	Due after three months through one year	Total
FX swap contracts	($ 6,857)	$ -	($ 6,857)
Forward foreign exchange contract	2,934	-	2,934

(2) Risk management of insurance contracts

After assessing the insurance contracts assumed by the Company, all insurance risk are transferred. Risk management and procedures are summarized below:

A.Measurement and management of insurance risk:

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

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

(a)Underwriting policy

The reinsurance portfolio of the Company consists of various types of reinsurance and businesses from different countries and territories. The insurance types include life insurance, property and casualty insurance and others which are in compliance with regulatory requirement. The Company's core markets are in Asia.

(b)Retrocession strategy

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

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

B.Concentration of insurance risk

Premium income and retention premium income ratio based on the business type on March 31, 2015 and 2014 are as follows:

Type \ Year	Three-month period ended March 31, 2015		Three-month period ended March 31, 2014	
	Reinsurance premiums	Retention premiums	Reinsurance premiums	Retention premiums
Domestic inward property reinsurance business	63.52%	61.57%	57.85%	56.15%
Domestic inward life reinsurance business	27.79%	29.50%	33.24%	34.61%
Subtotal-Domestic inward reinsurance business	91.31%	91.07%	91.09%	90.76%
Foreign inward reinsurance business	8.69%	8.93%	8.91%	9.24%
Total	100.00%	100.00%	100.00%	100.00%

C.Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the three-month periods ended March 31, 2015 and 2014 were $2,958,550 and $3,367,350, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the three-month periods ended March 31, 2015 and 2014 were approximately $29,586 and $33,674, respectively.

D.Loss development pattern

(a)As of March 31, 2015, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2010	2011	2012	2013	2014	Three-month period ended March 31, 2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 4,482,819	$ 541,617	
After the first year	7,946,701	8,406,636	7,341,226	9,666,215	5,908,494		
After the second year	7,717,952	7,872,830	7,077,263	9,583,823			
After the third year	7,409,328	7,621,219	7,051,129				
After the fourth year	7,351,080	7,516,019					
After the fifth year	7,350,812						
Accumulated estimated claim amount	7,350,812	7,516,019	7,051,129	9,583,823	5,908,494	541,617	$ 37,951,894
Accumulated claim payment	(6,736,853)	(6,725,447)	(5,631,317)	(7,025,071)	(2,196,177)	82,258	(28,232,607)
Accumulated unpaid claim	613,959	790,572	1,419,812	2,558,752	3,712,317	623,875	9,719,287
Add: accumulated unpaid claim before 2009							2,068,831
Subtotal							11,788,118
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(31)	(361)	140,502	754,968	1,032,743	152,901	2,080,722
Recognition in balance sheet (under claims reserve of insurance liabilities)							$ 13,868,840

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

(b)As of March 31, 2015, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2010	2011	2012	2013	2014	Three-month period ended March 31, 2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,003,431	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 4,218,773	$ 517,805	
After the first year	7,292,393	7,768,781	6,797,370	9,076,191	5,545,793		
After the second year	7,085,938	7,312,008	6,596,777	9,005,309			
After the third year	6,812,135	7,078,121	6,576,625				
After the fourth year	6,761,218	6,981,442					
After the fifth year	6,760,913						
Accumulated estimated claim	6,760,913	6,981,442	6,576,625	9,005,309	5,545,793	517,805	$ 35,387,887
Accumulated claim payment	(6,178,328)	(6,224,027)	(5,235,731)	(6,669,202)	(2,113,313)	76,527	(26,344,074)
Accumulated unpaid claim	582,585	757,415	1,340,894	2,336,107	3,432,480	594,332	9,043,813
Add: accumulated unpaid claim before 2009							1,875,879
Subtotal							10,919,692
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(31)	(361)	140,502	754,968	1,032,743	152,901	2,080,722
Recognition in balance sheet							$ 13,000,414

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

(c)As of December 31, 2014, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2010	2011	2012	2013	2014	Total
Non-statutory insurance						
Accumulated estimated claim amount						
At the end of the year	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 4,482,819	
After the first year	7,946,701	8,406,636	7,341,226	9,666,215		
After the second year	7,717,952	7,872,830	7,077,263			
After the third year	7,409,328	7,621,219				
After the fourth year	7,351,080					
Accumulated estimated claim amount	7,351,080	7,621,219	7,077,263	9,666,215	4,482,819	$ 36,198,596
Accumulated claim payment	(6,704,010)	(6,656,024)	(5,528,284)	(6,256,763)	(1,071,774)	(26,216,855)
Accumulated unpaid claim	647,070	965,195	1,548,979	3,409,452	3,411,045	9,981,741
Add: accumulated unpaid claim before 2009						2,103,346
Subtotal						12,085,087
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(50)	24,714	210,139	1,011,920	879,748	2,126,471
Add：provision for statutory insurance claims reserve before 2009						1
Subtotal						2,126,472
Recognition in balance sheet (under claims reserve of insurance liabilities)						$ 14,211,559

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

(d)As of December 31, 2014, the following table indicates the loss development pattern of the Company’s retention business:

Year of underwriting	2010	2011	2012	2013	2014	Total
Non-statutory insurance						
Accumulated estimated claim amount						
At the end of the year	$ 3,003,431	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 4,218,773	
After the first year	7,292,393	7,768,781	6,797,370	9,076,191		
After the second year	7,085,938	7,312,008	6,596,777			
After the third year	6,812,135	7,078,121				
After the fourth year	6,761,218					
Accumulated estimated claim amount	6,761,218	7,078,121	6,596,777	9,076,191	4,218,773	$ 33,731,080
Accumulated claim payment	(6,147,215)	(6,159,692)	(5,140,315)	(5,952,907)	(1,048,971)	(24,449,100)
Accumulated unpaid claim	614,003	918,429	1,456,462	3,123,284	3,169,802	9,281,980
Add: accumulated unpaid claim before 2009						1,905,955
Subtotal						11,187,935
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(50)	24,714	210,139	1,011,920	879,748	2,126,471
Add：provision for statutory insurance claims reserve before 2009						1
Subtotal						2,126,472
Recognition in balance sheet						$ 13,314,407

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

(e)As of March 31, 2014, the following table indicates the loss development pattern of the Company’s inward business:

Year of underwriting	2009	2010	2011	2012	2013	Three-month period ended March 31, 2014	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,250,772	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 538,778	
After the first year	7,020,137	7,946,701	8,406,636	7,341,226	6,996,138		
After the second year	6,823,086	7,717,952	7,872,830	7,240,132			
After the third year	6,681,568	7,409,328	7,781,959				
After the fourth year	6,574,057	7,374,077					
After the fifth year	6,579,929						
Accumulated estimated claim amount	6,579,929	7,374,077	7,781,959	7,240,132	6,996,138	538,778	$ 36,511,013
Accumulated claim payment	(5,937,721)	(6,616,079)	(6,446,146)	(5,008,500)	(2,627,301)	148,196	(26,487,551)
Accumulated unpaid claim	642,208	757,998	1,335,813	2,231,632	4,368,837	686,974	10,023,462
Add: accumulated unpaid claim before 2008							1,613,230
Subtotal							11,636,692
Provision for statutory insurance claims reserve (Note)	(15)	(230)	132,653	750,263	1,024,327	155,996	2,062,994
Recognition in balance sheet (under claims reserve of insurance liabilities)							$ 13,699,686

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

(f)As of March 31, 2014, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2009	2010	2011	2012	2013	Three-month period ended March 31, 2014	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 2,788,623	$ 3,003,431	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 516,835	
After the first year	6,268,228	7,292,393	7,768,781	6,797,370	6,575,584		
After the second year	6,088,240	7,085,938	7,312,008	6,702,032			
After the third year	5,970,669	6,812,135	7,227,098				
After the fourth year	5,870,459	6,780,091					
After the fifth year	5,875,709						
Accumulated estimated claim amount	5,875,709	6,780,091	7,227,098	6,702,032	6,575,584	516,835	$ 33,677,349
Accumulated claim payment	(5,275,998)	(6,064,147)	(5,965,030)	(4,662,848)	(2,522,230)	129,698	(24,360,555)
Accumulated unpaid claim	599,711	715,944	1,262,068	2,039,184	4,053,354	646,533	9,316,794
Add: accumulated unpaid claim before 2008							1,439,137
Subtotal							10,755,931
Provision for statutory insurance claims reserve (Note)	(15)	(230)	132,653	750,263	1,024,327	155,996	2,062,994
Recognition in balance sheet							$ 12,818,925

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

14. THE OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

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

Taiwan insurance enterprises usually measure whether the capital is adequate by using the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The Company calculates the capital adequacy ratio once every six months in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" to ensure that it can continuously meet the statutory capital requirement.

In accordance with "Regulations Governing Capital Adequacy of Insurance Companies", capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Capital adequacy ratios of the Company as at December 31, 2014 and 2013 were all above 300% and in compliance with regulation.

15. OTHER DISCLOSURES

(1) Information of significant transactions

A.Acquisition of real estate in excess of $100,000 or 20% of the paid-up capital: None.

B.Disposals of real estate in excess of $100,000 or 20% of the paid-up capital: None.

C.Related party transactions in excess of $100,000 or 20% of the paid-up capital: None.

D.Accounts receivable from related parties in excess of $100,000 or 20% of the paid-up capital: None.

E.Derivative business transactions: Please see Note 6 (3).

F.Business and significant transactions between the parent company and subsidiaries, and those between subsidiaries: None.

(2) Information related to long-term investments

None.

(3) Investments in Mainland China and business transactions

None.

16. SEGMENT INFORMATION

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

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

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

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

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

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

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

None.

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

None.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

None.