

Item 1: Voting on the financial statements for the fiscal year ending 12/31/2020.

Item 2: Voting on the auditor's report for the fiscal year ending 12/31/2020.

Item 3: Voting on the Board of Directors' report for the fiscal year ending 12/31/2020.

**AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITORS' REPORT**

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Sagr Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of ultimate claim liabilities arising from insurance contracts</p> <p>As at December 31, 2020, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 106.6 million, Saudi Riyals 76.1 million, Saudi Riyals 14.0 million and Saudi Riyals 6.1 million, respectively.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liabilities, including the impact of COVID-19, require the use of significant judgement and estimates.</p> <p>Refer to Note 3.8 to the financial statements for the accounting policy relating to insurance contract liabilities, Note 4 for the disclosure of significant accounting estimates and judgements and Notes 11 and 29.7 for the disclosure of matters related to insurance contract liabilities.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Understood, evaluated and tested key controls around the claims handling and provision setting processes; • Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also compared the outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claims; • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence; • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy and completeness of underlying claims data utilised by the management's expert in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records; • Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and gained comfort over the actuarial report issued by the management's expert. We also performed the following procedures: <ol style="list-style-type: none"> (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; (ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
	<p>(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</p> <ul style="list-style-type: none"> • Our internal experts also performed independent re-projections on IBNR, additional premium reserves and other technical reserves for significant operating segments to compare them with the amounts recorded by management and sought to understand any significant differences; and • Assessed the adequacy and appropriateness of the related disclosures in Notes 3.8, 4, 11 and 29.7 to the financial statements.

Other information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises information included in the Company's 2020 annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

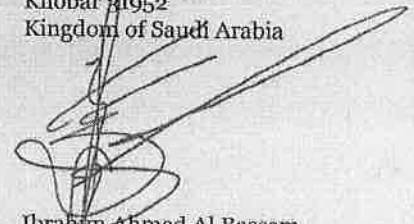
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March 31, 2021
18 Shaaban 1442H



AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Cash and cash equivalents	6	343,337,078	255,104,408
Short-term deposits	7	-	120,130,556
Premiums and insurers' balances receivable - net	8	63,838,511	94,924,166
Reinsurers' share of unearned premiums	11	18,949,044	15,100,022
Reinsurers' share of outstanding claims	11	26,901,755	70,047,887
Reinsurers' share of claims incurred but not reported	11	12,002,373	13,902,786
Deferred policy acquisition costs	9	9,025,462	11,860,665
Investments			
Available-for-sale investments	12	44,085,244	39,093,682
Financial assets at fair value through profit or loss	12	100,464,703	98,111,866
Held-to-maturity investments	12	-	110,000,000
Prepaid expenses and other assets	10	22,213,192	24,058,296
Long-term deposits	7	86,250,000	101,250,000
Property and equipment	13	3,983,519	4,143,639
Intangible assets	14	1,862,987	1,596,438
Goodwill	15	25,513,750	25,513,750
Statutory deposit	16	40,000,000	40,000,000
Accrued income on statutory deposit	16	5,573,503	4,753,639
TOTAL ASSETS		804,001,121	1,029,591,800
LIABILITIES			
Accounts payable		7,791,663	5,417,406
Accrued and other liabilities	19	29,921,083	32,154,043
Reinsurers' balances payable		2,702,094	5,333,811
Unearned premiums	11	171,428,813	230,733,866
Unearned reinsurance commission	20	3,195,070	2,197,204
Outstanding claims	11	106,553,198	169,692,335
Claims incurred but not reported	11	76,121,056	63,180,565
Additional premium reserves	11	14,025,166	17,314,969
Other technical reserves	11	6,128,675	2,045,033
Due to a related party	17	1,123,750	1,123,750
Employee benefit obligations	21	9,207,307	9,664,194
Zakat payable	18	46,857,518	45,730,348
Accrued commission income payable to SAMA	16	5,573,503	4,753,639
Dividend payable		370,743	370,743
Surplus distribution payable	25	35,219,225	44,432,361
TOTAL LIABILITIES		516,218,864	634,144,267
EQUITY			
Share capital	22	400,000,000	400,000,000
Statutory reserve	1, 23	-	47,342,202
Accumulated losses		(122,571,875)	(57,434,850)
Remeasurement reserve of employee benefit obligations		2,296,547	471,446
Fair value reserve on investments		8,057,585	5,068,735
NET EQUITY		287,782,257	395,447,533
TOTAL LIABILITIES AND EQUITY		804,001,121	1,029,591,800

The accompanying notes from 1 to 32 form an integral part of these financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
 (All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	2020	2019
REVENUES			
Gross premiums written	5	379,113,658	455,702,761
Reinsurance premiums ceded:			
- Foreign	5	(37,499,244)	(31,095,749)
- Local	5	(2,415,663)	(1,379,520)
Excess of loss premiums:			
- Foreign	5	(21,292,607)	(32,259,289)
- Local	5	(3,738,264)	(4,733,717)
Net premiums written		314,167,880	386,234,486
Changes in unearned premiums	5	59,305,053	(47,854,109)
Changes in reinsurers' share of unearned premiums	5	3,849,022	2,248,334
Net premiums earned		377,321,955	340,628,711
Reinsurance commissions	20	6,315,317	4,769,343
Total revenues		383,637,272	345,398,054
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	5	(495,300,165)	(315,173,583)
Reinsurers' share of claims paid		85,390,184	32,814,789
Claims handling expenses		(17,035,819)	(15,015,459)
Net claims and other benefits paid		(426,945,800)	(297,374,253)
Changes in outstanding claims	11	63,139,137	(26,362,098)
Changes in reinsurers' share of outstanding claims	11	(43,146,132)	25,988,451
Changes in claims incurred but not reported	11	(12,940,491)	(24,046,174)
Changes in reinsurers' share of claims incurred but not reported	11	(1,900,413)	(2,488,670)
Net claims and other benefits incurred		(421,793,699)	(324,282,744)
Policy acquisition costs	9	(23,345,148)	(26,401,175)
Changes in additional premium reserves	11	3,289,803	7,396,184
Changes in other technical reserves	11	(4,083,642)	1,580,874
Other underwriting expenses, net	27	(9,619,698)	(6,114,198)
Total underwriting costs and expenses, net		(455,552,384)	(347,821,059)
NET UNDERWRITING LOSS		(71,915,112)	(2,423,005)

(Continued)

The accompanying notes from 1 to 32 form an integral part of these financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME (continued)
 (All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	2020	2019
OTHER OPERATING (EXPENSES) INCOME			
Allowance for doubtful debts	8	(83,258)	(9,848,364)
General and administrative expenses	26	(69,380,570)	(58,467,954)
Investment and commission income		12,510,552	23,433,174
Changes in fair value of financial assets at fair value through profit or loss - net	12	6,156,992	1,999,661
Realized gain on available-for-sale investments	12	2,419,474	3,174,967
Reversal of surplus distribution payable	25	9,187,005	-
Other income		5,125,690	2,270,215
Total other operating expenses, net		(34,064,115)	(37,438,301)
Total loss for the year before surplus attribution and zakat		(105,979,227)	(39,861,306)
Surplus attributed to the insurance operations	30	-	-
Total loss for the year before zakat		(105,979,227)	(39,861,306)
Zakat expense	18	(6,500,000)	(8,400,000)
Total loss for the year attributable to the shareholders		(112,479,227)	(48,261,306)
Weighted average number of outstanding shares	22	40,000,000	40,000,000
Loss per share (expressed in Saudi Riyals per share)			
Basic loss per share	24	(2.81)	(1.21)
Diluted loss per share	24	(2.81)	(1.21)

The accompanying notes from 1 to 32 form an integral part of these financial statements.

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AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
 (All amounts expressed in Saudi Riyals unless otherwise stated)

		<u>Year ended December 31,</u>	
	Note	2020	2019
Total loss for the year attributable to the shareholders		(112,479,227)	(48,261,306)
Other comprehensive income (loss):			
<i>Items that will not be reclassified to the statement of income in subsequent years</i>			
Re-measurement gain (loss) on employee benefit obligations	21	1,825,101	(89,745)
<i>Items that will be reclassified to the statement of income in subsequent years</i>			
Net change in fair value of available-for-sale investments	12	2,988,850	1,904,618
Total other comprehensive income		4,813,951	1,814,873
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(107,665,276)	(46,446,433)

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Manager

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
(All amounts expressed in Saudi Riyals unless otherwise stated)

At January 1, 2020

Total comprehensive (loss) income for the year

Total loss for the year attributable to the shareholders

Re-measurement gain on employee benefit obligations

Net change in fair value of available-for-sale investments

Total comprehensive (loss) income for the year

Transfer to retained earnings

At December 31, 2020

At January 1, 2019

Total comprehensive (loss) income for the year

Total loss for the year attributable to the shareholders

Re-measurement loss on employee benefit obligations

Net change in fair value of available-for-sale investments

Total comprehensive (loss) income for the year

At December 31, 2019

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Note	Share capital	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligation	Fair value reserve on investments	Total
	400,000,000	47,342,202	(57,434,850)	471,446	5,068,735	395,447,533

	-	-	(112,479,227)	-	-	(112,479,227)
21	-	-	-	1,825,101	-	1,825,101
12	-	-	-	-	2,988,850	2,988,850
	-	-	(112,479,227)	1,825,101	2,988,850	(107,665,276)
1, 23	-	(47,342,202)	47,342,202	-	-	-
	400,000,000	-	(122,571,875)	2,296,547	8,057,585	287,782,257
	400,000,000	47,342,202	(9,173,544)	561,191	3,164,117	441,893,966

	-	-	(48,261,306)	-	-	(48,261,306)
21	-	-	-	(89,745)	-	(89,745)
12	-	-	-	-	1,904,618	1,904,618
	-	-	(48,261,306)	(89,745)	1,904,618	(46,446,433)
	400,000,000	47,342,202	(57,434,850)	471,446	5,068,735	395,447,533

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AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

		<u>Year ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before surplus attribution and zakat		(105,979,227)	(39,861,306)
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment	13	1,248,563	1,353,200
Amortization of intangible assets	14	654,344	471,961
Provision for employee benefit obligations	21	2,472,668	2,345,910
Changes in fair value on financial assets at fair value through profit or loss	12	(6,156,992)	(1,999,661)
Realized gain on available-for-sale investments	12	(2,419,474)	(3,174,967)
Realized gain on financial assets at fair value through profit or loss	12	(1,109,408)	-
Reversal of surplus distribution payable		(9,187,005)	-
Allowance for doubtful debts	8	83,258	9,848,364
<u>Changes in operating assets and liabilities:</u>			
Unearned premiums	11	(59,305,053)	47,854,109
Premiums and insurers' balances receivable - net	8	27,979,416	(11,829,676)
Reinsurers' share of unearned premiums	11	(3,849,022)	(2,248,334)
Reinsurers' share of outstanding claims	11	43,146,132	(25,988,451)
Reinsurers' share of claims incurred but not reported	11	1,900,413	2,488,670
Deferred policy acquisition costs	9	2,835,203	655,627
Prepaid expenses and other assets	10	1,845,104	(2,453,385)
Accounts payable		2,374,257	98,195
Accrued and other liabilities	19	(1,061,110)	6,451,472
Reinsurers' balances payable		(2,631,717)	(2,523,744)
Unearned reinsurance commission	20	997,866	447,162
Outstanding claims	11	(61,314,137)	26,362,098
Claims incurred but not reported	11	12,940,491	24,046,174
Additional premium reserves	11	(3,289,803)	(7,396,184)
Other technical reserves	11	4,083,642	(1,580,874)
Employee benefit obligations paid	21	(1,104,454)	(1,586,706)
Zakat paid	18	(5,372,830)	(4,940,173)
Accrued commission income payable to SAMA		819,864	1,285,523
Surplus distribution payable to policyholders	25	-	(64,199)
Net cash (utilized in) generated from operating activities		(159,399,011)	18,060,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of short-term deposits		170,130,556	371,576,871
Placement in short-term deposits		(50,000,000)	(358,451,356)
Statutory deposit commission income		(819,864)	(1,285,523)
Purchase of financial assets at fair value through profit or loss	12	(285,113)	(68,625,000)
Purchase of available-for-sale investments	12	(42,991,081)	(32,550,993)
Purchase of property and equipment	13	(1,088,443)	(1,237,290)
Purchase of intangible assets	14	(920,893)	(1,308,870)
Proceeds from disposal of available-for-sale investments	12	43,407,843	31,566,662
Proceeds from disposal of financial assets at fair value through profit or loss	12	5,198,676	10,862,283
Proceeds from disposal of held-to-maturity investments	12	110,000,000	-
Liquidation of long-term deposits		15,000,000	-
Net cash generated from (utilized in) investing activities		247,631,681	(49,453,216)



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AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS (continued)
 (All amounts expressed in Saudi Riyals unless otherwise stated)

		<u>Year ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Net change in cash and cash equivalents		88,232,670	(31,392,411)
Cash and cash equivalents, beginning of the year		<u>255,104,408</u>	<u>286,496,819</u>
Cash and cash equivalents, end of the year	6	<u>343,337,078</u>	<u>255,104,408</u>
<u>Supplemental non-cash information:</u>			
Net change in fair value reserve for available-for-sale investments	12	<u>2,988,850</u>	<u>1,904,618</u>
Surplus distribution payable adjusted against:			
- Insurance premium receivable from policyholders		<u>26,131</u>	<u>363,277</u>
- VAT receivable on unearned premium		<u>-</u>	<u>862,600</u>
- Insurance premium receivable from related parties		<u>-</u>	<u>85,148</u>
Settlement of premium receivable from a shareholder through rent due to them		<u>1,171,850</u>	<u>1,082,572</u>
Settlement of premium receivable from a shareholder against outstanding claims due to the shareholder		<u>1,825,000</u>	<u>-</u>
Re-measurement (gain) loss on employee benefit obligations	21	<u>1,825,101</u>	<u>(89,745)</u>

The accompanying notes from 1 to 32 form an integral part of these financial statements.

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Marood

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****1. General - Legal status and principal activities**

Al Sagr Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Dammam, Kingdom of Saudi Arabia and incorporated on 26 Muharram 1429H (corresponding to February 4, 2008) under commercial registration ("CR") number 1010243765 which was later amended to 2051036871 dated 22 Rabi' I 1429H (corresponding to March 30, 2008). The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to October 11, 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to October 9, 2006). The Company's registered address is P.O. Box 3501, Dammam 32241, Kingdom of Saudi Arabia.

The purpose of the Company is to transact in cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia (the "Law") and its implementing regulations. The Company obtained license from the Saudi Central Bank (formerly known as Saudi Arabian Monetary Authority) ("SAMA") to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide license number TMN/13/20083, dated 23 Rabi' I 1429H (corresponding to March 31, 2008). The Company commenced insurance operations on 4 Muharram 1430H (corresponding to January 1, 2009). On 11 Ramadan 1436H (corresponding to June 28, 2015), the Company received approval from SAMA to cancel its reinsurance license.

The loss for the year ended December 31, 2020 is mainly attributable to the substantial increase in the medical claims. Management has formulated and implemented measures which, among others, include better pricing strategies and diversification of insurance portfolio. Results from such measures are expected to reflect positively in the year 2021 and such positive trend as a result of corrective measures is expected to continue, provided that the underlying projections of the business and economic conditions continue to be realized.

On 29 Dhul Qada 1442H (corresponding to July 20, 2020), the Board of Directors of the Company resolved to utilise the statutory reserve amounting to Saudi Riyals 47.3 million to absorb a portion of the accumulated losses of the Company. On 29 Muharram 1442H (corresponding to September 17, 2020), the Company received SAMA's approval in relation to the utilisation of statutory reserve to absorb the accumulated losses. The Company's shareholders, in an ordinary general assembly meeting held on 10 Rabi'I 1442H (corresponding to October 27, 2020), approved the Board of Directors' recommendation to utilise the statutory reserve to absorb a portion of the accumulated losses. The impact of such adjustment to the statutory reserve has been reflected in the accompanying financial statements.

The Company operates through three main branches and various point-of-sale stores located in the Kingdom of Saudi Arabia. Following are the CR numbers of three branches:

Branch Name	Location	CR number
Regional Branch	Dammam	2051036871
Regional Branch	Jeddah	4030182618
Regional Branch	Riyadh	1010243765

2. Basis of preparation**(a) Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

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2. Basis of preparation (continued)

(a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors of the Company.

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the "Regulations") issued by SAMA and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders' operations in full.

The statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 30 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, income, comprehensive income and cash flows prepared for the insurance operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS as endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

(b) Basis of measurement

These financial statements are prepared under the going concern basis and the historical cost convention, except as described in Note 3.

(c) Basis of presentation

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short-term deposits, premiums and insurers' balances receivable - net, prepaid expenses and other assets, available-for-sale investments, financial assets at fair value through profit or loss, accrued income on statutory deposit, accounts payable, accrued and other liabilities, reinsurers' balances payable, due to a related party, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves, other technical reserves, zakat payable, accrued commission income payable to SAMA, dividend payable and surplus distribution payable. The following balances would generally be classified as non-current: long-term deposits, held-to-maturity investments, property and equipment, intangible assets, goodwill, statutory deposit and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include reinsurers' share of unearned premiums, deferred policy acquisition costs, unearned premiums and unearned reinsurance commission.

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2. Basis of preparation (continued)

(d) Functional and presentation currency

These financial statements are expressed in Saudi Arabian Riyals ("Saudi Riyals") which is the functional and presentation currency of the Company.

(e) Seasonality of operations

There are no seasonal changes that may affect the insurance operations of the Company.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented.

3.1 New standards, amendments and interpretations not yet applied by the Company

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact.

- IFRS 9 - Financial Instruments ("IFRS 9")

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- ii. the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

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3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 9 - Financial Instruments ("IFRS 9") (continued)

a) Classification and measurement (continued):

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that instrument is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 - Insurance Contracts: Applying IFRS 9 with IFRS 4 - Insurance Contracts ("IFRS 4"), published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 - Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - a. the effective date of a new insurance contract standard; or
 - b. annual reporting periods beginning on or after January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment during 2019:

- i) the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

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3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 9 - Financial Instruments ("IFRS 9") (continued)

Effective date (continued)

- ii) the total carrying amount of the Company's liabilities connected with insurance were compared to the carrying amount of all its liabilities. As of 1 April 2016, the Company's liabilities connected with insurance were 93% of all of its liabilities, and based on such assessment, the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at December 31, 2020, the Company has total financial assets and insurance related assets amounting to Saudi Riyals 773.1 million and Saudi Riyals 263.5 million, respectively (2019: Saudi Riyals 1,001.0 million and Saudi Riyals 213.1 million, respectively). Currently, financial assets held at amortized cost consists of loans and receivables (i.e cash and cash equivalents, short and long-term deposits, premiums and insurers' balances receivable, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets), and held to maturity investments amounting to Saudi Riyals 628.5 million (2019: Saudi Riyals 864 million). Financial assets held at amortised cost are expected to meet the SPPI test as required by IFRS 9, and the Company expects to measure such assets at amortised cost.

Fair value of unit linked investments held at fair value through profit or loss as at December 31, 2020 is Saudi Riyals 100.5 million (2019: Saudi Riyals 98.1 million). Other financial assets consist of available-for-sale investments measured at fair value, of Saudi Riyals 44.1 million (2019: Saudi Riyals 39.1 million) with net increase in fair value during the year of Saudi Riyals 3.0 million (2019: net increase of Saudi Riyals 1.9 million). The Company expects to use the FVOCI classification for these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in Note 29.9 to the financial statements.

The Company's financial assets have low credit risk as at December 31, 2020 and 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present, it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

- IFRS 17, 'Insurance Contracts'

Overview

This standard has been published in May 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts.

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3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

Overview (continued)

It requires to separate the following components from insurance contracts:

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model ("GMM")

GMM is based on the following "building blocks":

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows;
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
 - a risk adjustment for non-financial risk.
- b) the Contractual Service Margin ("CSM"). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

Measurement (continued)

The Variable Fee Approach ("VFA")

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, CSM is also adjusted for:

- i. the entity's share of the changes in the fair value of underlying items; and
- ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

Premium Allocation Approach ("PAA")

PAA, a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the GMM for a group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The GMM remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid / received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, together with amendments to presentation and disclosures.

AL SAGR COOPERATIVE INSURANCE COMPANY***(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****3. Summary of significant accounting policies (continued)****3.1 New standards, amendments and interpretations not yet applied by the Company (continued)****- IFRS 17, 'Insurance Contracts' (continued)****Impact**

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also, the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and has selected IFRS 17 solution and has developed system implementation plan with a vendor along with high level timelines, while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

3.1.1 Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

There are no other IFRSs or International Financing Reporting Standards Interpretations Committee (IFRS - IC) interpretations that are not yet effective that would be expected to have a material impact on the Company.

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3. Summary of significant accounting policies (continued)

3.2 Revenue recognition

3.2.1 Recognition of premium and reinsurance commissions

Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

- Premium written in last three months of the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognized over the period of risk.

3.2.2 Commission, dividend income and other income

Commission income on short-term deposits and long-term deposits is recognized on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognized when the right to receive a dividend is established, and is included under realised gain on available-for-sale investments in the statement of income. Income from Al Manafeth third party liability insurance fund and Umrah product medical, general and accident insurance fund, is recognized as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

3.3 Insurance contracts

Insurance contracts are contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits that would be paid if the insured event arose, with benefits payable if the insured event did not occur.

3.4 Claims

Claims comprise of amounts payable to policyholders and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements in the following year is included in the underwriting account for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

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3. Summary of significant accounting policies (continued)

3.5 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell assets (usually damaged) acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of damaged assets.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.6 Reinsurance

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its products. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts.

An impairment review is performed at each statement of financial position date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

3.7 Liability adequacy test

At each statement of financial position date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision.

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3. Summary of significant accounting policies (continued)

3.8 Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, claims incurred but not reported ("IBNR") provision, the provision for unearned and additional premium reserve (including premium deficiency reserves) and other technical reserves. The outstanding claims provision and IBNR provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency under "additional premium reserves". Other technical reserves comprise unallocated loss adjustment expense reserve and proportional and non-proportional reinsurance accrual reserve. Unallocated loss adjustment expense reserve is determined at the end of each reporting period and represents the estimated cost of claims processing that the Company would incur at the time of claims payout. Reinsurance accrual reserve (proportional and non-proportional) are reserves measured as the amount of reinsurance premiums, reinsurance commissions or any loss participations that have not been fully accrued.

3.9 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

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3. Summary of significant accounting policies (continued)

3.10 Unearned reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortization is recorded in the statement of income.

3.11 Premiums and insurers' balances receivable - net

Premiums and insurers' receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

3.12 Financial assets

3.12.1 Classification

The Company classifies its financial assets in the following categories:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as available-for-sale investments. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

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

Financial assets at fair value through profit or loss are those investments that upon initial recognition are designated at fair value. Such investments are measured and carried at fair value with all changes in fair value being recorded in the statement of income.

(c) Available-for-sale investments

Available-for-sale investments are those investments that are not held-to-maturity nor held for trading.

Investments which are classified as "available-for-sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at amortized cost less impairment provision.

(d) Held-to-maturity investments

Investments, which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognized or impaired.

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3. Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.2 Recognition, measurement and de-recognition

Loans and receivable and investments held-to-maturity are carried at amortized costs less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets at fair value through profit or loss are measured and carried at fair value. Any subsequent changes to the fair value are included in the statement of income.

Financial assets are derecognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Purchases and sale of available-for-sale investments are recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as 'gains and losses from available-for-sale investments'.

3.12.3 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Dividends on financial assets at fair value through profit or loss and available-for-sale investments are recognised in the statement of income, when the Company's right to receive payments is established.

3.12.4 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset 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.

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 was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

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3. Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.4 Impairment of financial assets (continued)

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

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as financial asset at fair value through profit or loss, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. Impairment loss or its reversal is recognized in the statement of income.

(c) Available-for-sale investments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income is removed from equity and recognised in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income.

3.13 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective commission rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statements of income.

3.14 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3.15 Off-setting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not off-set in the statement of income unless required or permitted by any accounting standard or interpretation.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

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3. Summary of significant accounting policies (continued)

3.17 Short-term and long-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement.

3.18 Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised 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. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Leasehold improvements principally represent movable structures that can be relocated without incurring any substantial cost and effort. Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

3.19 Goodwill

Goodwill represents excess of the fair value of the purchase consideration payable, as per SAMA's instructions, over the net identifiable assets acquired from Al Sagr Saudi Insurance Company (a sister company). The recoverability of goodwill is tested at each statement of financial position date for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and its value in use.

3.20 Intangible assets

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Estimated useful life of software is 4 years. Intangible assets with an infinite useful life (including goodwill) are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortisation expense is included in 'General and administrative expenses' under statement of income.

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3. Summary of significant accounting policies (continued)

3.21 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in the statement of income.

3.22 Provisions and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.23 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

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3. Summary of significant accounting policies (continued)

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

3.25 Zakat

The Company is subject to zakat in accordance with the regulations of the GAZT. Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted net income. Additional amounts, if any, are accounted for when determined to be required for payment. Zakat is accrued on a quarterly basis.

3.26 Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences, except for those arising on available-for-sale financial assets, are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars which is pegged to Saudi Riyal, foreign exchange gains and losses are not significant.

3.27 Right-of-use assets and lease liabilities

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability, if any, is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

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3. Summary of significant accounting policies (continued)

3.27 Right-of-use assets and lease liabilities (continued)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

RoU assets are depreciated over the shorter period of lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets, if any, are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

Based on the impact assessment performed by management, the identified impact from the adoption of IFRS 16 was not material and, hence, no adjustments were recognised by management in the accompanying financial statements.

The Company has used exemption available in IFRS 16 - Leases, for short-term leases and leases of low-value assets. These are recognised on a straight-line basis as an expense in the statement of income and amounted to Saudi Riyals 2.7 million and Saudi Riyals 3.1 million for the year ended December 31, 2020 and 2019, respectively.

4. Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

On March 11, 2020, the World Health Organization ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread globally. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world have taken steps to contain the spread of Covid-19. The Kingdom of Saudi Arabia also implemented a number of measures including closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews, which were subsequently lifted from June 21, 2020 owing to the drop in daily cases across the Kingdom of Saudi Arabia.

In response to the spread of Covid-19 in the Kingdom of Saudi Arabia and its consequential disruption to social and economic activities, the Company's management has assessed its impact on the Company's operations and has taken a series of proactive and preventive measures to ensure:

- the health and safety of its employees and the wider community where it is operating; and
- the continuity of its business throughout the Kingdom of Saudi Arabia is protected and remains intact.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

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4. Critical accounting judgments, estimates and assumptions (continued)

(i) Impact of Covid-19

Medical technical reserves

The Company's management believes that the Saudi Arabian government initiative of providing free healthcare to infected and suspected patients has helped in reducing any unfavourable impact. During the period of lockdowns and curfews as implemented by the Saudi Arabian government, the Company experienced a decline in medical reported claims (mainly elective and non-chronic treatment claims) which resulted in a decrease in claims experience which could have resulted from the deferral of certain medical treatments. Accordingly, the Company's management has duly considered the impact of such deferral of medical claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. Based on the results, the management believes that no additional IBNR is required to be maintained as at December 31, 2020, for the issued medical policies to account for the above explained deferral (December 31, 2019: Nil, September 30, 2020: IBNR of Saudi Riyals 3.1 million, June 30, 2020: additional premium reserves of Saudi Riyals 9.7 million, March 31, 2020: Nil).

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "Circular") dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the Circular instructed the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing two months of additional coverage for all new retail motor insurance policies written within one month of the date of the Circular.

Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and the Company prospectively assessed the sufficiency of its unexpired risk reserves in relation to those existing retail motor policies impacted by the Circular. For new retail motor policies issued as per the above Circular, the premium is earned over the period of twelve months as the impact of earnings over the period of coverage i.e. fourteen months is not considered significant by management for the year ended December 31, 2020 and subsequent periods. The Company's management has duly considered the impact of such existing and new retail motor policies impacted by the Circular on claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. As a result, the Company has maintained a premium deficiency reserve of Saudi Riyals 6.3 million on such policies as at December 31, 2020 (December 31, 2019: Nil, September 30, 2020: premium deficiency reserve of Saudi Riyals 5.7 million, June 30, 2020: additional premium deficiency reserve of Saudi Riyals 9.7 million, March 31, 2020: Nil).

Financial assets - investments and loans and receivables

For held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include factors such as significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. For available-for-sale investments and at fair value through profit or loss, the Company has performed an assessment to determine whether there is a significant decline in the fair value of these investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments. Based on these assessments, the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported results for the year ended December 31, 2020. The Company continues to monitor the situation closely.

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4. Critical accounting judgments, estimates and assumptions (continued)

(ii) Liability arising from claims under insurance contracts

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(iii) Impairment of premiums and insurers' balances receivable and goodwill

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the receivable amount is less than carrying value, the difference is charged to statement of income as impairment loss.

(iv) Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments. Also see Note 3.21.

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5. Segmental information

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2019.

Segment results do not include general and administrative expenses, allowances for doubtful debts, investment and commission income, changes in fair value of financial assets at fair value through profit or loss - net, realized gain (loss) on available-for-sale investments, reversal of surplus distribution payable and other income.

Segment assets do not include cash and cash equivalents, term deposits, premiums and insurers' balances receivable - net, investments, prepaid expenses and other assets, property and equipment, intangible assets, goodwill, statutory deposits, accrued income on statutory deposit and, accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, due to a related party, employee benefit obligations, zakat payable, accrued commission income payable to SAMA, dividend payable and surplus distribution payable and, accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical
- Motor
- Property and casualty; and
- Protection and savings

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

Where intersegment transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments, which will then be eliminated at the level of financial statements of the Company.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2020 and December 31, 2019, its total revenues, expenses, and net income for the years then ended, is as follows:

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5. Segmental information (continued)

	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
For the year ended December 31, 2020							
REVENUES							
Gross premiums written	209,514,331	123,991,709	45,607,618	-	379,113,658	-	379,113,658
Reinsurance premiums ceded:							
- Foreign	(82,923)	-	(37,416,321)	-	(37,499,244)	-	(37,499,244)
- Local	-	(255,278)	(2,160,385)	-	(2,415,663)	-	(2,415,663)
Excess of loss premiums:							
- Foreign	(18,534,007)	(1,889,030)	(869,570)	-	(21,292,607)	-	(21,292,607)
- Local	(2,962,745)	(655,587)	(119,932)	-	(3,738,264)	-	(3,738,264)
Net premiums written	187,934,656	121,191,814	5,041,410	-	314,167,880	-	314,167,880
Changes in unearned premiums	87,179,161	(23,830,397)	(4,043,711)	-	59,305,053	-	59,305,053
Changes in reinsurers' share of unearned premiums	7,483	(175,561)	4,017,100	-	3,849,022	-	3,849,022
Net premiums earned	275,121,300	97,185,856	5,014,799	-	377,321,955	-	377,321,955
Reinsurance commissions	12,447	86,168	6,216,702	-	6,315,317	-	6,315,317
Total revenues	275,133,747	97,272,024	11,231,501	-	383,637,272	-	383,637,272
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(378,704,199)	(58,434,782)	(58,161,184)	-	(495,300,165)	-	(495,300,165)
Reinsurers' share of claims paid	27,624,313	273,708	57,492,163	-	85,390,184	-	85,390,184
Claims handling expenses	(11,840,689)	(5,195,130)	-	-	(17,035,819)	-	(17,035,819)
Net claims and other benefits paid	(362,920,575)	(63,356,204)	(669,021)	-	(426,945,800)	-	(426,945,800)
Changes in outstanding claims	19,227,296	5,750,356	38,161,485	-	63,139,137	-	63,139,137
Changes in reinsurers' share of outstanding claims	(3,369,145)	78,072	(39,855,059)	-	(43,146,132)	-	(43,146,132)
Changes in claims incurred but not reported	(4,392,907)	(9,408,367)	860,783	-	(12,940,491)	-	(12,940,491)
Changes in reinsurers' share of claims incurred but not reported	(815,108)	109,067	(1,194,372)	-	(1,900,413)	-	(1,900,413)
Net claims and other benefits incurred	(352,270,439)	(66,827,076)	(2,696,184)	-	(421,793,699)	-	(421,793,699)

(Continued)

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5. Segmental information (continued)

	Medical	Motor	Property and casualty and savings	Shareholders' operations	Total
Policy acquisition costs	(16,772,399)	(3,418,874)	(3,153,875)	-	(23,345,148)
Changes in additional premium reserves	8,811,063	(4,849,093)	(672,167)	-	3,289,803
Changes in other technical reserves	(892,361)	(2,403,391)	(787,890)	-	(4,083,642)
Other underwriting expenses, net	(6,282,767)	(2,966,469)	(370,462)	-	(9,619,698)
Total underwriting costs and expenses, net	(367,406,903)	(80,464,903)	(7,680,578)	-	(455,552,384)
NET UNDERWRITING (LOSS) INCOME	(92,273,156)	16,807,121	3,550,923	-	(71,915,112)
OTHER OPERATING (EXPENSES) INCOME					
Allowance for doubtful debts			(83,258)	-	(83,258)
General and administrative expenses			(63,539,339)	(5,841,231)	(69,380,570)
Investment and commission income			5,719,863	6,790,689	12,510,552
Changes in fair value of financial assets at fair value through profit or loss - net			(381,612)	6,538,604	6,156,992
Realized gain on available-for-sale investments			684,432	1,735,042	2,419,474
Reversal of surplus distribution payable			9,187,005	-	9,187,005
Other income			5,125,690	-	5,125,690
Total other operating (expenses) income, net			(43,287,219)	9,223,104	(34,064,115)
Total (loss) income for the year before surplus attribution and zakat			(115,202,331)	9,223,104	(105,979,227)
Surplus attributed to the insurance operations			-	-	-
Total (loss) income for the year before zakat			(115,202,331)	9,223,104	(105,979,227)
Zakat expense			-	(6,500,000)	(6,500,000)
Total (loss) income for the year attributable to the shareholders			(115,202,331)	2,723,104	(112,479,227)

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5. Segmental information (continued)

	Insurance operations				
	Medical	Motor	Property and casualty	Protection and savings	Shareholders' operations
					Total
For the year ended December 31, 2019					
REVENUES					
Gross premiums written	367,503,363	51,361,427	36,837,971	-	455,702,761
Reinsurance premiums ceded:					
- Foreign	(73,341)	-	(31,022,408)	-	(31,095,749)
- Local	-	(631,019)	(748,501)	-	(1,379,520)
Excess of loss premiums:					
- Foreign	(30,465,807)	(923,693)	(869,789)	-	(32,259,289)
- Local	(4,346,004)	(292,313)	(95,400)	-	(4,733,717)
Net premiums written	332,618,211	49,514,402	4,101,873	-	386,234,486
Changes in unearned premiums					
Changes in reinsurers' share of unearned premiums	(31,635,525)	(13,698,202)	(2,520,382)	-	(47,854,109)
Net premiums earned	21,055	(60,866)	2,288,145	-	2,248,334
Reinsurance commissions	301,003,741	35,755,334	3,869,636	-	340,628,711
	8,627	138,377	4,622,339	-	4,769,343
Total revenues	301,012,368	35,893,711	8,491,975	-	345,398,054
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(284,648,714)	(27,339,757)	(3,185,112)	-	(315,173,583)
Reinsurers' share of claims paid	29,680,175	423,140	2,711,474	-	32,814,789
Claims handling expenses	(14,937,738)	(77,721)	-	-	(15,015,459)
Net claims and other benefits paid	(269,906,277)	(26,994,338)	(473,638)	-	(297,374,253)
Changes in outstanding claims					
Changes in reinsurers' share of outstanding claims	(23,333,862)	17,933,462	(20,961,698)	-	(26,362,098)
Changes in claims incurred but not reported	9,101,499	(2,990,667)	19,877,619	-	25,988,451
Changes in reinsurers' share of claims incurred but not reported	(28,127,239)	(3,132,849)	7,213,914	-	(24,046,174)
Net claims and other benefits incurred	3,950,694	(511,296)	(5,928,068)	-	(2,488,670)
	(308,315,185)	(15,695,688)	(271,871)	-	(324,282,744)

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5. Segmental information (continued)

	Insurance operations			
	Medical	Motor	Property and casualty and savings	Shareholders' operations
Policy acquisition costs	(22,420,112)	(1,603,214)	(2,377,849)	-
Changes in additional premium reserves	8,239,468	(761,054)	(82,230)	-
Changes in other technical reserves	643,896	(673,457)	1,610,435	-
Other underwriting expenses, net	(6,061,481)	(549,264)	496,547	-
Total underwriting costs and expenses, net	(327,913,414)	(19,282,677)	(624,968)	-
				(347,821,059)
NET UNDERWRITING (LOSS) INCOME	(26,901,046)	16,611,034	7,867,007	-
				(2,423,005)
OTHER OPERATING (EXPENSES) INCOME				
Allowance for doubtful debts				-
General and administrative expenses			(9,848,364)	(9,848,364)
Investment and commission income			(54,460,358)	(4,007,596)
Changes in fair value of financial assets at fair value through profit or loss - net			7,288,983	16,144,191
Realized gain on available-for-sale investments			(559,763)	2,559,424
Other income			686,248	2,488,719
			2,270,215	-
Total other operating (expenses) income, net			(54,623,039)	17,184,738
				(37,438,301)
Total (loss) income for the year before surplus attribution and zakat			(57,046,044)	17,184,738
Surplus attributed to the insurance operations			-	-
Total (loss) income for the period before zakat			(57,046,044)	17,184,738
				(8,400,000)
Zakat expense			-	-
				(8,400,000)
Total (loss) income for the year attributable to the shareholders			(57,046,044)	8,784,738
				(48,261,306)

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5. Segmental information (continued)

	Insurance operations				Shareholders'
	Medical	Motor	Property and casualty	Protection and savings	
December 31, 2020					Total
Assets					
Reinsurers' share of unearned premiums	28,538	123,581	18,796,925	-	18,949,044
Reinsurers' share of outstanding claims	5,732,374	884,500	20,284,881	-	26,901,755
Reinsurers' share of claims incurred but not reported	3,140,061	109,067	8,753,245	-	12,002,373
Deferred policy acquisition costs	5,394,124	1,695,533	1,935,805	-	9,025,462
Segment assets	14,295,097	2,812,681	49,770,856	-	66,878,634
Unallocated assets					291,837,173
Total assets					445,285,314
					358,715,807
					804,001,121
Total liabilities					
Unearned premiums	98,468,560	52,082,067	20,878,186	-	171,428,813
Unearned reinsurance commission	4,709	24,716	3,165,645	-	3,195,070
Outstanding claims	77,337,035	3,694,913	25,521,250	-	106,553,198
Claims incurred but not reported	52,334,352	13,904,832	9,881,872	-	76,121,056
Additional premium reserves	6,875,739	6,316,037	833,390	-	14,025,166
Other technical reserves	1,811,190	3,200,194	1,117,291	-	6,128,675
Segment liabilities	236,831,585	79,222,759	61,397,634	-	377,451,978
Unallocated liabilities and equity					84,763,322
Total liabilities and equity					462,215,300
					341,785,821
					804,001,121

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5. Segmental information (continued)

	Insurance operations					Shareholders' operations	Total
	Medical	Motor	Property and casualty	Protection and savings	Total		
December 31, 2019							
Assets							
Reinsurers' share of unearned premiums	21,055	299,142	14,779,825	-	15,100,022	-	15,100,022
Reinsurers' share of outstanding claims	9,101,519	806,428	60,139,940	-	70,047,887	-	70,047,887
Reinsurers' share of claims incurred but not reported	3,955,169	-	9,947,617	-	13,902,786	-	13,902,786
Deferred policy acquisition costs	9,339,983	1,264,584	1,256,098	-	11,860,665	-	11,860,665
Segment assets	22,417,726	2,370,154	86,123,480	-	110,911,360	-	110,911,360
Unallocated assets					412,843,722	505,836,718	918,680,440
Total assets					523,755,082	505,836,718	1,029,591,800
Total liabilities							
Unearned premiums	185,647,721	28,251,670	16,834,475	-	230,733,866	-	230,733,866
Unearned reinsurance commission	3,474	59,828	2,133,902	-	2,197,204	-	2,197,204
Outstanding claims	96,564,331	9,445,269	63,682,735	-	169,692,335	-	169,692,335
Claims incurred but not reported	47,941,445	4,496,465	10,742,655	-	63,180,565	-	63,180,565
Additional premium reserves	15,686,802	1,466,944	161,223	-	17,314,969	-	17,314,969
Other technical reserves	918,829	796,803	329,401	-	2,045,033	-	2,045,033
Segment liabilities	346,762,602	44,516,979	93,884,391	-	485,163,972	-	485,163,972
Unallocated liabilities and equity					96,070,537	448,357,291	544,427,828
Total liabilities and equity					581,234,509	448,357,291	1,029,591,800

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5. Segmental information (continued)

5.1 Gross premiums written - categorization

	Year ended December 31, 2020				Total
	Medical	Motor	Property and casualty	Protection and savings	
Large corporates	22,773,012	10,293,085	35,378,362	-	68,444,459
Medium corporates	47,405,576	11,479,244	1,786,054	-	60,670,874
Small enterprises	81,129,019	5,888,050	5,008,216	-	92,025,285
Micro enterprises	55,984,897	578,926	499,323	-	57,063,146
Retail	2,221,827	95,752,404	2,935,663	-	100,909,894
	209,514,331	123,991,709	45,607,618	-	379,113,658

	Year ended December 31, 2019				Total
	Medical	Motor	Property and casualty	Protection and savings	
Large corporates	87,775,115	12,488,023	19,231,531	-	119,494,669
Medium corporates	71,129,435	8,250,649	11,688,379	-	91,068,463
Small enterprises	130,804,281	5,628,391	1,122,911	-	137,555,583
Micro enterprises	52,269,692	1,410,017	466,371	-	54,146,080
Retail	25,524,840	23,584,347	4,328,779	-	53,437,966
	367,503,363	51,361,427	36,837,971	-	455,702,761

6. Cash and cash equivalents

	Insurance operations		Shareholders' operations		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash in hand	31,930	30,000	-	-	31,930	30,000
Cash at banks - current accounts	26,468,936	26,121,952	333,635	20,353	26,802,571	26,142,305
Time deposits	-	20,000,000	48,750,000	50,000,000	48,750,000	70,000,000
Money market fund	123,029,039	98,477,827	144,723,538	60,454,276	267,752,577	158,932,103
	149,529,905	144,629,779	193,807,173	110,474,629	343,337,078	255,104,408

Cash at banks is placed with counterparties that have investment grade credit ratings. As at December 31, 2020, time deposits are placed with local banks and money market funds are held with financial institutions denominated in Saudi Riyals with original maturities of less than three months from the date of placement and earned commission income at an average rate of 0.70% to 2.70% per annum (December 31, 2019: 2.35% to 3.35% per annum).

AL SAGR COOPERATIVE INSURANCE COMPANY***(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****7. Short-term and long-term deposits**

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earn commission income at an average rate of 2.86% to 4.31% (December 31, 2019: 2.45% to 4.80%) per annum.

Long-term deposits represent deposits with maturity of more than one year from the date of placement and are placed with banks carrying commission income at an average rate of 2.70% to 2.90% (December 31, 2019: 2.79% to 2.98%) per annum.

Short-term and long-term deposits are classified under loan and receivables category for financial assets, and are carried at amortized cost.

8. Premiums and insurers' balances receivable - net

	December 31, 2020	December 31, 2019
Premiums receivable	68,918,023	107,387,793
Premiums receivable from related parties (Note 17)	11,480,291	13,634,740
Receivable from insurance and reinsurance companies	19,715,565	10,093,743
	<u>100,113,879</u>	<u>131,116,276</u>
Less: allowance for doubtful debts	<u>(36,275,368)</u>	<u>(36,192,110)</u>
	<u>63,838,511</u>	<u>94,924,166</u>

Movement in the allowance for doubtful debts is as follows:

	December 31, 2020	December 31, 2019
At the beginning of the year	36,192,110	26,343,746
Charge for the year	83,258	9,848,364
At the end of the year	<u>36,275,368</u>	<u>36,192,110</u>

The aging analysis of premiums and insurers' balances receivable at the year-end is set out below:

Premiums receivable:

	Total	Neither impaired nor past due	Past due and impaired		
			91-180 days	181-360 days	More than 360 days
2020	68,918,023	17,153,100	7,340,808	8,570,199	35,853,916
2019	107,387,793	65,416,687	7,815,247	6,619,380	27,536,479

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8. Premiums and insurers' balances receivable - net (continued)

Premium receivables from related parties:

	Total	Neither impaired nor past due	Past due and impaired		
			91-180 days	181-360 days	More than 360 days
2020	11,480,291	3,974,449	3,847,483	1,991,206	1,667,153
2019	13,634,740	3,780,679	4,005,909	2,710,051	3,138,101

Premium receivables from insurance and reinsurance companies:

	Total	Neither impaired nor past due	Past due and impaired		
			91-180 days	181-360 days	More than 360 days
2020	19,715,565	9,355,143	6,000,619	4,035,889	323,914
2019	10,093,743	5,724,749	273,318	123,518	3,972,158

Premium and insurers' balances receivable outstanding above 90 days amounted to Saudi Riyals 74.6 million (2019: Saudi Riyals 56.2 million) against which a provision of Saudi Riyals 36.3 million (2019: Saudi Riyals 36.2 million) was established.

Premiums receivable, balances receivable from insurance and reinsurance companies and premiums receivable from related parties comprise a large number of customers, reinsurance companies and related parties mainly within the Kingdom of Saudi Arabia. The Company's terms of business generally require premiums to be settled within 90 days. In addition to that the Company is offering premium settlements on instalment basis which are based on the total amount of policy premium. Arrangements with reinsurers normally require settlement as per the reinsurance agreements.

Unimpaired premium balances receivable from insurance, reinsurance companies and from related parties are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and therefore such receivable balances are unsecured.

9. Deferred policy acquisition costs

	2020	2019
At January 1	11,860,665	12,516,292
Incurred during the year	20,509,945	25,745,548
Amortised during the year	(23,345,148)	(26,401,175)
At December 31	9,025,462	11,860,665

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****10. Prepaid expenses and other assets**

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Value added tax ("VAT") recoverable	5,240,483	4,079,224	-	-
Receivable from Umrah Fund	4,444,000	-	-	-
Deferred supervision fees	3,814,425	3,002,755	-	-
Other prepaid expenses	2,621,127	2,564,397	-	-
Receivable from Arab War Risks Insurance Syndicate	2,548,200	2,473,399	-	-
Employees' receivable	875,456	490,931	-	-
Receivable from Manafeth Fund	816,923	2,430,348	-	-
Prepaid rent	281,088	474,262	-	-
Bank guarantee margin	-	1,000,000	-	-
Accrued income	139,829	1,062,766	578,523	5,881,821
Other	587,771	547,487	265,367	50,906
	21,369,302	18,125,569	843,890	5,932,727

11. Technical reserves**11.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	December 31, 2020	December 31, 2019
Gross outstanding claims	106,553,198	169,692,335
Gross claims incurred but not reported	76,121,056	63,180,565
Less:		
Reinsurers' share of outstanding claims	(26,901,755)	(70,047,887)
Reinsurers' share of claims incurred but not reported	(12,002,373)	(13,902,786)
Net outstanding claims	143,770,126	148,922,227
Additional premium reserves:		
Premium deficiency reserve	14,025,166	17,314,969
Other technical reserves:		
Non-proportional reinsurance accrual reserve	524,909	482,584
Unallocated loss adjustment expense reserve	5,603,766	1,562,449
	6,128,675	2,045,033
Net outstanding claims and reserves	163,923,967	168,282,229

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11. Technical reserves (continued)

11.2 Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	December 31, 2020		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	230,733,866	(15,100,022)	215,633,844
Balance as at the end of the year	171,428,813	(18,949,044)	152,479,769
Changes in unearned premiums	59,305,053	3,849,022	63,154,075
Premium written during the year	379,113,658	(39,914,907)	339,198,751
Excess of loss premiums			
- Foreign	-	(21,292,607)	(21,292,607)
- Local	-	(3,738,264)	(3,738,264)
Net premium earned	438,418,711	(61,096,756)	377,321,955

	December 31, 2019		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	182,879,757	(12,851,688)	170,028,069
Balance as at the end of the year	230,733,866	(15,100,022)	215,633,844
Changes in unearned premiums	(47,854,109)	2,248,334	(45,605,775)
Premium written during the year	455,702,761	(32,475,269)	423,227,492
Excess of loss premiums			
- Foreign	-	(32,259,289)	(32,259,289)
- Local	-	(4,733,717)	(4,733,717)
Net premium earned	407,848,652	(67,219,941)	340,628,711

12. Investments

a) Investments are classified as follows:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Held-to-maturity investments	-	30,000,000	-	80,000,000	-	110,000,000
Financial assets at fair value through profit or loss	26,064,650	30,535,530	74,400,053	67,576,336	100,464,703	98,111,866
Available-for-sale investments	13,938,299	12,608,045	30,146,945	26,485,637	44,085,244	39,093,682
	40,002,949	73,143,575	104,546,998	174,061,973	144,549,947	247,205,548

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12. Investments (continued)

b) Category wise investment analysis is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Quoted	38,758,521	71,899,147	104,546,998	174,061,973
Unquoted	1,244,428	1,244,428	-	-
	40,002,949	73,143,575	104,546,998	174,061,973

c) The analysis of the composition of investments is as follows:

	December 31, 2020	December 31, 2019
Mutual funds	100,464,703	98,111,866
Ordinary shares	44,085,244	39,093,682
Sukuks	-	110,000,000
Total	144,549,947	247,205,548

Management has performed a review of the available-for-sale investments and financial assets at fair value through profit or loss, to assess whether impairment has occurred in the value of these investments. Based on specific information, management is of the view that no impairment is required in respect of such investments. All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 100.5 million (December 31, 2019: Saudi Riyals 95.6 million) are denominated in United States Dollars.

d) Movement in financial assets at fair value through profit or loss is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
At the beginning of the year	30,535,530	22,483,264	67,576,336	15,866,224
Acquisitions during the year	-	18,750,000	285,113	49,875,000
Disposals during the year	(5,198,676)	(10,137,971)	-	(724,312)
Changes in fair value - net	(381,612)	(559,763)	6,538,604	2,559,424
Realised gains on disposal	1,109,408	-	-	-
At the end of the year	26,064,650	30,535,530	74,400,053	67,576,336

e) Movement in available-for-sale investments is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
At the beginning of the year	12,608,045	11,082,765	26,485,637	21,947,001
Acquisitions during the year	33,622,654	21,976,091	9,368,427	10,574,902
Disposals during the year	(33,633,515)	(21,529,506)	(9,774,328)	(10,037,156)
Unrealised gains	656,683	392,447	2,332,167	1,512,171
Realised (losses) gains on disposal	684,432	686,248	1,735,042	2,488,719
At the end of the year	13,938,299	12,608,045	30,146,945	26,485,637

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12. Investments (continued)

f) Held-to-maturity investments are as follows:

Insurance operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost	
					December 31, 2020	December 31, 2019
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.40%	-	30,000,000

Shareholders' operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost	
					December 31, 2020	December 31, 2019
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.15%	-	30,000,000
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.30%	-	50,000,000
					-	80,000,000

g) Geographical concentration:

The maximum exposure to credit and price risk for financial assets at fair value through profit or loss, available-for-sale and held-to-maturity investments at the reporting date by geographic region is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Kingdom of Saudi Arabia	30,411,589	61,358,045	30,146,945	106,485,637
Singapore	9,591,360	11,785,530	-	-
United States of America	-	-	19,197,599	17,701,336
United Arab Emirates	-	-	55,202,454	49,875,000
	40,002,949	73,143,575	104,546,998	174,061,973

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13. Property and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2020	4,364,741	3,730,919	5,599,545	517,800	14,213,005
Additions	85,195	280,662	722,586	-	1,088,443
At December 31, 2020	4,449,936	4,011,581	6,322,131	517,800	15,301,448
Accumulated depreciation:					
At January 1, 2020	2,959,806	2,353,067	4,288,013	468,480	10,069,366
Charge for the year	287,049	294,248	626,654	40,612	1,248,563
At December 31, 2020	3,246,855	2,647,315	4,914,667	509,092	11,317,929
Net book value: At December 31, 2020	1,203,081	1,364,266	1,407,464	8,708	3,983,519

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2019	4,084,878	3,474,646	4,898,391	517,800	12,975,715
Additions	279,863	256,273	701,154	-	1,237,290
At December 31, 2019	4,364,741	3,730,919	5,599,545	517,800	14,213,005
Accumulated depreciation:					
At January 1, 2019	2,660,613	1,943,689	3,685,010	426,854	8,716,166
Charge for the year	299,193	409,378	603,003	41,626	1,353,200
At December 31, 2019	2,959,806	2,353,067	4,288,013	468,480	10,069,366
Net book value: At December 31, 2019	1,404,935	1,377,852	1,311,532	49,320	4,143,639

Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Leasehold improvements	10
Furniture, fixtures and office equipment	4-10
Computers	4
Motor vehicles	4

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13. Property and equipment (continued)

The assets' useful lives are reviewed at the end of each reporting date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income under other income.

14. Intangible assets

Cost:	Computer software	
	2020	2019
At January 1	5,724,155	4,415,285
Additions	920,893	1,308,870
At December 31	6,645,048	5,724,155
Amortization:		
At January 1	4,127,717	3,655,756
Charge for the year	654,344	471,961
At December 31	4,782,061	4,127,717
Net book value:		
At December 31	1,862,987	1,596,438

Also refer Note 3.20.

15. Goodwill

The Company commenced its insurance operations on January 1, 2009. The Company's General Assembly approved on February 1, 2009 for the Company to enter into an agreement whereby it acquired the entire business (net identifiable assets) of Al Sagr Saudi Insurance Company with effect from January 1, 2009 at a goodwill of Saudi Riyals 39 million as set forth in SAMA's letter in this respect after completing the related procedures as required under SAMA's letter on November 10, 2008. The Company has later adjusted goodwill amount by reducing Saudi Riyals 13.5 million in line with SAMA correspondence in this respect bringing it to Saudi Riyals 25.5 million. The Company has paid Saudi Riyals 9.9 million during 2011 and Saudi Riyals 15.6 million in 2012 against goodwill to the shareholders of Al Sagr Saudi Insurance Company.

As at the reporting date, impairment testing, based on expected discounted cash flows, was performed. The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The key significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

- Weighted average cost of capital of 13%
- Gross premiums written at compound growth rate of 14%
- Long-term growth rate of 2%

Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded the carrying amount of goodwill and accordingly no impairment has been recognised.

A sensitivity analysis has been performed and an increase from 13% to 14% of the weighted average cost of capital and a decrease from 13% to 12%, and from 2% to 1% of the gross premiums written at compound growth rate and long-term growth, respectively, have no significant impact on the result of impairment tests.

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The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the instruction received from SAMA vide their circular dated March 1, 2016, the Company has disclosed the commission due on the statutory deposit as at December 31, 2020 as an asset and a liability in these financial statements.

17. Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

a) The following are the details of the major related party transactions during the year ended December 31, 2020 and 2019 and the related balances.

	Transactions for the year ended		Balance receivable (payable) as at	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Shareholders				
Gross premium written	14,517,568	15,007,513	-	-
Premiums receivable from related parties	-	-	11,480,291	13,634,740
Rent expense	(1,174,472)	(1,098,580)	-	-
Consultancy services	(552,278)	(1,102,733)	-	-
Reinsurance commission income	32,940	53,167	-	-
Reinsurance share of gross claims paid	194,301	160,753	-	-
Reinsurance premium ceded	(461,381)	(616,228)	-	-
Claims incurred	(2,315,154)	(8,074,967)	-	-
Directors' remuneration and meeting fee	(3,816,667)	(2,173,111)	(3,836,667)	(2,203,111)
Gross outstanding claims	-	-	(1,550,137)	(3,449,927)
Reinsurance premium payable	-	-	(616,386)	(390,273)
Claims handling expenses	-	-	-	-

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17. Related party transactions and balances (continued)

b) The compensation of key management personnel during the year is as follows:

	December 31, 2020	December 31, 2019
Salaries and benefits	11,754,884	9,350,629
Employee benefit obligations	561,775	533,250
	<u>12,316,659</u>	<u>9,883,879</u>

c) Board of Directors fees for the year ended December 31, 2020 was Saudi Riyals 3.8 million (December 31, 2019: Saudi Riyals 2.2 million).

d) Due to a related party

Due to a related party represents amounts payable to Al Sagr Saudi Insurance Company (B.S.C).

e) The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is based on employment terms and as per the by-laws of the Company.

18. Zakat

a) Zakat charge for the year

The charge for the year for zakat is as follows:

	2020	2019
Charge for the year	<u>6,500,000</u>	<u>8,400,000</u>

b) Zakat base

The principal elements of zakat base are as following:

	December 31, 2020	December 31, 2019
Opening shareholders' equity	395,447,533	441,893,966
Non-current assets	137,670,009	151,743,716
Held-to-maturity investments	-	110,000,000
Goodwill	25,513,750	25,513,750
Adjusted net loss	(105,979,227)	(39,861,306)

The difference between the financial results and adjusted net income is mainly due to adjustments for certain costs based on relevant regulations.

c) Movement in the provision for zakat during the year

	2020	2019
At January 1	45,730,348	42,270,521
Provision for the year	6,500,000	8,400,000
Paid during the year	(5,372,830)	(4,940,173)
At December 31	<u>46,857,518</u>	<u>45,730,348</u>

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18. Zakat (continued)

d) Shareholding subject to zakat

The following is the shareholding percentage subject to zakat in these financial statements as at the end of the year:

	December 31, 2020	December 31, 2019
Shareholding percentage subject to zakat	100	100

e) Zakat assessments

During the year ended December 31, 2020, the Company received final zakat assessments for the years from 2012 to 2018. Total additional zakat liability as per the assessments amounted to Saudi Riyals 36.3 million for such years. The Company had filed an appeal with General Secretariat of Zakat Committees (high committees) against the assessments and in-parallel had submitted a settlement request with the GAZT-Settlement committee. Subsequent to the year ended December 31, 2020, the GAZT-Settlement committee offered to decrease the zakat assessments to Saudi Riyals 36.2 million, which the Company did not accept and accordingly, intends to continue with the appeal filed with General Secretariat of Zakat Committees (high committees). Management is of the view that GAZT will reconsider the assessments and will allow for certain deductions from the zakat base, and believes that the level of the existing provision of Saudi Riyals 46.9 million for zakat maintained by the Company is presently sufficient to cover such uncertain zakat position.

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19. Accrued and other liabilities

	Insurance operations		Shareholders' operations	
	December	December	December	December
	31, 2020	31, 2019	31, 2020	31, 2019
Accrued commission	9,408,469	11,928,091	-	-
Accrued excess of loss premium	6,777,483	5,838,449	-	-
Accrued supervision fees	1,893,839	1,790,799	-	-
Accrued Najm fees	1,809,300	354,584	-	-
Accrued professional fees	1,482,314	2,236,099	-	-
Survey fee and other charges payable	1,252,960	2,015,622	-	-
Directors' remuneration and meeting fee payable (Note 17)	-	-	3,836,667	2,203,111
Third party administrator fee payable	611,727	2,939,067	-	-
VAT payable	-	141,328	-	-
Accrued employee benefits	566,584	-	-	-
Other	2,260,612	2,680,765	21,128	26,128
	26,063,288	29,924,804	3,857,795	2,229,239

20. Unearned reinsurance commission

	2020	2019
At January 1	2,197,204	1,750,042
Commission received during the year	7,313,183	5,216,505
Commission earned during the year	(6,315,317)	(4,769,343)
At December 31	3,195,070	2,197,204

21. Employee benefit obligations

21.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	2020	2019
At January 1	9,664,194	8,815,245
Charge during the year (Note 26)	2,472,668	2,345,910
Paid during the year	(1,104,454)	(1,586,706)
Re-measurement (gain) loss on obligation	(1,825,101)	89,745
At December 31	9,207,307	9,664,194

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21. Employee benefit obligations (continued)

21.2 Amounts recognised in the statements of income and comprehensive income

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	2020	2019
Current service cost	2,097,772	1,877,020
Interest expense	374,896	468,890
Total amount recognised in the statement of income	2,472,668	2,345,910
Remeasurements		
(Gain) loss from change in financial assumptions	(1,825,101)	89,745
Total amount recognised in the statement of comprehensive income	(1,825,101)	89,745

21.3 Key actuarial assumptions:

	December 31, 2020	December 31, 2019
Discount factor used	2.40%	3.55%
Average salary growth rate	2.40%	3.55%
Retirement age	60	60

21.4 Sensitivity analysis for actuarial assumptions

	December 31, 2020	
	Percentage (%)	Amount Increase (decrease)
Discount rate		
Increase	+ 0.5 %	(472,504)
Decrease	- 0.5 %	515,196
Expected changes in salary		
Increase	+ 0.5 %	327,312
Decrease	- 0.5 %	(306,215)
	December 31, 2019	
	Percentage (%)	Amount Increase (decrease)
Discount rate		
Increase	+ 0.5 %	(615,937)
Decrease	- 0.5 %	679,465
Expected changes in salary		
Increase	+ 0.5 %	512,826
Decrease	- 0.5 %	(474,050)

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21. Employee benefit obligations (continued)

21.4 Sensitivity analysis for actuarial assumptions (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

21.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 10.7 years (2019: 13.37 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2020	513,047	879,294	2,201,417	8,695,667	12,289,425
December 31, 2019	289,464	614,098	1,919,328	7,588,757	10,411,647

22. Share capital

The authorized, issued and paid up share capital of the Company was Saudi Riyals 400 million at December 31, 2020 consisting of 40 million shares (December 31, 2019: Saudi Riyals 400 million consisting of 40 million shares) of Saudi Riyals 10 each.

23. Statutory reserve

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company. Also see Note 1.

24. Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing net loss for the year by the weighted average number of outstanding shares during the year.

	For the year ended December 31,	
	2020	2019
Total loss for the year attributable to the shareholders	(112,479,227)	(48,261,306)
Weighted average number of ordinary shares for basic and diluted loss per share	40,000,000	40,000,000
Basic and diluted loss per share	(2.81)	(1.21)

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****25. Surplus distribution payable**

	2020	2019
At January 1	44,432,361	45,807,585
Reversal of surplus distribution payable	(9,187,005)	-
Adjustment against insurance premium receivables from policyholders and related parties	(26,131)	(1,311,025)
Paid during the year	-	(64,199)
At December 31	35,219,225	44,432,361

As per Article 35 of SAMA surplus distribution policy, the Company has written back unclaimed surplus distribution payable amounting to Saudi Riyals 9.2 million for the year 2015.

26. General and administrative expenses

	Insurance operations		Shareholders' operations	
	2020	2019	2020	2019
Employees' cost	39,951,997	33,585,751	1,100,287	1,024,537
Professional fees	4,194,318	5,641,044	-	-
Repairs and maintenance	2,979,781	1,534,448	-	-
Rent	2,681,374	3,044,146	58,711	54,929
Employee benefit obligations (Note 21)	2,472,668	2,345,910	-	-
Bank charges	2,419,889	1,410,780	-	-
Depreciation and amortization (Note 13, 14)	1,902,907	1,825,161	-	-
Utilities	1,211,619	1,059,733	-	-
Promotion and advertising	1,151,006	403,432	5,563	17,306
Storage	1,095,650	1,177,617	-	-
Communication	611,814	740,389	-	-
Business travel and transport	497,678	534,308	-	-
Stationery	179,097	628,187	9,427	33,062
Fee and subscription	-	-	329,466	416,205
Directors' remuneration and meeting fees (Note 17)	-	-	3,816,667	2,173,111
Other	2,189,541	529,452	521,110	288,446
	63,539,339	54,460,358	5,841,231	4,007,596

27. Other underwriting expenses, net

	2020	2019
Supervision and inspection fees	5,128,476	5,371,068
Customer enquiry expenses	3,898,000	2,843,111
Production incentives	-	(2,302,875)
Other	593,222	202,894
	9,619,698	6,114,198

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28. Fair value of financial instruments

Fair value is 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 fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

(a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Mutual funds - financial assets at fair value through profit or loss	-	100,464,703	-	100,464,703
Ordinary shares - available-for-sale	42,840,816	-	1,244,428	44,085,244
	42,840,816	100,464,703	1,244,428	144,549,947
Financial assets not measured at fair value				
Sukuks - held-to-maturity	-	-	-	-
Total investments	42,840,816	100,464,703	1,244,428	144,549,947
	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Mutual funds - fair value through profit or loss	-	98,111,866	-	98,111,866
Ordinary shares - available-for sale	37,849,254	-	1,244,428	39,093,682
	37,849,254	98,111,866	1,244,428	137,205,548
Financial assets not measured at fair value				
Sukuks - held-to-maturity	-	110,000,000	-	110,000,000
Total investments	37,849,254	208,111,866	1,244,428	247,205,548

During the year, there has been no transfers between level 1, level 2 and level 3.

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28. Fair value of financial instruments (continued)

(a) Carrying amounts and fair value (continued)

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. Fair values of private mutual funds classified in Level 2 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. The fair value of Level 2 fixed income investments and funds are taken from the holding statements issued by the respective fund managers. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. Level 3 available-for-sale investment also comprises equity investment of 4,444 shares of Najm for Insurance Services (Najm) (2019: 4,444 shares) and 80,000 shares of Saudi NextCare (2019: 80,000 shares), respectively. As at December 31, 2020 and 2019, the investment is carried at cost less impairment as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, short-term deposits, premiums and insurers' balances receivable - net, reinsurers' share of outstanding claims, statutory deposit, accrued income on statutory deposits and the financial liabilities except employee benefit obligations are measured at amortized cost.

29. Risk management

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors of the Company. The Company is exposed to insurance, reinsurance, regulatory framework and financial risks:

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralised oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures.

The internal audit department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarised below:

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29. Risk management (continued)

Risk governance (continued)

29.1 Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Property (covered under property and casualty)

Property insurance is designed to compensate policyholders for damage suffered to properties or for the value of property lost. Policyholders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. Significant risks underwritten by the Company under this class are physically inspected by qualified risk engineers to make sure adequate fire protection and security is in place. Also, the Company tracks for the potential of risk accumulation.

Engineering (covered under property and casualty)

The engineering business includes long tail Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Plant and Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this line of business. Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place. These are amply covered under the engineering proportional and non-proportional treaties.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident. The Company has well developed risk acceptance procedures based on critical underwriting factors such as driver's age, driving experience and nature of vehicle to control the quality of risks that it accepts. It also has risk management procedures in place to control the costs of claims.

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29. Risk management (continued)

29.1 Insurance risk management (continued)

General Accident and Workmen's Compensation (covered under property and casualty)

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine (covered under property and casualty)

In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional and non-proportional treaties.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any claim to Saudi Riyals 60,000 (2019: Saudi Riyals 40,000) per person per year.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical insurance segment, which accounts for 55% (2019: 81%) of gross written premium.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a whole city is classified as a single location. For fire and property risk, a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates primarily in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

29.2 Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****29. Risk management (continued)****29.3 Regulatory framework risk**

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements.

29.4 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots, etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the reporting date:

	2020				2019			
	Outstanding claims		Unearned premiums		Outstanding claims		Unearned premiums	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Medical	73%	90%	57%	65%	57%	88%	80%	86%
Motor	3%	4%	30%	34%	6%	9%	12%	13%
Property and casualty	24%	6%	13%	1%	37%	3%	8%	1%
	100%	100%	100%	100%	100%	100%	100%	100%

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

29.5 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The details of estimation of outstanding claims including IBNR are given under Notes 3 and 4 (ii).

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29. Risk management (continued)

29.6 Process used to determine assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions, unearned premium reserve and premium deficiency reserve would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

29.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the total income of the changes in the claim liabilities, net of reinsurance, is analysed below. The sensitivity to changes in claim liabilities, net of reinsurance, is determined separately for each class of business while keeping all other assumptions constant.

Impact of 10% increase in net claims on total income for the year is as follows:

	2020	2019
Medical	12,079,895	13,144,909
Motor	1,660,618	1,313,531
Property and casualty	636,500	433,783
	14,377,013	14,892,223
Impact of change in average claim cost + 10%		
Medical	1,184,069	1,493,774
Motor	519,513	7,772
	1,703,582	1,501,546

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income. The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

Segment	Change in current year ultimate loss ratio	Impact on claim liabilities	
		2020	2019
Medical	Increase by 5%	(2,043,642)	(2,340,228)
Medical	Decrease by 5%	2,043,642	2,340,228
Motor	Increase by 5%	(1,011,082)	(512,155)
Motor	Decrease by 5%	1,011,082	512,155

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29. Risk management (continued)

29.8 Claims development

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims development table gross of reinsurance:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims as at December 31, 2020:							
At the end of accident year	1,031,199,043	244,749,925	136,064,324	232,337,186	352,226,122	173,430,160	-
One year later	1,112,323,198	243,879,486	165,686,767	252,405,626	634,009,364	-	-
Two years later	1,056,933,212	252,206,342	146,239,356	307,911,604	-	-	-
Three years later	1,040,524,789	248,299,829	148,219,952	-	-	-	-
Four years later	1,046,787,735	249,858,049	-	-	-	-	-
Five years later	1,028,852,542	-	-	-	-	-	-
Current estimate of cumulative claims	1,028,852,542	249,858,049	148,219,952	307,911,604	634,009,364	173,430,160	2,542,281,671
Cumulative payments to date	(1,027,053,868)	(248,000,568)	(146,391,737)	(297,900,192)	(572,469,192)	(60,287,200)	(2,352,102,757)
Liability recognized in statement of financial position	1,798,674	1,857,481	1,828,215	10,011,412	61,540,172	113,142,960	190,178,914
Salvage and subrogation							(7,504,660)
Additional premium reserve							14,025,166
Other technical reserves							6,128,675
Outstanding claims and reserves							202,828,095

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29. Risk management (continued)

29.8 Claims development (continued)

Claims development table net of reinsurance:

Accident year									
Estimate of ultimate claims as at December 31, 2020:	2015 & earlier	2016	2017	2018	2019	2020	Total		
At the end of accident year	850,869,024	222,035,971	125,673,219	187,150,844	293,223,642	122,605,672	-		
One year later	922,806,496	213,177,688	145,730,969	203,796,184	565,944,717	-	-		
Two years later	879,947,096	220,233,642	126,914,963	258,083,388	-	-	-		
Three years later	865,030,083	216,536,631	129,476,051	-	-	-	-		
Four years later	870,282,364	216,927,550	-	-	-	-	-		
Five years later	856,603,334	-	-	-	-	-	-		
Current estimate of cumulative claims	856,603,334	216,927,550	129,476,051	258,083,388	565,944,717	122,605,672	2,149,640,712		
Cumulative payments to date	(855,229,758)	(215,843,182)	(127,868,592)	(249,034,998)	(525,278,895)	(32,615,161)	(2,005,870,586)		
Liability recognized in statement of financial position	1,373,576	1,084,368	1,607,459	9,048,390	40,665,822	89,990,511	143,770,126		
Salvage and subrogation									
Premium deficiency reserve							14,025,166		
Other technical reserves							6,128,675		
Outstanding claims and reserves							163,923,967		

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29. Risk management (continued)

29.9 Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, short-term and long-term deposits, premiums and insurance balances receivable - net, investments, accrued income on statutory deposit and reinsurer's share of outstanding claims. The Company's principal financial liabilities are reinsurance balances payable, outstanding claims, claims incurred but not reported, accrued and other liabilities, accounts payable, dividend payable, surplus distribution payable and amounts due to a related party.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risks (including commission rate risk, price risk and currency risk). The audit committee appointed by the Board of Directors of the Company reviews and agrees policies for managing each of these risks which are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings.

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****29. Risk management (continued)****29.9 Financial risk (continued)****i) Credit risk (continued)**

The table below classifies financial assets between those relating to insurance operations and shareholders' assets, and these are further disaggregated based on the credit rating of counterparties:

	2020	2019
Insurance operations' assets		
Cash and cash equivalents	149,497,975	144,599,779
Short-term deposits	-	50,030,556
Long-term deposits	11,250,000	26,250,000
Premiums and insurers' balances receivable	100,113,879	131,116,276
Reinsurers' share of outstanding claims	26,901,755	70,047,887
Reinsurers' share of claims incurred but not reported	12,002,373	13,902,786
Investments	40,002,949	73,143,575
Prepaid expenses and other assets	13,777,206	11,593,224
	353,546,137	520,684,083
Shareholders' assets		
Cash and cash equivalents	193,807,173	110,474,629
Short-term deposits	-	70,100,000
Long-term deposits	75,000,000	75,000,000
Prepaid expenses and other assets	578,523	5,881,821
Investments	104,546,998	174,061,973
Statutory deposit	40,000,000	40,000,000
Accrued commission on statutory deposit	5,573,503	4,753,639
	419,506,197	480,272,062
Total	773,052,334	1,000,956,145

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29. Risk management (continued)

29.9 Financial risk (continued)

i) Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Based on such credit ratings, investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due and impaired.

Insurance operations' financial assets as at December 31, 2020:

	Investment grade	Non-investment grade Satisfactory	Past due and impaired	Total
Cash and cash equivalents	149,497,975	-	-	149,497,975
Long-term deposits	11,250,000	-	-	11,250,000
Premiums and insurers' balances receivable	-	30,482,692	69,631,187	100,113,879
Reinsurers' share of outstanding claims	26,901,755	-	-	26,901,755
Reinsurers' share of claims incurred but not reported	12,002,373	-	-	12,002,373
Prepaid expenses and other assets	-	13,777,206	-	13,777,206
Investments	26,064,650	13,938,299	-	40,002,949
Total	225,716,753	58,198,197	69,631,187	353,546,137

Shareholders' operations' financial assets as at December 31, 2020:

	Investment grade	Non-investment grade Satisfactory	Past due and impaired	Total
Cash and cash equivalents	193,807,173	-	-	193,807,173
Long-term deposits	75,000,000	-	-	75,000,000
Prepaid expenses and other assets	-	578,523	-	578,523
Investments	74,400,053	30,146,945	-	104,546,998
Statutory deposit	40,000,000	-	-	40,000,000
Accrued commission on statutory deposit	5,573,503	-	-	5,573,503
Total	388,780,729	30,725,468	-	419,506,197

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****29. Risk management (continued)****29.9 Financial risk (continued)****i) Credit risk (continued)****Insurance operations financial assets as at December 31, 2019:**

	Investment grade	Non-investment grade Satisfactory	Past due and impaired	Total
Cash and cash equivalents	144,599,779	-	-	144,599,779
Short-term deposits	50,030,556	-	-	50,030,556
Long-term deposits	26,250,000	-	-	26,250,000
Premiums and insurers' balances receivable	-	74,922,115	56,194,161	131,116,276
Reinsurers' share of outstanding claims	70,047,887	-	-	70,047,887
Reinsurers' share of claims incurred but not reported	13,902,786	-	-	13,902,786
Prepaid expenses and other assets	-	11,593,224	-	11,593,224
Investments	60,535,530	12,608,045	-	73,143,575
Total	365,366,538	99,123,384	56,194,161	520,684,083

Shareholders' operations financial assets as at December 31, 2019:

	Investment grade	Non-investment grade Satisfactory	Past due and impaired	Total
Cash and cash equivalents	110,474,629	-	-	110,474,629
Short-term deposits	70,100,000	-	-	70,100,000
Long-term deposits	75,000,000	-	-	75,000,000
Prepaid expenses and other assets	-	5,881,821	-	5,881,821
Investments	147,576,336	26,485,637	-	174,061,973
Statutory deposit	40,000,000	-	-	40,000,000
Accrued commission on statutory deposit	4,753,639	-	-	4,753,639
Total	447,904,604	32,367,458	-	480,272,062

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in term deposits and investments.

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	December 31, 2020			
	Not later than three-months	Three-months to one year	One to five years	Later than five years
INSURANCE OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	149,529,905	-	-	149,529,905
Long-term deposits	-	-	11,250,000	11,250,000
Available-for-sale investments	13,938,299	-	-	13,938,299
Financial assets at fair value through profit or loss	26,064,650	-	-	26,064,650
Premiums and insurers' balances receivable	30,482,692	31,786,204	37,844,983	100,113,879
Reinsurers' share of outstanding claims	26,901,755	-	-	26,901,755
Reinsurers' share of claims incurred but not reported	12,002,373	-	-	12,002,373
Prepaid expenses and other assets	13,777,206	-	-	13,777,206
Total insurance operations financial assets	272,696,880	31,786,204	49,094,983	353,578,067

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2020			
	Not later than three-months	Three-months to one year	One to five years	Later than five years
				Total
INSURANCE OPERATIONS FINANCIAL LIABILITIES				
Outstanding claims	106,553,198	-	-	106,553,198
Claims incurred but not reported	76,121,056	-	-	76,121,056
Reinsurers' balances payable	2,702,094	-	-	2,702,094
Accounts payable	7,791,663	-	-	7,791,663
Accrued and other liabilities	24,169,449	-	-	24,169,449
Surplus distribution payable	35,219,225	-	-	35,219,225
Total insurance operations financial liabilities	252,556,685	-	-	252,556,685
Total liquidity gap	20,140,195	31,786,204	49,094,983	101,021,382

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2020			
	Not later than three-months	Three-months to one year	One to five years	Later than five years
				Total
SHAREHOLDERS' OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	193,807,173	-	-	- 193,807,173
Long-term deposits	-	-	75,000,000	- 75,000,000
Available-for-sale investments	30,146,945	-	-	- 30,146,945
Financial assets at fair value through profit or loss	74,400,053	-	-	- 74,400,053
Prepaid expenses and other assets	578,523	-	-	- 578,523
Statutory deposit	-	-	- 40,000,000	40,000,000
Accrued income on statutory deposit	5,573,503	-	-	- 5,573,503
Total shareholders' operations financial assets	304,506,197	-	75,000,000	419,506,197
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES				
Dividend payable	370,743	-	-	- 370,743
Due to a related party	1,123,750	-	-	- 1,123,750
Accrued and other liabilities	3,857,795	-	-	- 3,857,795
Accrued commission income payable to SAMA	5,573,503	-	-	- 5,573,503
Total shareholders' operations financial liabilities	10,925,791	-	-	- 10,925,791
Total liquidity gap	293,580,406	-	75,000,000	408,580,406

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019			
	Not later than three- months	Three- months to one year	One to five years	Later than five years
				Total
INSURANCE OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	144,629,779	-	-	144,629,779
Short-term deposits	50,030,556	-	-	50,030,556
Long-term deposits	-	15,000,000	11,250,000	26,250,000
Held-to-maturity investments				
Available-for-sale investments	12,608,045	-	-	12,608,045
Financial assets at fair value through profit or loss	30,535,530	-	-	30,535,530
Premiums and insurers' balances receivable	74,922,115	21,547,423	34,646,738	131,116,276
Reinsurers' share of outstanding claims	70,047,887	-	-	70,047,887
Reinsurers' share of claims incurred but not reported	13,902,786	-	-	13,902,786
Prepaid expenses and other assets	11,593,224	-	-	11,593,224
Total insurance operations financial assets	408,269,922	36,547,423	45,896,738	520,714,083

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019			
	Not later than three- months	Three- months to one year	One to five years	Later than five years
	Total			
INSURANCE OPERATIONS FINANCIAL LIABILITIES				
Outstanding claims	169,692,335	-	-	-
Claims incurred but not reported	63,180,565	-	-	-
Reinsurers' balances payable	5,333,811	-	-	-
Accounts payable	5,417,406	-	-	-
Accrued and other liabilities	27,992,677	-	-	-
Surplus distribution payable	44,432,361	-	-	-
Total insurance operations financial liabilities	316,049,155	-	-	-
Total liquidity gap	92,220,767	36,547,423	45,896,738	30,000,000
				204,664,938

December 31, 2019

Total shareholders' operations financial assets

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019			
	Not later than three- months	Three- months to one year	One to five years	Later than five years
				Total
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES				
Dividend payable	370,743	-	-	370,743
Amount due to a related party	1,123,750	-	-	1,123,750
Accrued and other liabilities	2,229,239	-	-	2,229,239
Accrued income payable to SAMA	4,753,639	-	-	4,753,639
Total shareholders' operations financial liabilities	8,477,371	-	-	8,477,371
Total liquidity gap	226,794,691	50,000,000	75,000,000	471,794,691

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29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to Saudi Riyals 7.9 million and Saudi Riyals 1.9 million, respectively (2019: Saudi Riyals 6.5 million and Saudi Riyals 1.8 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively.

iii) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed rate instruments expose the Company to fair value commission rate risk.

The Company is exposed to commission rate risk on certain of its term deposits and investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

An increase or decrease of 10% in interest yields would result in a change in the income for the year of Saudi Riyals 1.0 million (2019: income of Saudi Riyals 2.1 million).

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29. Risk management (continued)

29.9 Financial risk (continued)

iii) Commission rate risk (continued)

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020 and 2019 are as follows:

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	Above 1 year	Effective rate (%)		
2020					
Insurance operations					
Loans and receivables					
Cash and cash equivalents	123,029,039	-	1.13%	26,500,866	149,529,905
Long-term deposit	-	11,250,000	2.78%	-	11,250,000
	123,029,039	11,250,000		26,500,866	160,779,905
Available-for-sale					
Investments	-	-	-	13,938,299	13,938,299
Financial assets at fair value through profit or loss	-	-	-	26,064,650	26,064,650
December 31, 2020	123,029,039	11,250,000	-	66,503,815	200,782,854

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	Above 1 year	Effective rate (%)		
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	193,473,538	-	1.67%	333,635	193,807,173
Long-term deposits	-	75,000,000	2.88%	-	75,000,000
Statutory deposit	-	40,000,000	2.05%	-	40,000,000
	193,473,538	115,000,000		333,635	308,807,173
Available-for-sale investments	-	-	-	30,146,945	30,146,945
Financial assets at fair value through profit or loss	-	-	-	74,400,053	74,400,053
December 31, 2020	193,473,538	115,000,000	-	104,880,633	413,354,171

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29. Risk management (continued)
29.9 Financial risk (continued)
iii) Commission rate risk (continued)

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	Above 1 year	Effective rate (%)		
2019					
Insurance operations					
Loans and receivables					
Cash and cash equivalents	118,477,827	-	2.85%	26,151,952	144,629,779
Short-term deposits	50,030,556	-	3.62%	-	50,030,556
Long-term deposit	-	26,250,000	2.8%	-	26,250,000
	168,508,383	26,250,000		26,151,952	220,910,335
Available-for-sale investments	-	-	-	12,608,045	12,608,045
Held-to-maturity investments	-	30,000,000	4.20%	-	30,000,000
Financial assets at fair value through profit or loss	-	-	-	30,535,530	30,535,530
December 31, 2019	168,508,383	56,250,000	-	69,295,527	294,053,910

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	Above 1 year	Effective rate (%)		
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	110,454,276	-	2.85%	20,353	110,474,629
Short-term deposits	70,100,000	-	3.6%	-	70,100,000
Long-term deposits	-	75,000,000	2.97%	-	75,000,000
Statutory deposit	-	40,000,000	3.21%	-	40,000,000
	180,554,276	115,000,000		20,353	295,574,629
Available-for-sale investments	-	-	-	26,485,637	26,485,637
Held-to-maturity investments	-	80,000,000	4.18%	-	80,000,000
Financial assets at fair value through profit or loss	-	-	-	67,576,336	67,576,336
December 31, 2019	180,554,276	195,000,000	-	94,082,326	469,636,602

iv) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

AL SAGR COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020****(All amounts expressed in Saudi Riyals unless otherwise stated)****29. Risk management (continued)****29.9 Financial risk (continued)****iv) Price risk (continued)**

The Company has unquoted equity investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the statement of income will be impacted.

The Company's financial assets at fair value through profit or loss and available-for-sale investments are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on the Company's total comprehensive income for the year would be as follows:

% Change in equity price	2020	2019
+5	7,165,276	6,798,056
-5	(7,165,276)	(6,798,056)

v) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

29.10 Capital management risk

The objectives set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value are:

- To comply with the insurance capital requirements as set out in the Law on Supervision of Cooperative Insurance Companies. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

As per Article 66 of the SAMA Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 100 million;
- Premium solvency margin; or
- Claims solvency margin.

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29. Risk management (continued)

29.10 Capital management risk (continued)

The Company's management, through various scenario analyses as required by SAMA, has assessed the potential impact of Covid-19 on the Company's solvency margin by performing stress testing for various variables such as gross premium growth, increase in employee cost, year-to-date loss ratios, outstanding premium provisions, etc. and the related impact on the revenue, profitability, loss ratios and solvency ratios. The Company's management has concluded that, based on the stress testing performed, the solvency margin of the Company was 179% as at December 31, 2020 (As at December 31, 2019: 170%). As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

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30. Supplementary information

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

STATEMENT OF FINANCIAL POSITION

	December 31, 2020		December 31, 2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
ASSETS				
Cash and cash equivalents	149,529,905	193,807,173	144,629,779	110,474,629
Short-term deposits	-	-	50,030,556	70,100,000
Premiums and insurers' balances receivable - net	63,838,511	-	94,924,166	-
Reinsurers' share of unearned premiums	18,949,044	-	15,100,022	-
Reinsurers' share of outstanding claims	26,901,755	-	70,047,887	-
Reinsurers' share of claims incurred but not reported	13,002,373	-	13,902,786	-
Deferred policy acquisition costs	9,025,462	-	11,860,665	-
Available-for-sale investments	13,938,299	30,146,945	12,608,045	26,485,637
Financial assets at fair value through profit or loss	26,064,650	74,400,053	30,535,530	67,576,336
Held-to-maturity investments	-	-	30,000,000	80,000,000
Prepaid expenses and other assets	21,369,302	843,890	18,125,569	5,932,727
Long-term deposits	11,250,000	75,000,000	26,250,000	75,000,000
Property and equipment	3,983,519	-	4,143,639	-
Intangible assets	1,862,987	-	1,596,438	-
Goodwill	-	-	-	-
Statutory deposit	-	25,513,750	-	25,513,750
Accrued income on statutory deposit	-	40,000,000	-	40,000,000
Amounts due from shareholders' operations	-	5,573,503	-	4,753,639
TOTAL ASSETS	462,215,300	445,285,314	581,234,509	1,087,071,227
Less: inter-operations elimination	(103,499,493)	-	(57,479,427)	-
TOTAL ASSETS	358,715,807	445,285,314	523,755,082	1,029,591,800

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30. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2020		December 31, 2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
LIABILITIES				
Accrued and other liabilities	26,063,288	3,857,795	29,924,804	2,229,239
Reinsurers' balances payable	2,702,094	-	5,333,811	-
Unearned premiums	171,428,813	-	171,428,813	-
Unearned reinsurance commission	3,195,070	-	2,197,204	-
Outstanding claims	106,553,198	-	169,692,335	-
Claims incurred but not reported	76,121,056	-	63,180,565	-
Additional premium reserves	14,025,166	-	17,314,969	-
Other technical reserves	6,128,675	-	2,045,033	-
Due to a related party	-	1,123,750	-	1,123,750
Employee benefit obligations	9,207,307	-	9,664,194	-
Zakat payable	-	46,857,518	-	45,730,348
Accrued commission income payable to SAMA	-	5,573,503	-	4,753,639
Accounts payable	7,791,663	-	5,417,406	-
Dividend payable	-	370,743	-	370,743
Amounts due to insurance operations	-	103,499,493	-	57,479,427
Surplus distribution payable	35,219,225	-	44,432,361	-
TOTAL LIABILITIES	458,435,555	161,282,802	579,936,548	111,687,146
Less: inter-operations elimination	-	(103,499,493)	-	(57,479,427)
TOTAL LIABILITIES	458,435,555	57,783,309	579,936,548	54,207,719

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30. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2020		December 31, 2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
EQUITY				
Share capital	-	400,000,000	-	400,000,000
Statutory reserve	-	-	-	47,342,202
Retained earnings	-	(122,571,875)	-	(57,434,850)
Remeasurement reserve of employee benefit obligations	2,296,547	-	471,446	-
Fair value reserve on investments	1,483,198	6,574,387	826,515	4,242,220
NET EQUITY	3,779,745	284,002,512	1,297,961	395,447,533
TOTAL LIABILITIES AND EQUITY	462,215,300	341,785,821	448,357,291	1,029,591,800

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30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
REVENUES				
Gross premiums written	379,113,658	-	379,113,658	455,702,761
Reinsurance premiums ceded:				
- Foreign	(37,499,244)	-	(37,499,244)	(31,095,749)
- Local	(2,415,663)	-	(2,415,663)	(1,379,520)
Excess of loss premiums				
- Foreign	(21,292,607)	-	(21,292,607)	(32,259,289)
- Local	(3,738,264)	-	(3,738,264)	(4,733,717)
Net premiums written	314,167,880	-	314,167,880	386,234,486
Changes in unearned premiums				
Changes in reinsurers' share of unearned premiums	59,305,053	-	59,305,053	(47,854,109)
Net premiums earned	377,321,955	-	377,321,955	340,628,711
Reinsurance commissions	6,315,317	-	6,315,317	4,769,343
Total revenues	383,637,272	-	383,637,272	345,398,054
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(495,300,165)	-	(495,300,165)	(315,173,583)
Reinsurers' share of claims paid	85,390,184	-	85,390,184	32,814,789
Claims handling expenses	(17,035,819)	-	(17,035,819)	(15,015,459)
Net claims and other benefits paid	(426,945,800)	-	(426,945,800)	(297,374,253)
Changes in outstanding claims				
Changes in reinsurers' share of outstanding claims	63,139,137	-	63,139,137	(26,362,098)
Changes in claims incurred but not reported	(43,146,132)	-	(43,146,132)	25,988,451
Changes in reinsurers' share of claims incurred but not reported	(12,940,491)	-	(12,940,491)	(24,046,174)
Net claims and other benefits incurred	(1,900,413)	-	(1,900,413)	(2,488,670)
	(421,793,699)	-	(421,793,699)	(324,282,744)

(Continued)

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30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020				2019			
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total		
Policy acquisition costs	(23,345,148)	-	(23,345,148)	(26,401,175)	-	(26,401,175)		
Changes in additional premium reserves	3,289,803	-	3,289,803	7,396,184	-	7,396,184		
Changes in other technical reserves	(4,083,642)	-	(4,083,642)	1,580,874	-	1,580,874		
Other underwriting expenses, net	(9,619,698)	-	(9,619,698)	(6,114,198)	-	(6,114,198)		
Total underwriting costs and expenses, net	(455,552,384)	-	(455,552,384)	(347,821,059)	-	(347,821,059)		
NET UNDERWRITING LOSS	(71,915,112)	-	(71,915,112)	(2,423,005)	-	(2,423,005)		
OTHER OPERATING (EXPENSES) INCOME								
Allowance for doubtful debts	(83,258)	-	(83,258)	(9,848,364)	-	(9,848,364)		
General and administrative expenses	(63,539,339)	(5,841,231)	(69,380,570)	(54,460,358)	(4,007,596)	(58,467,954)		
Investment and commission income	5,719,863	6,790,689	12,510,552	7,288,983	16,144,191	23,433,174		
Changes in fair value of financial assets at fair value through profit or loss – net	(381,612)	6,538,604	6,156,992	(559,763)	2,559,424	1,999,661		
Reversal of surplus distribution payable	9,187,005	-	9,187,005	-	-	-		
Realized gain on available-for-sale investments	684,432	1,735,042	2,419,474	686,248	2,488,719	3,174,967		
Other income	5,125,690	-	5,125,690	2,270,215	-	2,270,215		
Total other operating (expenses) income, net	(43,287,219)	9,223,104	(34,064,115)	(54,623,039)	17,184,738	(37,438,301)		
Total (loss) income for the year before surplus attribution and zakat	(115,202,331)	9,223,104	(105,979,227)	(57,046,044)	17,184,738	(39,861,306)		
Zakat expense	-	(6,500,000)	(6,500,000)	-	(8,400,000)	(8,400,000)		
Total (loss) income for the year	(115,202,331)	2,723,104	(112,479,227)	(57,046,044)	8,784,738	(48,261,306)		
Deficit transferred to the shareholders' operations	115,202,331	(115,202,331)	-	57,046,044	(57,046,044)	-		
Total loss for the year after transfer of deficit	-	(112,479,227)	(112,479,227)	-	(48,261,306)	(48,261,306)		

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30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Weighted average number of outstanding shares	-	40,000,000	-	40,000,000
Loss per share (expressed in Saudi Riyals per share)				
Basic loss per share	-	(2.81)	-	(1.21)
Diluted loss per share	-	(2.81)	-	(1.21)
Total		40,000,000		40,000,000

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30. Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Total loss for the year attributable to the shareholders	-	(112,479,227)	(112,479,227)	(48,261,306)
				(48,261,306)
Other comprehensive income (loss):				
<i>Items that will not be reclassified to the statement of income in subsequent years</i>				
Re-measurement gain (loss) on employee benefit obligations	1,825,101	-	1,825,101	(89,745)
				(89,745)
<i>Items that will be reclassified to the statement of income in subsequent years</i>				
Net change in fair value of available-for-sale investments	656,683	2,332,167	2,988,850	392,447
				1,512,171
Total comprehensive income (loss) for the year	2,481,784	(110,147,060)	(107,665,276)	(46,749,135)
				(46,446,433)

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30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
CASH FLOWS FROM OPERATING ACTIVITIES				
Total loss for the year before surplus attribution and zakat	-	(105,979,227)	-	(39,861,306)
Adjustments for non-cash items:				
Depreciation of property and equipment	1,248,563	-	1,353,200	-
Amortization of intangible assets	654,344	-	471,961	-
Provision for employee benefit obligations	2,472,668	-	2,345,910	-
Changes in fair value of financial assets at fair value through profit or loss	381,612	(6,538,604)	559,763	(2,559,424)
Realized gain on available-for-sale investments	(684,432)	(1,735,042)	(686,248)	(2,488,719)
Realized gain on financial assets at fair value through profit or loss	(1,109,408)	-	-	-
Allowance for doubtful debts	83,258	-	9,848,364	-
Reversal of surplus distribution payable	(9,187,005)	-	-	-
Changes in operating assets and liabilities:				
Unearned premiums	(59,305,053)	-	47,854,109	-
Premiums and insurers' balances receivable - net	27,979,416	-	(11,829,676)	-
Reinsurers' share of unearned premiums	(3,849,022)	-	(2,248,334)	-
Reinsurers' share of outstanding claims	43,146,132	-	(25,988,451)	-
Reinsurers' share of claims incurred but not reported	1,900,413	-	2,488,670	-
Amounts due from (to) insurance operations	121,993,647	(121,993,647)	(4,646,724)	(4,646,724)
Amounts due (from) to shareholders' operations	(168,013,713)	168,013,713	(57,046,044)	57,046,044
Deferred policy acquisition costs	2,835,203	-	655,627	-
Prepaid expenses and other assets	(3,243,733)	5,088,837	101,891	(2,555,276)
Accrued and other liabilities	(2,689,666)	1,628,556	6,451,861	(389)
Reinsurers' balances payable	(2,631,717)	-	(2,523,744)	-
Unearned reinsurance commission	997,866	-	447,162	-
Outstanding claims	(61,314,137)	-	26,362,098	-
Claims incurred but not reported	12,940,491	-	24,046,174	-
Accrued commission income payable to SAMA	-	819,864	-	1,285,523
				(Continued)

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30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accounts payable	2,374,257	-	2,374,257	-
Additional premium reserves	(3,289,803)	-	(3,289,803)	-
Other technical reserves	4,083,642	-	4,083,642	-
Employee benefit obligations paid	(1,104,454)	-	(1,104,454)	-
Zakat paid	-	(5,372,830)	(5,372,830)	(4,940,173)
Surplus distribution payable to policyholders	-	-	-	(64,199)
Net cash (utilized in) generated from operating activities	(93,330,631)	(66,068,380)	(159,399,011)	1,279,556
CASH FLOWS FROM INVESTING ACTIVITIES				
Liquidation of short-term deposits	100,030,556	70,100,000	170,130,556	230,320,800
Placements in short term deposits	(50,000,000)	-	(50,000,000)	(200,420,800)
Statutory deposit commission income	-	(819,864)	(819,864)	(1,285,523)
Purchase of financial assets at fair value through profit or loss	-	(285,113)	(285,113)	(49,875,000)
Proceeds from disposal of financial assets at fair value through profit or loss	5,198,676	-	5,198,676	724,312
Purchase of property and equipment	(1,088,443)	-	(1,088,443)	-
Purchase of intangible assets	(920,893)	-	(920,893)	-
Purchase of available-for-sale investments	(33,622,654)	(9,368,427)	(42,991,081)	(10,574,902)
Proceeds from disposal of available-for-sale investments	33,633,515	9,774,328	43,407,843	10,037,156
Liquidation of long-term deposits	15,000,000	-	15,000,000	-
Proceeds from disposal of held-to-maturity investments	30,000,000	80,000,000	110,000,000	-
Net cash generated from (utilized in) investing activities	98,230,757	149,400,924	247,631,681	(21,073,957)
Net change in cash and cash equivalents	4,900,126	83,332,544	88,232,670	(19,794,401)
Cash and cash equivalents, beginning of the year	144,629,779	110,474,629	255,104,408	130,269,030
Cash and cash equivalents, end of the year	149,529,905	193,807,173	343,337,078	255,104,408

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
 (All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
		Total		Total
Supplemental non-cash information:				
Change in fair value reserve for available-for-sale investments	656,683	2,332,167	2,988,850	1,512,171
Surplus distribution payable adjusted against insurance premium receivable from policyholders	26,131	-	26,131	-
Surplus distribution payable adjusted against insurance premium receivable from related parties	-	-	85,148	-
Surplus distribution payable adjusted against VAT receivable on unearned premium	-	-	862,600	-
Settlement of premium receivable from a shareholder through rent due to them	1,171,850	-	1,171,850	-
Settlement of premium receivable from a shareholder through outstanding claims due to them	1,825,000	-	1,825,000	-
Re-measurement (gain) loss on employee benefit obligations	1,825,101	-	1,825,101	-
			(89,745)	(89,745)

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31. Commitments and contingencies

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have material impact on the Company's results or financial position.

b) Capital commitments

At December 31, 2020, the Company had outstanding commitment of Saudi Riyals 3.3 million in respect of purchase of investments relating to a mutual fund (December 31, 2019: Saudi Riyals 3.6 million).

32. Approval of the financial statements

The financial statements have been approved by the Board of Directors on 15 Shaaban 1442H (corresponding to March 28, 2021).

The Message of the Chairman of the Board of Directors

Dear Shareholders,

On behalf of my colleagues, members of the Board of Directors of Al Sagr Cooperative Insurance Company, I am pleased to present to the honorable shareholders the report of the Board of Directors for the financial year ending 12/31/2020, attached to the company's financial statements after the completion of their review and audit by the external auditors and the Audit Committee. The Report includes within it the results of the company's business and developments during the past year, and information about the members of the board of directors and the committees emanating from them. Elected and appointed BOD members for the current three-year tenure that began on 06/16/2020 and ends on 06/15/2023.

Currently (272) employees with a high level of training and professional experience work for Al Sagr Cooperative Insurance Company. In this regards the company paid high attention in recruiting and qualifying Saudi employees out of its keenness to support them and raise their level of leadership skills and ability to assume responsibilities and hold leadership positions.

The year 2020 witnessed many challenges and difficult circumstances in light of Coronavirus (COVID-19) pandemic that affected the whole world. These challenges also affected Al Sagr Company. However, we have demonstrated our capabilities to address the difficult circumstances. We believe that the credit for overcoming these circumstances and making achievements is due to your confidence in Al Sagr Cooperative Insurance Company, the Company's commitment to governance standards and best professional practices, and to enhancing the principles of disclosure and transparency, hoping that we have succeeded in presenting a clear and adequate picture.

Al Sagr Cooperative Insurance Company is committed to the directives and instructions of SAMA, the Capital Market Authority and other regulators and supervisory authorities. This report has been prepared in line with the instructions of these authorities. From this point of view, we would like to thank all the [Kingdom's] regulators and supervisory authorities for their efforts to support the Company and their keenness on its benefit to enable it to provide the best, enhanced services.

Please accept my sincere appreciation and respect

Fahad bin Abdulrahman Al-Turki
Chairman of Board of Directors

Introduction

This report on the last fiscal year, starting from 01/01/2020 to the end of 12/31/2020, was prepared by the Board of Directors of Al Sagr Cooperative Insurance Company to be presented to the shareholders, comprising by the company's financial statements after completing their review and auditing by the external auditors. This report has been prepared in accordance with and implementing regulations issued by the regulators and supervisory authorities in force in the Kingdom of Saudi Arabia. And based on the mandatory requirements, the report also included data related to the disclosure and the activities and operations of the company that took place in the fiscal year 2020, with the aim of ensuring that the rights of shareholders are preserved and to facilitate their access to all information and data in a clear manner that enables them to view and evaluate the company's financial position.

About Al Sagr Cooperative Insurance Company



Al Sagr Company has been established its business since 1983, as a branch of the Al Sagr National Insurance Company, based in the United Arab Emirates, and then moved to work as an agent for the Saudi Al Sagr Insurance Company, based in the Kingdom of Bahrain. After obtaining all the Legal licenses according to the insurance regulations in the Kingdom of Saudi Arabia, Al Sagr Cooperative Insurance Company conducts its business as a joint stock company listed in the Saudi Stock Market (Tadawul) with a capital of 400 million Saudi Riyals paid by the company. In order to develop its business and provide the best insurance services, Al Sagr Cooperative Insurance Company sought to expand the scope of its insurance activity, as it now owns several branches and points of sale spread in all regions of the Kingdom of Saudi Arabia. It also covers all segments of society, whether individuals or commercial entities, taking into account the insurance needs of the different size and scope of business which in turn, enhancing the company to be one of the leading insurance companies in the Saudi market based on ethical standards and practices that are fair and responsible towards society.

1. Company Activities:

The main activity of the company is insurance, as the company's work team consisting of a group of qualified employees with the highest levels of professionalism seeks to provide the best insurance solutions. The main insurance services provided by the company are as follows:

A. Medical Insurance:

Providing the best health care insurance programs in accordance with the terms, conditions and regulations of the Council of Cooperative Medical Insurance in the Kingdom of Saudi Arabia, in addition to providing a comprehensive reliable medical network of medical service providers that include hospitals, clinics and pharmacies.

B. Property Insurance:

They are as follows:

1. Insurance against the dangers of fire and lightning strikes: protection of property in a specific location.
2. Property all risks insurance: protecting property from damage as a result of an accident.

3. Profit loss insurance: coverage for loss due to damage resulting from stopping work as a result of an accident.

C. Travel Insurance:

Protection against travel losses.

D. Marine Insurance:

1. Marine Cargo Insurance: Protecting the goods against maritime transport damage.
2. Ship insurance: protecting the hull of ships against marine accidents.

E. Engineering Insurance:

1. Comprehensive Contractors' Insurance: Insurance for contractors' works against damage that results from an accident.
2. Equipment insurance: Equipment insurance against external damages.

3. Equipment breakdown insurance: Insurance for equipment against sudden failure.
4. Insurance for loss of profits as a result of failure of devices and equipment: Compensation for the loss resulting from hardware failure.
5. Boiler and pressure vessel insurance: Compensation for any harm caused by boilers and pressure vessels.
6. Goods damage insurance: Compensation for damage resulting from deterioration of goods.
7. Hardware and equipment insurance: Insurance against damage resulting from electronic devices.

F. Motor Insurance:

Protection against damage caused by accidents.

G. Insurance against errors of medical practice:

Protection against damage that results from medical errors.

H. Liability Insurance:

1. Workers' Compensation Insurance: Compensation for damages occurring in the work environment.
2. General Liability Insurance: Protection of the insured against the claims filed against them.
3. Professional Errors Insurance: Protecting the insured from their professional errors.

2. Description of the Major Strategic and Operational Decisions and Achievements

- A. Launching the company's website and starting Medical Insurance sales, travel insurance sales and Motor Insurance sales through the company's website.
- B. Working on opening a new branch for the company in Al-Khobar city and shifting the company's branches in Riyadh and Jeddah to more attractive commercial sites close to the commercial markets.
- C. Improving work procedures at the company's points of sale to facilitate and raise the quality of service provision to individual customers and SME's groups.
- D. In order to improve and develop customer service, the company signed a contract with AMEYO (Customer Interaction Platform) to enter and receive all customer requests.
- E. Established a Sales Support Section to support sales and provide competitive insurance services to other companies.
- F. Signed a contract with Infotech 3 that provides effective solutions and comprehensive software to manage PREMIA® insurance business operations.
- G. Developing work procedures for managing vehicle claims by shifting to centralization in managing demands to reduce vehicle-related claims and implementing vehicle sales "Salvage" via the Internet Salvage to increase the recovery value and make use of Salvage after selling it in an appropriate economic manner.
- H. Established a department to manage key accounts, concerned with adopting and maintaining the highest level of service for major clients. (Insurance Brokers Clients / Direct Clients with High Premiums)
- I. Implementing a customer relationship management system (CRM) for sales, and developing plans, objectives and structure of sales and compensation.
- J. Establishing an anti-fraud unit in Medical Insurance.
- K. Establishing fast and tight enforcement plans to reduce the company's losses from Medical Insurance (small and medium enterprises (SMEs)).
- L. Re-studying/review of insurance products to be compatible with Sharia controls by obtaining Sharia accreditations from Shariyah review bureau (under study).
- M. Attracting and training Saudi cadres to work in the company and developing plans for replacing leadership positions to be implemented within two years.
- N. Working on selling new insurance products such as insurance for political risks, piracy, and insurance for managers and officials.

I. Miscellaneous Accident Insurance:

1. Personal Accident Insurance: Compensation for damages related to injury or death.
2. Funds Insurance: protecting the insured's money.
3. Fidelity Insurance: Compensation against business damage that causes loss of money, such as fraud.
4. Theft Insurance: Compensation for losses resulting from theft.

J. Energy Insurance:

1. Insurance for energy companies (onshore): Insurance of real estate and equipment for the extraction of oil, liquefied natural gas, and petroleum gas, petrochemical processing plants, or other acceptable related interests; including public facilities, etc.
2. Energy company insurance (offshore): Insurance of real estate and equipment related to fixed platforms, pipelines, drilling machines, ships and buoys, onshore gas processing facilities or other properties, as well as costs for monitoring expenses, removal of debris, or loss of production, protection and compensation of contractual or legal liabilities, and other acceptable related interests.

- O. Working on developing and opening successful business relationships with carefully selected insurance brokers.
P. Improving and developing the brand logo to be consistent with the corporate identity.

3. Future Goals of the Company:

- A. Developing the company's infrastructure by developing information systems and relying more on technical means.
B. Developing the efficiency of the underwriting mechanism in the company and raising the level of competitiveness in the sector to keep pace with the level of competitiveness.
C. Working on diversifying the insurance portfolio by focusing on increasing the market share in vehicle and general insurance.
D. Enhancing the role of governance and internal control functions in the company.
E. Working to develop new and diversified products that serve the Company's customers and support the Company's excellence strategy.
F. Working to develop credit policy according to the best international standards.

4. Which provisions of the Corporate Governance Regulations were implemented and which were not?

In line with what was stipulated in the Corporate Governance Regulations, which requires the company to state what has been implemented of the provisions of the governance regulation and what has not, along with an explanation of the reasons for non-implementation in the report of its board of directors, accordingly, Al Sagr Cooperative Insurance Company has been keen to adhere to all the statutory requirements that were included in the Corporate governance regulation issued by the Capital Market Authority, except for the following:

Article / Paragraph Number	Source of Governance Regulation	The Text of the Article / Paragraph	Reasons for Non-Implementation
Article 61 / Paragraph (1)	The Capital Market Authority Regulation	Prepare a clear policy for the remuneration of members of the Board of Directors and the committees emanating from the Board and the Executive Management, and submit them to the Board of Directors for consideration, in preparation for approval by the General Assembly, provided that this policy follows standards related to performance, its disclosure, and verification of its implementation.	The Company did not adhere to this, as the Nominations Committee recommended it, and the Board of Directors approved the recommendation, but the General Assembly rejected it.
Article 27 / Paragraph (8)	The Capital Market Authority Regulation	Holding regular meetings with non-executive board members without the presence of any executive in the company.	No meeting took place without the CEO being present because the new board of directors has only completed six months, and the meeting will be held during the year 2021.
Article 39 / Paragraph (2)	The Capital Market Authority Regulation	Laying down the necessary mechanisms for the members of the Board of Directors and the Executive Management to obtain continuous training programs and courses in order to develop their skills and knowledge in the fields related to the company's activities.	The Board of Directors did not specify a training program for the year 2020, due to the Corona pandemic.
Article 41 / Paragraph (A) Guidance Article	The Capital Market Authority Regulation	The Board of Directors - based on the proposal of the Nomination and Remuneration Committee - shall set the necessary mechanisms to annually evaluate the performance of the Board, its members, committees, and executive management, through appropriate performance measurement indicators related to the extent to which the strategic objectives of the company are achieved and the quality of risks and adequacy of internal control systems and others, provided that the strengths and weaknesses are identified and remedies proposed in accordance with the company's interest.	The Board of Directors' evaluation mechanism was approved by the Nomination and Remuneration Committee for the year 2020. It is an internal mechanism prepared by the Secretary of the Board of Directors. The evaluation will be based on it in 2021.
Article (85) / Paragraphs (2), (3) (Guidance Article)	The Capital Market Authority Regulation	[Establishment of] programs for granting employees shares in the company or a share of the profits achieved by it and retirement programs, and the establishment of a separate fund to spend on these programs. 3- Establishing social institutions for company employees.	The company did not abide by this because of the lack of profitability in the year ending on 12/31/2020, and the company's articles of association do not allow the company to buy its shares, but the company has various programs to motivate employees in the event of profitability. In addition, these paragraphs are guiding ones in the Corporate Governance Regulation of the Capital Market Authority.

Article 88 / Paragraph (A) (Guidance Article)	The Capital Market Authority Regulation	Establishing measurement indicators linking the company's performance with its initiatives in social work, and comparing that with other companies of similar activity.	The company has committed to providing initiatives in social work, but it has not set indicators to measure or compare its initiatives with the initiatives of other companies, because no limits are set on its social initiatives and its endeavor to be unique and distinct in this field from other companies. In addition to that, this paragraph is a guiding one in the Corporate Governance Regulation of the Financial Market Authority.
Article 95 (Guidance Article)	The Capital Market Authority Regulation	In the event that the Board of Directors establishes a committee specialized in corporate governance, then it must delegate to it the competencies established under Article 94 of this regulation, and this committee must follow up any issues related to the implementation of governance, and provide the Board of Directors, at least annually, with its reports and recommendations.	Since this is a non-mandatory guiding article in the Corporate Governance Regulation of the Capital Market Authority, this task is currently entrusted to the company's audit committee. The Board also decided to form a committee concerned with corporate governance, but it has not been formed and has not practiced its duties yet.
Article 93 / Paragraphs (A), (B)	The Capital Market Authority Regulation	A- Making accurate, transparent and detailed disclosure in the Board of Directors' report about the remuneration granted to members of the Board of Directors and the executive management, directly or indirectly, without concealing or misleading, whether they are sums or benefits or advantages, whatever their nature and name. If the advantages are shares in the company, then the input value of the shares will be the market value on the maturity date. - Stating the necessary details regarding the remuneration and compensation paid to each of the following separately: B- Five senior executives who received the highest remuneration from the company, including the CEO and the CFO.	The company did not adhere to this paragraph because the Board of Directors did not approve disclosure of the details of rewards and compensations for each member of the executive management as it is considered personal information. Therefore, the Board decided to disclose the total remuneration and compensation for the top five in the executive management.
Article 78 / Paragraph (A) (Guidance Article)	The Capital Market Authority Regulation	The internal audit unit or department shall prepare a written report on its activities and submit it to the Board of Directors and the Audit Committee at least quarterly. This report must include an evaluation of the internal control system in the company and the results and recommendations reached by the unit or department, and a statement of the measures taken by each department regarding the handling and recommendations of the previous audit and any remarks regarding them, especially if there is no timely handling.	Since this is a non-mandatory guiding article in the Corporate Governance Regulation of the Capital Market Authority, this task is entrusted to the company's audit committee. The company's bylaw stipulates that the internal audit function shall submit its reports directly to the audit committee on quarterly basis. And for cases that the audit committee deems necessary to escalate to the board of directors, they will be submitted directly to the Board.
Article 41 / Paragraph (E) (Guidance Article)	The Capital Market Authority Regulation	The Board of Directors shall make the necessary arrangements to obtain an evaluation by a competent external body for its performance every three years.	Since this article is a non-obligatory guiding one in the Corporate Governance Regulation of the Capital Market Authority, this task is entrusted to the Company's Nomination and Remuneration Committee, as it has a mechanism for internal evaluation.

5. The Names of the Members of the Board of Directors, the Members of the Committees, and the Executive Management, and Their Current and Previous Positions, Qualifications and Experiences.

A. Board members (the New Cycle):

No.	Name	Membership in Al Sagr Cooperative Insurance Company	Other Current Positions	Previous Positions / Experiences	Qualifications	Experience
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1	Fahd bin Abdulrahman Al-Turki	<ul style="list-style-type: none"> - Chairman of the Board of Directors of the company - Chairman of the Executive Committee. 	<ul style="list-style-type: none"> - Vice-Chairman of the Board of Directors of Abdulrahman Ali Al-Turki Group of Companies for Trading and Contracting, Saudi Arabia - Member of the Board of Directors of the Arabian Redland Company for Industrial Services Ltd., Saudi Arabia - Member of the Board of Directors of Honeywell Turki Arabia Ltd., Saudi Arabia - Member of the Board of Directors of the Saudi Rockwell Company Ltd., Saudi Arabia - Member of the Board of Directors of Financial Construction Company Ltd., Saudi Arabia - Member of the Board of Directors of Tamam Integrated Trading Company Ltd., Saudi Arabia - Member of the Board of Directors of Bahrain Specialist Hospital, Bahrain - Vice Chairman of the Board of Directors of ATCO Marine Services Ltd., Bahrain - Member of the Board of Directors, Golden Pyramids Plaza Company, Egypt - Member of the Board of Directors of Golden Coast for Hotels, Tourist Villages and Entertainment Projects, Egypt - Member of the Board of Directors of the Arab Company for Real Estate Development, Egypt. 	<ul style="list-style-type: none"> - Member of the Board of Directors of the Arabian Redland Company for Industrial Services Ltd., Saudi Arabia - Member of the Board of Directors of Honeywell Turki Arabia Ltd., Saudi Arabia - Member of the Board of Directors of the Saudi Rockwell Company Ltd., Saudi Arabia - Member of the Board of Directors of the Construction Finance Company Ltd., Saudi Arabia - Member of the Board of Directors of Tamam Integrated Trading Company Ltd., Saudi Arabia - Member of the Board of Directors of Bahrain Specialist Hospital, Bahrain - Vice Chairman of the Board of Directors of ATCO Marine Services Limited, Bahrain 	B. Sc. in Communications - University of Richmond, United Kingdom	15 years
2	Majid bin Abdullah Al-Sari	<ul style="list-style-type: none"> - Vice Chairman of the Board of Directors - Member of the Executive Committee - Member of the Investment Committee 	<ul style="list-style-type: none"> - Chairman of the Board of Directors of Al Sagr National Insurance Company (Dubai). - Member of the Board of Directors of the Private Investment Group Ltd. - Vice Chairman of the Board of Directors of the GGICO Investment Company. - Member of the Board of Directors of Al-Burj Real Estate Company. - Chairman of the Board of Directors of Discovery Investments Group. 		BA in Business Administration - Southeastern University, USA	23 years
3	Abdullah bin Jumah Al-Sari	<ul style="list-style-type: none"> - Member of the Board of Directors 	<ul style="list-style-type: none"> - Chairman of the Board of Directors of the Gulf General Investment Co (GGICO) - Chairman of the Board of Directors of Al-Soor Investment Company. - Member of the Board of Directors of Al Buhaira National Insurance Company 	<ul style="list-style-type: none"> - Chairman of the Board of Directors of Al Sagr National Insurance Company - Dubai. - Vice President of the Economic Advisers Association - Sharjah - Vice President of Sharjah Municipality - Chairman of the Executive Committee of the Commercial Bank of Dubai - Member of the Board of Directors of the National Bank of Sharjah 	The Military College	50 years

4	Sultan bin Abdulaziz Al-Suwaidi	<ul style="list-style-type: none"> - Member of the Board of Directors - Member of the Nomination and Remuneration Committee - Member of the Risk Management Committee 	<ul style="list-style-type: none"> - Director of Legal Affairs, Al Sagr National Insurance Company (Dubai). 	<ul style="list-style-type: none"> - Legal Researcher at Al Sagr National Insurance Company (Dubai). - Legal Adviser to Al Sagr National Insurance Company (Dubai). - Anti-Money Laundering Officer at Al Sagr National Insurance Company (Dubai). 	Bachelor of Law - University of Sharjah, United Arab Emirates	8 years
5	Abdulmohsen bin Nafez Jaber	<ul style="list-style-type: none"> - Member of the Board of Directors. - Member of the Executive Committee. - Member of the Investment Committee 	<ul style="list-style-type: none"> - Member of the Board of Directors and General Manager of Al Sagr National Insurance Company 	<ul style="list-style-type: none"> - Deputy General Manager of Al Sagr National Insurance Company (Dubai) - Senior Manager of the Medical Insurance Department at Al Sagr National Insurance Company (Dubai) - Medical Network Officer - Al-Nisr Al-Arabi Insurance Company - Director of Medical Insurance - Al Baraka Takaful Company - Assistant General Manager - Takaful Al Emarat Company - Medical Representative, Smart Choice Inc. Jordan - Marketing Officer Al-Anan for Development & Marketing Co Jordan 	<ul style="list-style-type: none"> - Master of Business Administration, Tulane University, USA - Master of Science, University of Aberdeen, United Kingdom - Bachelor of Microbiology - Jordan University of Science and Technology 	18 years
6	Khalid bin Abdulhameed Al Shuwayer	<ul style="list-style-type: none"> - Member of the Board of Directors. - Chairman of the Nomination and Remuneration Committee. - Chairman of the Risk Management Committee. 	<ul style="list-style-type: none"> - Founder and executive partner of the El-Tamiuz Establishment for Information Technology. - CEO of Weqaya Environmental Services Company 	<ul style="list-style-type: none"> - Auditor at Samba Financial Group. - Shareholder Relations Specialist at Sahara Petrochemical Company - Accounts payable official in the Saudi Abyat Company - Processing specialist at Samba Financial Group 	<ul style="list-style-type: none"> - Associate degree in Accounting - King Fahd University of Petroleum and Minerals 	9 years

7	Yasser bin Abdulaziz Al-Kadi	<ul style="list-style-type: none"> - Member of the Board of Directors. - Chairman of the Investment Committee. - Member of the Executive Committee. 	<ul style="list-style-type: none"> - CEO of Al-Kadi Holding Group. - Member of the Board of Directors of the Saudi National Shipping Company (Bahri). - Member of the Board of Trustees, Oqal Group. - Managing Director of Al-Zajil Express Trading Company. - Member of the Logistics Committee, Chamber of Commerce and Industry, EP 	<ul style="list-style-type: none"> - Chairman of the Sharqia Council, Ogal Group for the Eastern Region. Executive Vice President of Logistics, Al-Kadi Holding Group. Chief Business Development Officer, Jeraisy Group. - Financial Analyst, Al- Faisaliah Group 	<ul style="list-style-type: none"> - B.Sc. Finance - University of Portland, USA. - MBA Finance - University of Portland, USA 	6 years
8	Abdullah bin Abdulrahman Al-Bassam	<ul style="list-style-type: none"> - Member of the Board of Directors. - Member of the Nomination and Remuneration Committee 	<ul style="list-style-type: none"> - Vice Chairman of the Board of Directors, Al Jazeera Manpower Company. - Member of the Board of Directors, Abdulrahman Sulaiman Al-Bassam and Sons Company. - Consultant, Abdulaziz bin Hamad Al-Faris Trading Company. General Manager, Integrated Business Solutions (IBS). 	<ul style="list-style-type: none"> - Vice President, Communications and Information Technology Committee in the Asharqia Chamber, formerly. - Systems and Processes Development Administrator, Saudi Cement Company. - Application Manager, Saudi Electricity Company. - Former technical advisor to Al Sagr Cooperative Insurance Company. 	<ul style="list-style-type: none"> B.Sc. in Industrial Management - King Fahd University of Petroleum and Minerals. - Management of technical projects, - Several technical and administrative courses 	36 years

9	Sultan bin Khalid Al-Turki	<ul style="list-style-type: none"> - Member of the Board of Directors. - Chairman of the Audit Committee. - Member of the Risk Management Committee. 	<ul style="list-style-type: none"> - Member of the Board of Directors and Chairman of the Audit Committee, Jeddah Holding Company for Development. - Chairman of the Board of Directors - Desert Technologies Factory Company LLC - Executive Director - Al Nahla Trading and Contracting Company 	<ul style="list-style-type: none"> - Member of the Board of Directors and Member of the Risk Committee, Dar Al Tamleek Real Estate Financing Company. - Member of the Board of Directors, Etihad Atheeb Telecom Company. - Member of the Board of Directors and member of the Investment Committee, Saudi Arabian Refineries Company (Almasafi). - Member of the Board of Directors and Chairman of the Audit Committee, Ithraa Capital Company. 	Bachelor's degree in Financial Management, King Fahd University of Petroleum and Minerals. - Master of Business Administration, IMD Switzerland	23 years
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B. Committee Members from Outside the Board:

No.	Name	Committee Name and Membership Description	Current Positions	Previous Jobs / Experiences	Qualifications	Experiences
1	Saud bin Saleh Al-Arifi	- Member of the Audit Committee	<ul style="list-style-type: none"> - CEO, National Company for the Production of Triple Energy. - Managing Director, Member of the Board of Directors, Member of the Executive Committee, District Air Conditioning Company Ltd. - CEO, Power Supply Co., Ltd. - Member of the Board of Directors, Cushman & Wakefield Corporation. 	<ul style="list-style-type: none"> - Managing Director of the Medical Sector, Al Faisaliah Group Company. - Partner and CEO - Fawaz Al Hokair Company. 	- Bachelor's degree in Industrial Engineering - United States of America.	- 39 years
2	Mohammed bin Saleh Al-Ghamdi	- Member of the Audit Committee	- Treasury Director - ELM	<ul style="list-style-type: none"> - Senior Financial Analyst – KPMG - Relationship Manager – Tadawul - Senior Financial Analyst – EY - Director of Treasury and Investment - Saudi Real Estate Company Treasury Director - Flynas 	- Bachelor of Financial Sciences - King Fahd University of Petroleum and Minerals	- 10 years
3	Hussam bin Faisal Baward	- Member of the Audit Committee	<ul style="list-style-type: none"> - Founder of Hussam Baward Financial Consulting - Chairman of the Audit Committee, Saudi Bio-Acids Company. - Member of the Audit Committee, Umm Al-Qura Company for Development and Reconstruction. - Member of the Audit Committee, Farouk and Mamoun Mohamed Saeed Tamer Industrial Holding Company. - Member of the Audit Committee, Desert Technologies Corporation. 	<ul style="list-style-type: none"> - Partner in Ernst & Young & Partners Certified Public Accountants - Member of the Audit Committee, Bin Laden International Holding Group. - Member of the Audit Committee, Jeddah Development and Urban Development Company. - Member of the Certified Public Accountants Committee at the Jeddah Chamber of Commerce 	- Bachelor of Commerce, Accounting major - King Abdul Aziz University	- 17 years

4	Majid bin Abdulmohsen Al-Sunaid	- Member of the Investment Committee	- Member of the Audit Committee, Arch Financial Corporation	- Head of Public Equity and Fixed Income for Wasaya International Investment Company (a company owned by Saudi Aramco) - Director of Public Investment Portfolio (Investment Portfolio) KAUST - Head of Public Equity Department - Saudi Aramco (Investment Department) - IMC Portfolio Manager - King Abdullah University Investment Management Company (King Abdullah University). - Financial Analyst - Saudi Aramco (Investment Department) - Head of Investment Management at Saudi Aramco	- Master of Business Administration, University of Pennsylvania - CFA Chartholder Certified Financial Analyst.	12 years
			Executive Vice President for Investments - Wessayah International Investment			

C. Executive management

No.	Name	Current Positions	Previous Jobs	Qualifications	Experiences
1	Saran Abu Saq	Chief Executive Officer	<ul style="list-style-type: none"> - Orient Insurance and Reinsurance Company, Chief Executive Officer. - Regional Vice President, ACE Insurance Brokerage. - Director of Corporate Insurance in the Eastern Province, Tawuniya Insurance. 	BA in Management and Economics - Business Administration, King Abdulaziz University Associate Certificate ACII & AHIP Training course - insurance Training course - business development Training course - anti-fraud	25 years
2	Shafiq bin Mansour Al-Rumaih	Financial Director	<ul style="list-style-type: none"> - Senior Manager and Assistant Financial Director of the Group - Saad Trading, Contracting and Financial Services Company - Senior Manager Corporate Relationships - Corporate Finance Group - National Commercial Bank - Credit Analyst - Corporate Relationship Manager - Corporate Finance Group - National Commercial Bank 	Certified Financial Manager Certificate - American Academy of Financial Management Training course - insurance and reinsurance accounting / reporting Training course - Executive Management Training course - financial control Training Course - Risk Management in Financial Markets Training course - cash management program Training course - advanced teamwork Training Course - Advanced Credit / Risk - Financing and Credit Assessment Training course - Financial Analysis	25 years
3	Imad Mahdi Awani	Head of Internal Audit Department	<ul style="list-style-type: none"> - Officer in the Internal Audit Department, Ernst & Young (2005-2012) - Director of Internal Audit, Buruj Insurance Company (2012-2018). 	<ul style="list-style-type: none"> - Bachelor's degree in Accountancy, King Faisal University - Certified Risk Officer - IFCE Certificate of Insurance Fundamentals. - Time management. - Managing stress at work - Certificate of the internal audit conference 	16 years
4	Fayez Hassan Al-Asfour	Head of Human Resources Department	<ul style="list-style-type: none"> - Executive Director of Human Resources at Marmar Holding Company. - Executive Director of Human Resources at El Sewedy Holding Company. - Regional Director of Human Resources at Aljomaih Holding Company. 	<ul style="list-style-type: none"> - Master of Business Administration, The American University in London. - Bachelor's Degree in Business Administration from Little Rock University, USA. - CHR Internationally accredited Human Resources Manager. 	26 years
5	Shaker bin Faisal Al-Khanani	Head of Risk Management	<ul style="list-style-type: none"> - General Director of Student Affairs Department at the University of Business and Technology. 	<ul style="list-style-type: none"> - MSc Financial Services Management, University of Salford 	17 years

			<ul style="list-style-type: none"> - General Manager of Marketing and Co-Founder of Match Commercial Mediation and Public Relations. Director of Risk and Compliance, Al-Mustaqilla Insurance Brokerage Company. - Director of Risk Management Salama Cooperative Insurance Company. 	<ul style="list-style-type: none"> - BA in Business Administration and Marketing, University of Business and Technology - Certified Compliance Officer CCO from the Financial Academy - Member and certified risk specialist CRS from the International Academy of Business and Financial Management 	
6	Mazen bin Abdullah Al-Faris	Head of Compliance Department	<ul style="list-style-type: none"> - Head of Executive Compliance Department at Al Sagr Company. Head of the Executive Compliance and Legal Department at MetLife Cooperative Insurance Company. - Head of the Executive Compliance Department at Walaa Cooperative Insurance Company. - Director of Commercial Services (Credits and Guarantees) at Samba Bank. - Patient Relations Manager at Al-Mouwasat Hospital. 	<ul style="list-style-type: none"> - BA in Financial Economics and Banking, University of Bahrain. - Certified System Monitor COO from the American Academy of Finance. - ACAMS Certified Anti-Money Laundering Specialist Luma Institute Fellowship in Life Insurance Management from the Luma Institute, USA. 	30 years
7	Yasmine Mohammed Al-Zahrani	Director of the Customer Care Department	<ul style="list-style-type: none"> - Director of the Customer Care Department. - Customer care officer at Al Sagr Company. - Receptionist at Amjad Al-Hogail Clinics. - Mada company data entry. 	<ul style="list-style-type: none"> - BA in English, King Faisal University. - General Certificate of Insurance Basics - A training program in computers and office applications 	11 years
8	Hashem Mohsen Al-Attas	Head of Information Technology	<ul style="list-style-type: none"> - Head of Information Technology Department at Al Sagr Company. - Head of Information Technology Department at Gulf Union Company. - Director of Information Technology at Al-Tayseer Company. 	<ul style="list-style-type: none"> - PhD in Information Systems from the University of Adamsville, Washington. - Master of Information Systems from National University - Bachelor of Science in Computer and Information Systems from National University 	19 years
9	Tariq Wadud Siddiqui	Head of the Technical Department	<ul style="list-style-type: none"> - Vice President / Senior Underwriter "Swisse Re". - Energy Profit Center Manager "Aic Ex-Chartis". - Engineering & Risk Control Manager "Royal & Sun Alliance" 	<ul style="list-style-type: none"> - Diploma and Associate of Insurance (AIII) certification. - Master of Business Administration. - Master of Engineering. - Bachelor of Engineering 	22 years
10	Mohamed Khaled Al-Jasem	Acting Head of Cybersecurity	<ul style="list-style-type: none"> - Distinguished Solutions Company (Soc Analyst) - The Saudi Electronic Accounts Company (Cyber Security Engineer) - Dar Beta for Information Technology (Cyber Security Engineer) - Al-Yusr Leasing and Financing Company (Cyber Security Specialist) 	<ul style="list-style-type: none"> - Bachelor of Information Systems. - Certified Information Security Manager 	3 years

6. Names of Companies Inside or Outside the Kingdom of Which a Member of the Company's Board of Directors Is a Member of Their Current and Previous Boards of Directors or the Company's Manager.

Name of the Member	The Names of the Companies in Which a Member of the Company's Board of Directors Is a Member of Their Current Boards of Directors or the Company's Manager	Legal Entity	Inside the Kingdom / Outside the Kingdom	The Names of the Companies in Which a Member of the Company's Board of Directors Is a Member of Their Current Boards of Directors or the Company's Manager	Legal Entity	Inside the Kingdom / Outside the Kingdom
Fahd bin Abdulrahman Al-Turki	1. Al Sagr Cooperative Insurance Company 2. Abdulrahman Ali Al-Turki Sons Company for Trade and Contracting Ltd. 3. Abdulrahman Ali Al-Turki Trading and Contracting Company Ltd. 4. Bahrain Specialist Hospital 5. Honeywell Turki Arabia Company Ltd.	1. Listed joint stock 2. Limited liability 3. Limited liability 4. Closed joint stock 5. Limited liability 6. Limited liability 7. Limited liability	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom 4. Outside the Kingdom 5. Inside the Kingdom 6. Inside the Kingdom 7. Inside the Kingdom	--	--	--

	6. Redland Arabian Industrial Services Company Ltd. 7. Saudi Rockwell Automation Company Ltd. 8. Keeler Turki Company Ltd. 9. Golden Pyramids Plaza Company 10. Construction Finance Company Ltd. 11. ATCO Marine Services Ltd. 12. Golden Coast Hotels, Tourist Villages and Recreational Projects Company	8. Limited liability 9. Public joint stock 10. Limited liability 11. Limited liability 12. Public joint stock	8. Inside the Kingdom 9. Outside the Kingdom 10. Inside the Kingdom 11. Outside the Kingdom 12. Outside the Kingdom			
Majid bin Abdullah Al-Sari	1. Al Sagr National Insurance Company 2. Al-Burj Real Estate Company 3. GGICO – Investment Company 4. Al Soor Investments Company 5. The Private Investment Group Ltd.	1. Listed joint stock 2. Closed joint stock 3. Listed joint stock 4. Limited liability 5. Limited liability	1. Outside the Kingdom 2. Outside the Kingdom 3. Outside the Kingdom 4. Outside the Kingdom 5. Outside the Kingdom	--	--	--
Abdullah bin Jumaa Al-Sari	1. Al Sagr Cooperative Insurance Company 2. Al Sagr National Insurance Company - Dubai 3. Al Buhaira Insurance Company - Dubai	1. Public joint stock 2. Public joint stock 3. Public joint stock	1. Inside the Kingdom 2. Outside the Kingdom 3. Outside the Kingdom	1. National Bank of Sharjah 2. Commercial Bank of Dubai	1. A National Bank 2. Bank	1. Outside the Kingdom 2. Outside the Kingdom
Sultan bin Abdulaziz Al-Suwaidi	1. Al Sagr National Insurance Company	1. Public joint stock	1. Outside the Kingdom	--	--	--
Abdulmohsen bin Nafez Jaber	1. Al Sagr Cooperative Insurance Company 2. Al Sagr National Insurance Company	1. Listed joint stock 2. Listed joint stock	1. Inside the Kingdom 2. Outside the Kingdom	1. Emirates Takaful Insurance 2. Al-Baraka Takaful 3. Al-Nisr Al-Arabi Insurance	1. Listed joint stock 2. Listed joint stock 3. Listed joint stock	1. Outside the Kingdom 2. Outside the Kingdom 3. Outside the Kingdom
Khalid bin Abdulhameed Al Shuwaier	1. Al Sagr Cooperative Insurance Company 2. El-Tamiz Establishment for Information Technology 3. Weqaya Environmental Services Company	1. Listed Joint Stock 2. A sole proprietorship 3. Limited liability	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom	1. Sahara Petrochemical Company	1. Listed Joint Stock	1. Inside the Kingdom
Yasser bin Abdulaziz Al-Kadi	1. Al Sagr Company for Cooperative Insurance 2. Al-Kadi Holding Group 3. Al-Zajil Express Trading Company 4. Oqal Group 5. The Eastern Province Chamber 6. The National Shipping Company of Saudi Arabia (Bahri)	1. Listed joint stock 2. Closed joint stock 3. Limited liability 4. An endowment institution 5. A government agency 6. Listed joint stock	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom 4. Inside the Kingdom 5. Inside the Kingdom 6. Inside the Kingdom	1. Jeraisy Group	1. Closed joint stock	1. Inside the Kingdom
Abdullah bin Abdulrahman Al-Bassam	1. Al Sagr Cooperative Insurance Company 2. Abdulrahman Sulaiman Al-Bassam and Sons Company 3. Al-Jazirah Manpower Company 4. Abdulaziz bin Hamad Al Faris and Sons Trading Company 5. Integrated Business Solutions (IBS)	1. Listed joint stock 2. Limited liability 3. Closed joint stock 4. Limited liability 5. Sole Proprietorship	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom 4. Inside the Kingdom 5. Inside the Kingdom	--	--	--
Sultan bin Khalid Al-Turki	1. Al Sagr Cooperative Insurance Company 2. Desert Technologies Factory Company 3. Jeddah Holding Company for Development	1. Listed joint stock 2. Closed joint stock 3. Closed joint stock	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom	1. Dar Al Tamleek Real Estate Finance Company	1. Closed joint-stock 2. Listed joint stock 3. Listed joint stock	1. Inside the Kingdom 2. Inside the Kingdom 3. Inside the Kingdom

4. Al-Nahla Trading and Contracting Company 5. Al-Turki Medical Group Company 6. Al-Amin Distinguished Real Estate Investment Company 7. Al-Ameen Distinguished Urban Development Company 8. Saudi Arabian Marketing, Agencies and Contracting Company	4. Limited liability 5. Limited liability 6. Limited liability 7. Limited liability 8. Limited liability	4. Inside the Kingdom 5. Inside the Kingdom 6. Inside the Kingdom 7. Inside the Kingdom 8. Inside the Kingdom	2. Etihad Atheeb Telecom Company 3. Saudi Arabian Refineries Company (Almasafi) 4. Ithraa Capital	4. Closed joint stock	4. Inside the Kingdom
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7. The formation of the Board of Directors and the classification of its members as follows: Executive Member of the Board - Non-Executive Member of the Board - Independent Member of the Board.

No.	Member's Name	Membership Classification (Executive / Non-Executive / Independent)
1	Fahd bin Abdulrahman Al-Turki	Non-Executive
2	Majid bin Abdullah Al-Sari	Non-Executive
3	Abdullah bin Jumah Al-Sari	Non-Executive
4	Sultan bin Abdulaziz Al-Suwaidi	Non-Executive
5	Abdulmohsen bin Nafez Jaber	Non-Executive
6	Khalid bin Abdulhameed Al Shuwayer	Independent
7	Yasser bin Abdulaziz Al-Kadi	Independent
8	Abdullah bin Abdulrahman Al-Bassam	Independent
9	Sultan bin Khalid Al-Turki	Independent

8. Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments about the company and its performance.

In the event that shareholder proposals or comments are received, the Board of Directors informs its members, especially non-executives, of these proposals or comments through the following means:

- Board meetings
- Committee meetings
- General Assembly meetings

9. Responsibilities of the Board of Directors towards communicating with shareholders

The Governance Regulation of Al Sagr Cooperative Insurance Company regulates the rights of shareholders by enabling them to exercise their rights to the fullest, and by using the most effective methods of communicating with shareholders, such as email, receiving phone calls, recording all their comments and discussing them with members of the Board of Directors and the Executive Management in order to reach satisfactory solutions.

The company's bylaws and internal regulations also include the procedures and precautions necessary to ensure that all shareholders exercise their statutory rights and not discriminate between shareholders in this regard, and with the aim of achieving communication between the company and the shareholders based on a common understanding of the company's strategic objectives and interests.

10. Committees emanating from the Board of Directors

The following is a brief description of the functions of the committees emanating from the Board of Directors, with the names of the committees, their chairmen and members, the number of their meetings, the dates of their meetings, and the attendance data of the members for each meeting, as follows:

A. The Audit Committee

The Board of Directors forms the Audit Committee in accordance with the requirements of the General Assembly by appointing not less than three members and not more than five, provided that they are not members of the executive board of directors, its employees or advisors for a period of three years after obtaining a written non-objection from SAMA, based on the regulations Issued by the Capital Market Authority and SAMA, including the Corporate Governance Regulations and the Implementing Regulation for the Insurance Companies Control Law.

The tasks of the audit committee include, but are not limited to, the following:

1. Developing an action plan for itself approved by a decision of the Board of Directors, including the rules, responsibilities and obligations of the Audit Committee.
2. Supervising the company's internal audit department to ensure its level of effectiveness in implementing the tasks entrusted to it.
3. Supervising the company's compliance department to ensure its level of effectiveness in implementing the tasks entrusted to it.
4. Ensuring the independence of the Internal Audit Department and the Compliance Department in performing the tasks entrusted to them and ensuring that there is no negative impact on their work.
5. Studying and reviewing the quarterly and annual financial statements and submitting recommendations to the Board of Directors regarding them.
6. Studying the plan of the internal audit department and the external auditors, in addition to the compliance plans, approving them, and following up their implementation.
7. Studying the important accounting strategies, their procedures, and the changes that occur to them, and submitting recommendations to the Board of Directors regarding them.
8. Following up on the reports issued by SAMA and the relevant supervisory and regulatory authorities and submitting recommendations regarding them to the Board of Directors.
9. Studying the reports of the internal and external auditors and submitting recommendations regarding them to the Board of Directors.
10. Evaluating the efficiency and effectiveness of the work of the internal and external auditors.

Committee Meetings During the Year 2020

No.	Name	Nature of Membership	Meetings Held During the Year 2020						Total Attendance
			First meeting 04/03/2020	Second meeting 10/06/2020	Third meeting 29/10/2020	Fourth meeting 03/11/2020	Fifth meeting 15/11/2020	Sixth meeting 23/12/2020	
1	Sultan bin Khalid Al-Turki (Chairman of the Committee)	Independent - from the Board of Directors	N/A	N/A	Attended	Attended	Attended	Attended	4
2	Muhammad bin Saleh Al-Ghamdi (Committee Member)	Independent - from outside the Board	Attended	Attended	Attended	Attended	Attended	Attended	6
3	Saud bin Saleh Al-Arifi (Committee Member)	Independent - from outside the Board	N/A	N/A	Attended	Attended	Attended	Attended	4
4	Hussam bin Faisal Baward (Committee Member)	Independent - from outside the Board	N/A	N/A	Attended	Attended	Attended	Attended	4

Members of the Audit Committee, previous cycle *

1	Muhammad Abdulaziz Al-Naim (Chairman of the Committee)	Independent - from outside the Board	attended	attended	N/A	N/A	N/A	N/A	2
2	Zaid Abdullah Al-Yaish (Committee Member)	Independent - from outside the Board	attended	attended	N/A	N/A	N/A	N/A	2

* The cycle of the Audit Committee ended on 15/06/2020

B. Nomination and Remuneration Committee

The Board of Directors has formed the Nomination and Remuneration Committee with no less than 3 members and no more than 5 members, provided that two of the committee members are independent and cannot be chaired by the Chairman of the Board of Directors, based on the regulations issued by the Capital Market Authority and SAMA, including the Corporate Governance Regulation and the implementing regulations of the insurance company control system.

The tasks of the Nomination and Remuneration Committee include, but are not limited to, the following:

1. Presenting policies and procedures related to the job succession in the company, the Board of Directors and members of senior management, and monitoring their implementation.
2. Establishing clear procedures for nominating the Board, including the approvals of the General Assembly and the regulatory authorities.
3. Developing plans to fill vacant leadership positions in the company, including members of the executive management, and following up the implementation of plans and procedures for filling vacant positions.
4. Ensuring the independence of the independent members of the Board of Directors.
5. Submitting its plans for determining the remuneration and compensation shares of the senior executive management and employees to the audit committee, to be reviewed in accordance with the key performance indicators, and then approved by the board of directors and the shareholders' assembly.
6. Ensuring annually that there are no conflict of interest cases among members of the board in case one of them is a member of the board of directors of another company.
7. Identifying aspects of weakness and strength in the board of directors and submitting proposals to remedy them in accordance with the interest of the company.
8. Conducting annual review of the necessary competencies and identifying the required qualifications and requirements for appropriate skills for membership of the Board of Directors.
9. Reviewing the requirements required for membership in the board of directors and its committees and preparing a description of the capabilities and qualifications required for membership in the board of directors or membership in board committees, including determining the time that the member needs to devote to the work of the board of directors and / or committees of the board of directors.

Committee Meetings During the Year 2020

No.	Name	Position	Nature of Membership	Meetings Held During the Year 2020					Total Attendance
				First Meeting 23/02/2020	Second Meeting 14/04/2020	Third Meeting 14/07/2020	Fourth Meeting 06/09/2020	Fifth Meeting 07/12/2020	
1	Khalid bin Abdulhamid Al-Shuwaier	Chairman of the Committee	Independent	N/A	N/A	Attended	Attended	Attended	3
2	Sultan bin Abdulaziz Al-Suwaidi	Committee Member	Non-Executive	N/A	N/A	Attended	Attended	Attended	3
3	Abdullah bin Abdulrahman Al-Bassam	Committee Member	Independent	N/A	N/A	Attended	Attended	Attended	3
Members of the Nomination and Remuneration Committee for the Previous Cycle *									
1	Fahd bin Abdulrahman Al-Turki	Chairman of the Committee	Non-Executive	Attended	Attended	N/A	N/A	N/A	2
2	Saud bin Saleh Al-Arifi	Committee Member	Independent	Not Nominated Yet	Attended	N/A	N/A	N/A	1

3	Muhammad Abdulaziz Al-Naim	Committee Member	Independent	Attended	Attended	N/A	N/A	N/A	2
4	Tariq Abdullah Al-Bassam **	Committee Member	Independent	Attended	Resigned	N/A	N/A	N/A	1

* The cycle of the Nomination and Remuneration Committee ended on 15/06/2020.

** The resignation of Member / Tariq Abdullah Al-Bassam on 03/03/2020.

C. Risk Management Committee

Based on the regulations issued by the Capital Market Authority and SAMA, including the Corporate Governance Regulation and the Implementing Regulation for the Insurance Companies Control Law, the Risk Committee was formed by the Board of Directors provided that its membership includes at least three members, and that its chairman and the majority of its members are non-executive members of the Board of Directors, with the necessity to match the knowledge and experience of the members of the Risk Committee with the size, nature and complexity of the company's business.

The tasks of the Risk Committee include, but are not limited to, the following:

1. Developing a comprehensive risk management strategy, following up on its implementation, and reviewing its updating based on the internal and external variables of the company.
2. Reviewing the risk management policies.
3. Determining the risks that the company may be exposed to and maintaining an acceptable level of risk to the company.
4. Supervising the company's risk management system and evaluating its effectiveness.
5. Submitting the necessary recommendations to the Board of Directors regarding risk management reports.
6. Submitting reports to the Board of Directors on exposure to risks and the proposed steps to manage them.
7. The Board of Directors determines the ability and willingness of the company to accept risks, based on recommendations of the Risk Committee.
8. Periodic evaluation of the company's ability to bear the risks it is exposed to (through stress tests).

Committee Meetings During the Year 2020

No.	Name	Position	Nature of Membership	Meetings Held During the Year 2020			Total Attendance
				First Meeting 04/03/2020	Second Meeting 06/10/2020	Third Meeting 09/12/2020	
1	Khalid bin Abdulhameed Al Shuwayer	Chairman of the Committee	Independent	N/A	Attended	Attended	2
2	Sultan bin Abdulaziz Al-Suwaiddi	Member of the Committee	Non-Executive	N/A	Attended	Attended	2
3	Sultan bin Khalid Al-Turki	Member of the Committee	Independent	N/A	Attended	Attended	2
Members of the Risk Management Committee for the previous cycle *							
1	Abdulmuhsin bin Abdullah Al-Sunaid	Chairman of the Committee	Independent	Attended	N/A	N/A	1
2	Fahd bin Abdulrahman Al-Turki	Member of the Committee	Non-Executive	Attended	N/A	N/A	1
3	Saud bin Saleh Al-Arifi	Member of the Committee	Non-Executive	Attended	N/A	N/A	1

* The cycle of the Risk Management Committee ended on 15/06/2020.

D. The Investment Committee

Based on the rules and regulations issued by SAMA, including the Corporate Governance Regulation and the Implementing Regulation for the Insurance Companies Control Law, the Board of Directors of Al Sagr Cooperative Insurance Company establishes an investment committee with at least three members, and its members are appointed based on the nominations of the Board of Directors, taking into consideration following Legal procedures and its members must possess adequate experience and knowledge regarding investment.

The tasks of the Investment Committee include, but are not limited to, the following:

1. Formulating and preparing an investment policy, reviewing its performance and implementing it annually.
2. Reviewing the performance of each asset class.
3. Following up the general risks of the investment policy.
4. Submitting the investment portfolio performance report to the Board of Directors.
5. Ensuring that all investment-related activities comply with the requirements of the investment regulation issued by SAMA, and the requirements of other relevant laws and regulations.
6. Formulating and preparing an investment policy, reviewing its performance on an annual basis, determining the investment objectives of the company, and making recommendations in this regard to the Board of Directors, including determining risk tolerance levels, diversification of assets and diversification of investment operations.
7. Conducting general supervision over the performance of investment operations, including evaluation of investment results to determine the success of investment strategies and to ensure compliance with the company's investment policies.
8. Following up and reviewing the diversification of the investment portfolio, as is necessary to manage investments and achieve the interest of the company.
9. Monitoring the efficiency and quality of the investment process in comparison with the objectives and submitting the results of the committee's work to the Executive Committee and from there to the Board of Directors to take the necessary measures and approvals.

Committee Meetings During the Year 2020

No.	Name	Position	Nature of Membership	Meetings Held During the Year 2020			Total Attendance
				First Meeting 05/04/2020	Second Meeting 20/10/2020	Third Meeting 03/11/2020	
1	Yasser bin Abdulaziz Al-Kadi	Chairman of the Committee	Independent	N/A	Attended	Attended	2
2	Abdulmohsen bin Nafez Jaber	Member of the Committee	Non-Executive	N/A	Attended	Attended	2
3	Majid bin Abdul Mohsin Al-Sunaid	Member of the Committee	Independent From outside the Board	Attended	Attended	Attended	3
4	Majid bin Abdullah Al-Sari	Member of the Committee	Non-Executive	N/A	Attended	Attended	2
Members of the Investment Committee for the Previous Cycle *							
1	Tariq Abdulaziz Al-Bassam	Chairman of the Committee	Independent	Attended	N/A	N/A	1

* The cycle of the Investment Committee ended on 15/06/2020.

E. The Executive Committee

The Board of Directors establishes the Executive Committee, which includes in its membership no less than three and no more than five, provided that it consists of executive and non-executive members and who have appropriate experience in the work of the committee.

The tasks of the Executive Committee include, but are not limited to, the following:

1. Recommending to the Board of Directors about the strategic and operational plans, budgets and business plans developed by Management.

2. Taking decisions on matters authorized by the board of directors that are outside the scope of the company's CEO, including matters related to capital expenditures and purchases, within the limits authorized to the committee by the board of directors.
3. Reviewing the company's policies, procedures and strategies in cooperation with the executive management.
4. Supervising the performance of the executive management of the company.
5. Analyzing operational risks continuously and working to reduce them.
6. Monitoring market shares, growth rates and penetration.
7. Monitoring the implementation of the expansion of points of sale and branches.
8. Prioritizing the allocation of capital, human and technical resources.

Committee Meetings Held During the Year 2020.

M.	Name	Position	Nature of Membership	Meetings Held During the Year 2020					Total Attendance
				First Meeting 22/01/2020	Second Meeting 05/04/2020	Third Meeting 19/04/2020	Fourth Meeting 13/08/2020	Fifth meeting 10/08/2020	
1	Fahd bin Abdulrahman Al-Turki *	Chairman of the Committee	Non-Executive	Attended	Attended	Attended	Attended	Attended	5
2	Abdulmohsen bin Nafez Jaber	Member of the Committee	Non-Executive	N/A	N/A	N/A	Attended	Attended	2
3	Majid bin Abdullah Al-Sari	Member of the Committee	Non-Executive	N/A	N/A	N/A	Attended	Attended	2
4	Yasser bin Abdulaziz Al-Kadi	Member of the Committee	Independent	N/A	N/A	N/A	Attended	Attended	2
Members of the Executive Committee of the Previous Cycle **									
	Bassam Ahmed Al-Binali	Chairman of the Committee	Non-Executive	Attended	Attended	Attended	N/A	N/A	3

* Mr. Fahd bin Abdulrahman Al-Turki took over the presidency of the committee on 13/08/2020

** The cycle of the Executive Committee ended on 15/06/2020.

11. Evaluation of the performance of the Board of Directors, the committees and its members

The policy for evaluating the Board Members and committees has been approved, in accordance with the standards and procedures for periodic and annual evaluation of performance, and the Nomination and Remuneration Committee undertakes the evaluation tasks.

12. Disclosure of the remuneration of members of the Board of Directors and the Executive Management in accordance with what is stipulated in Article 93 of the Corporate Governance Regulation.

Remuneration policy for members of the Board of Directors, committees and executive management

The company's articles of association and the list of remuneration for members of the board of directors and the committees emanating from the board specify the remuneration of the members of the board of directors in order to ensure accurate, transparent and detailed disclosure in the report of the board of directors about the remuneration granted to members of the board of directors and the committees emanating from it, directly or indirectly, without concealment or misleading, whether they are sums, benefits or advantages, as Article 19 of the articles of association of the company stipulated under the title of remuneration of the members of the board and the emanating committees as follows: "The annual remuneration for the chairman and members of the board of directors shall be with a minimum of 400,000 Saudi Riyals (four hundred thousand Saudi Riyals) and a maximum of 500,000 Saudi Riyals (five hundred thousand Saudi Riyals) annually for their membership in the Board of Directors and their participation in its work, including additional annual bonuses in the event that the member participates in any of the committees emanating from the Board of Directors.

In the event that the company achieves profits, a percentage equivalent to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly in implementation of the provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders of not less than (5%) of the company's paid-up capital, provided that the entitlement to this bonus is proportional to the number of sessions that the member attends, and any estimate to the contrary shall be void.

In all cases, the total remuneration and financial or in-kind benefits and rewards that a member of the Board of Directors gets shall not exceed an amount of five hundred thousand Saudi Riyals annually.

The maximum allowance for attending the sessions of the Council and its committees shall be five thousand Saudi Riyals for each session, excluding travel and accommodation expenses.

Each member of the board, including the chairman, shall be paid the value of the actual expenses they incur in order to attend the meetings of the board and the committees emanating from the board of directors, including travel, accommodation and subsistence expenses.

The executive management members' remuneration list also includes the disclosure of remuneration for employees of the executive management in an appropriate manner and in compliance with any instructions and regulations issued by the regulatory and supervisory authorities in force in the Kingdom of Saudi Arabia, as this report shows the rewards and benefits of five senior executives who received the highest rewards from the company.

The Relationship between the Remuneration Awarded and the Applicable Remuneration Policy:

Al Sagr Cooperative Insurance Company has followed in the remuneration granted to members of the Board of Directors what is mentioned in the paragraph of Article No. (19) of the Company's Articles of Association, which is consistent with the remuneration policy for members of the Board of Directors, committees and executive management approved by the General Assembly by granting a minimum bonus of 400,000 Saudi Riyals.

A. Remuneration of Members of the Board:

Details of remuneration payable to each of the members of the board of directors, board committees and senior executives (figures are in Saudi Riyals)

During the year 2020, no amounts were paid to any member of the Board of Directors and its committees in relation to attendance fees and the annual bonus for the period from 01/01/2020 until 12/31/2020, and therefore, all these balances still appear payable as at the end of Year 2020. Accordingly, the company has accrued due fees for the period from 01/01/2020 until 12/31/2020.

Fees for the period from 01/01/2020 until 12/31/2020:																
	Fixed Amount	Allowance for Attending Council Sessions	Fixed Rewards				Variable Rewards								Grand Total	Expense Allowance
			Total Allowance for Attending Committee Sessions	in-kind benefits	what they have received for technical or administrative work or consultations	Remuneration of the Chairman, Managing Director or Secretary if Member	Total	A Percentage of Profits	Periodic Rewards	Short-term Incentive Plans	Long-term Incentive Plans	Total shares Awarded (Value Entered)	Total	End of Service Award		
First: The Independent Members																
Dr. Muhammad Abdulaziz Al-Naim (Expired Membership) *	183,333	5,000	20,000	-	-	-	208,333	-	-	-	-	-	-	-	198,333	-
Tariq Abdulaziz Al-Bassam (Membership Expired)	183,333	5,000	10,000	-	-	-	198,333								198,333	-
Saud Saleh Al-Arifi (Membership Expired)	183,333	5,000	10,000	-	-	-	198,333	-	-	-	-	-	-	-	198,333	-
Yasser Abdulaziz Al-Kadi (A New member)	216,667	15,000	20,000				251,667								251,667	

Abdullah Abdulrahman Al-Bassam (A New Member)	216,667	15,000	15,000				246,667								246,667	
Khaled Abdulhamid Al-Shuwayer (A New Member)	216,667	15,000	25,000				256,667								256,667	
Sultan Khalid Al-Turki (A New Member)	216,667	15,000	30,000				261,667								261,667	
Total	1,416,667	75,000	130,000	-	-	-	1,621,667	-	-	-	-	-	-	-	1,611,667	-
Second: Non-Executive Members																
Fahd Abdulrahman Al-Turki	400,000	20,000	40,000	-	-	-	460,000	-	-	-	-	-	-	-	460,000	-
Bassam bin Ahmed Al-Binali (Membership Expired)	183,333	5,000	15,000	-	-	-	203,333	-	-	-	-	-	-	-	203,333	-
Abdullah Jumah Al-Sari	400,000	20,000	0	-	-	-	420,000	-	-	-	-	-	-	-	420,000	-
Majid Abdullah Al-Sari	216,667	15,000	20,000	-	-	-	251,667	-	-	-	-	-	-	-	251,667	-
Sultan Abdulaziz Al-Suwaidi	216,667	15,000	25,000	-	-	-	256,667	-	-	-	-	-	-	-	256,667	-
Abdulmohsen Abdullah Al-Sunaid (Membership Expired)	183,333	5,000	5,000	-	-	-	193,333	-	-	-	-	-	-	-	193,333	-
Abdulmohsen Nafez Jaber	400,000	20,000	20,000	-	-	-	440,000	-	-	-	-	-	-	-	440,000	-
Total	2,000,000	100,000	125,000	-	-	-	2,225,000	-	-	-	-	-	-	-	2,225,000	-
Third: The Executive Members:																
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand total	3,416,667	175,000	155,000	-	-	-	3,846,667	-	-	-	-	-	-	-	3,836,667	-

* Note: An amount of 10,000 Saudi Riyals was paid to the aforementioned board member during the year

B. Remuneration of Committee Members from Outside the Board

Name	Membership Description	Meeting Attendance Allowance Rewards	Special Rewards	Total
Members of the Audit Committee				
1 Zaid bin Abdullah Al-Yaish (Membership Expired)*	Chairman of the Committee	10,000		10,000
2 Hussam Faisal Baward*	Member of the Committee	20,000		20,000
3 Muhammad Al-Ghamdi*	Member of the Committee	30,000		30,000
4 Saud bin Saleh Al-Arifi*	Member of the Committee	20,000		20,000
Members of the Investment Committee				
1 Majid bin Abdul-Mohsen Al-Sunaid**	Member of the Committee	15,000		15,000
Grand Total		95,000		95,000

The member has received the full award amount specified in the Table.

** The member has received 5,000 Saudi Riyals of the award value specified in the Table.

C. Rewards for Senior Executives

Statements and compensations of five senior executives, including (the General Manager and the Financial Director)

Statement	Fixed Awards	Variable Awards
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	Fixed Salaries and Awards	Allowances	In-kind Benefits	Total	(Any amounts paid as a percentage of profits, periodic bonuses, short-term or long-term incentive plans, or bonus shares)	End of Service Award for the Year 2020	The Sum of the Executives' Awards from the Board, if any	Grand Total
What 5 senior executives earned, including the CEO and CFO who received the highest remuneration	3,330,268	1,119,186	0	4,449,454	0	140,118	731,856	5,321,428

13. Legal Requirements and Restrictions Imposed on the Company

Precautionary Measures/ Punishment / Penalty/ Precautionary Restriction	Causes of the Violation	The Signatory for the Violation	Amount of the Violation
Violation	The company's non-compliance with the precautionary measures to combat Coronavirus	SAMA	5,000 SR
Violations	The company's non-compliance with the Cooperative Insurance Companies Control Law	SAMA	140,000 SR
Violation	The non-disclosure of the end of the mandate of the Chief Executive Officer	The Capital Market Authority	10,000 SR
Violations	Not registering points of sale in some cities	Ministry of Labor	20,500 SR

14. Internal control

The Board of Directors of the company is responsible for ensuring the efficiency and effectiveness of the company's internal control systems on a regular basis, and the senior management represented by the CEO, the Compliance Department, the Internal Audit Department and the risk management department prepares and implements the internal control system on sound and effective foundations, including ensuring that the company's systems and policies comply with the statutory requirements issued by the relevant supervisory and regulatory authorities, such as SAMA, the Financial Market Authority, and the Council of Cooperative Medical Insurance.

In line with sound corporate governance practices and regulatory requirements, the Company's Audit Committee has been formed, which is an independent committee formed by a decision of the Company's General Assembly. The audit committee consists of four members, three independent members from outside the board of directors and an independent member from the board of directors as chair of the committee. Among the members of the committee are two members specialized in financial affairs, as the audit committee emanating from the board of directors is responsible for monitoring the performance and application of internal control systems in the company, and ensuring the efficiency and effectiveness of the financial and accounting systems in the company, supervising the internal audit department, the compliance department and combating money laundering and terrorist financing in the company in order to verify the extent of its efficiency and effectiveness in carrying out the work and tasks assigned to them, and ensuring compliance with the application of the Companies Law, the cooperative insurance company control law, and the rules, regulations. and other relevant instructions. The committee held (6) meetings during the fiscal year 2020.

The internal audit department in the company enjoys complete independence, as it is functionally linked directly to the audit committee. One of the tasks of the internal audit is to ensure the extent of application of the internal policies and procedures in the company. During the year 2020 it carried out audits in accordance with the annual internal audit plan approved by the committee. The internal audits included the company's financial, administrative, or operational activities to verify the effectiveness of the company's internal control systems. The internal audit department submitted its reports to the audit committee on the results of the effectiveness of the company's internal control procedures and systems.

The Compliance Department is an independent department whose responsibility is to confirm compliance with the company's implementation of the regulations and laws in force in the Kingdom of Saudi Arabia, which include the laws, regulations and circulars issued by SAMA, the Council of Cooperative Medical Insurance, the Financial Market Authority and other related regulations. The Compliance Department has submitted its periodic reports to the committee with the results of the company's commitment to the relevant laws, regulations and instructions.

Based on the reports submitted by the Internal Audit Department and the Compliance Department to the Audit Committee, the committee has verified that all necessary corrective measures have been taken to address the deficiencies, which ensure that observations are not repeated in the future. The committee has also raised / escalated its reports and recommendations to the Executive Committee and the Board of Directors.

In line with sound corporate governance practices and regulatory requirements as well, a risk committee emanating from the board of directors and consisting of three members of the board of directors was formed and chaired by one of the independent members of the board. Its role was important and pivotal in supporting internal control by monitoring risk indicators and reviewing reports submitted by the risk management department, determining the extent of exposure to various risks, and discussing them with the executive management and the Board of Directors.

15. Results of the annual review of the effectiveness of the company's internal control procedures, in addition to the audit committee's opinion on the adequacy of the company's internal control system

In order to confirm the effectiveness of internal control, the Audit Committee carried out the following tasks during the fiscal year 2020:

- A. Discussing the initial annual and quarterly financial statements for the year 2020 with the external auditors and senior management of the company before issuing them. The committee also submitted the recommendation to the Board of Directors after studying and reviewing the financial statements for discussion and consideration of approval.
- B. Studying the offers of auditors' companies and recommending the appointment of the auditor for the year ending 12/31/2020.
- C. Reviewing and approving the internal audit plan for the fiscal year 2020.
- D. Supervising the Internal Audit Department and the Compliance Department, and following up on the implementation of the approved audit plan for the year 2020 for the two departments.
- E. Discussing the internal audit reports and following up on the implementation of the important recommendations contained in the reports of the internal audit department.
- F. Studying the compliance department's reports that reflect the company's compliance with the statutory requirements, and following up on the implementation of the recommendations contained in the reports.
- G. Studying the effectiveness of the process of identifying and assessing the significant risks to the company's activity, and the company's management method for those risks, and submitting appropriate recommendations in this regard to the Board of Directors.
- H. Reviewing significant accounting policies and practices, including the consistency of these policies, annually.

In addition to the above-mentioned responsibilities, the audit committee takes it upon itself to carry out any other tasks entrusted to it by the company's board of directors, and submits to the board periodic reports on the examinations carried out by the committee, and its recommendations in this regard.

Finally, and based on the above and the scope of the audit committee's work, we believe that the company has a sound and effective internal and financial control system to an appropriate degree in terms of design and application. There is no doubt about the company's ability to continue its business and achieve its goals. During the year 2020, there were no material observations regarding the effectiveness of the internal control system and procedures in the company. Work is underway to develop plans for improvement and development in the company's internal control systems, and that is followed up by the audit committee.

16. The company's social contributions

Al Sagr Company is interested in supporting the community and playing its full role in fulfilling its social responsibility, and not sparing efforts in order to develop social responsibility programs and support various social bodies and issues. During the year 2020, the company undertook many initiatives, which are as follows:

1. Using social media to spread awareness of the importance of early screening for breast cancer in the community.

2. Spreading insurance awareness for vehicles in the women's community and holding an awareness meeting at Prince Muhammad bin Fahd University about its importance and advantages.
3. Coordination with a medical authority to educate employees about the importance of donating blood and making available the medical tools required for the blood drawing process.
4. Participating in the Fifth International Traffic Safety Forum and Exhibition to spread awareness of the importance of following the instructions and laws issued by the competent authorities and to talk about the importance of Motor Insurance and its advantages.
5. Participating in a green Eastern march that was organized in Al-Marjan Island in Dammam, in addition to supporting the Municipality of the Eastern Region through financial sponsorship, and educating community members about the importance of afforestation in order to beautify cities and reduce environmental and visual pollution.
6. Supporting the blessed government efforts in addressing the new Corona pandemic (COVID-19) by donating a financial amount of one million Saudi Riyals to support the Health Endowment Fund.

17. A Statement of the Dates of the General Shareholders' Assemblies Held During the Last Fiscal Year and the Names of the Members of the Board of Directors Attending These Assemblies:

No.	Name	Attendance Record		Total Attendance
		The First Assembly Meeting 01/06/2020	The First Assembly Meeting 27/10/2020	
Members of the Board for the New Cycle*				
1	Fahd bin Abdulrahman Al-Turki	Attended	Attended	2
2	Majid bin Abdullah Al-Sari	N/A	Did not Attend	0
3	Abdullah bin Jumah Al-Sari	Did not attend	Did not Attend	0
4	Sultan bin Abdulaziz Al-Suwaidi	N/A	Attended	1
5	Abdulmohsen bin Nafez Jaber	Attended	Attended	2
6	Khalid bin Abdulhameed Al Shuwayer	N/A	Attended	1
7	Yasser bin Abdulaziz Al-Kadi	N/A	Did not Attend	0
8	Abdullah bin Abdulrahman Al-Bassam	N/A	Attended	1
9	Sultan bin Khalid Al-Turki	N/A	Attended	1
Members of the Board of Directors for the Previous Cycle**				
1	Bassam bin Ahmed Al-Binali	Attended	N/A	1
2	Tariq bin Abdullah Al-Bassam	Attended	N/A	1
3	Abdulmuhsin bin Abdullah Al-Sunaid	Attended	N/A	1
4	Dr. Muhammad bin Abdulaziz Al-Naeem	Attended	N/A	1
5	Saud bin Saleh Al-Arifi	Attended	N/A	1

* The new, three-year cycle began on 16/06/2020.

** The previous three-year cycle ended on 15/06/2020.

18. Information Related to the Risks That the Company Faces

Al Sagr Cooperative Insurance Company seeks to manage the risks it faces through:

- A. The existence of an independent department specialized in risk management.
- B. Existence of a risk management committee affiliated with the board of directors with the aim to enhance and support institutional risk management in the company.
- C. Forming a risk management committee consisting of the executive and operational management to follow up and monitor the institutional risks and recommendations in the company.

D. Forming a team consisting of several departments (Risk Champions Team) under the supervision of the risk management department, to spread and enhance the culture of risk management, and to report, monitor and notify of risks.

E. The existence of a statement of acceptable risks (risk limits / risk tolerance) and a framework agreed upon by the Board of Directors that defines the type, classification and limits of acceptable risks.

F. To work to increase awareness of risks, and to enhance and spread a culture of risks in its operations and among its employees, by working according to the three lines of defense approach, as the first line of defense in the company represents departments and divisions.

G. Adopting the method of self-evaluation for the various departments in the company.

H. Making surveys for the departments in the company related to the risks.

Company Management is based on its administration and classification of risks, which is represented by the risk management department in the company, where the division begins in identifying the most important risks and monitoring, identifying and reporting on the risks that the company faces on two main pillars: the first pillar: the risk limits statement (risk tolerance statement / acceptable risk statement) contained within the framework of the risk limits of the company. The second pillar is monitoring, identifying and reporting of risks that come within the special reports, and making the necessary recommendations.

Accordingly, the risk limits statement report (risk appetite / risk tolerance) focuses on covering the following dimensions / indicators, which are (strategic risks, insurance risks (underwriting and handling claims and reinsurance), credit risks, liquidity risks, sales risks, operational risks, information technology risks, cyber security risks, human resources risks, risks of non-compliance, legal and statutory risks). As for the special reports, they deal with other aspects that complement the rest of the dimensions that are monitored and reported.

Risk Governance

Risk governance in the company is represented in the set of policies, procedures and methods, which use the organizational structure to achieve the strategic objectives of the company. The company is exposed to many risks, and the philosophy of managing risk governance in the company is represented not only in identifying and evaluating risks and ways to avoid them, but in the art of managing them by accepting the risks defined in the Acceptable Risk Statement "Risk Limitation Statement" which is part of the risk management framework approved by the Board of Directors.

This is a review of the risks faced by the company:

Strategic risks:

Managing these risks consists in reconciling strategic objectives, developing plans and incentives, and allocating resources to achieve those goals. Among the risks that are classified within the strategic risks with financial dimensions in the "risk appetite statement" is represented in the rate of return on ownership and financial solvency. There are measures that represent the limits for the risks approved in the "risk appetite statement", and they are considered among the quarterly reports that are prepared for submission.

Insurance risk:

Insurance risks (underwriting risks, handling claims and reinsurance) are those risks included in the insurance contract and in the likelihood of the insured event occurring with uncertainty about the value resulting from the claim, in other words it is the occurrence of an event with the uncertainty of the size and time of the resulting claim relevant to the event. The main risks in this context, i.e. the insurance contract, are the actual paid claims and benefits that exceed the carrying value of the insurance liabilities. This is subject to duplication and severity of claims, actual benefits and subsequent development of long-term claims.

Because of the diversity of these risks arising from the variety of contract types, distributing these risks within the insurance portfolio plays an important role in reducing the amount of influence in the size of the overall insurance portfolio. The good choice and prudence of the underwriting strategy and the use of reinsurance arrangements also play an essential role in managing insurance risks. The company has set controls and procedures in this regard with support from the appointed actuary. These risks are monitored and reported, represented by the loss ratio at the level of the portfolio, the claims and the retention ratio, which are mentioned within the risk limits and included in the "risk appetite statement" approved by the company's board of directors.

The risk transfer plays a major role in reducing insurance risks through reinsurance operations, whereby the company reinsures with reputable parties with great financial solvency and a high global rating, with the aim of reducing the potential financial losses that may arise from insurance claims. These arrangements protect the company

from the risks it may be exposed to through its participation with the selected reinsurers, and it also provides the company with additional capabilities to increase its business.

The company also evaluates the financial position of reinsurance companies through what is published and circulated by the global assessment bodies, to take the necessary measures as required before the occurrence of damage, noting that the assigned reinsurance agreements do not exempt the company from its obligations towards policyholders. As a result, the company remains liable towards policyholders with its share of claims under settlement of "reinsured" and for the amount agreed upon with the reinsurance company.

Credit risk:

Credit risk is the inability of one party to fulfill its obligations in respect of a financial instrument, which results in the other party incurring a financial loss. The company seeks to reduce credit risk in relation to dealing with agents and brokers by setting limits on credit and monitoring unpaid receivables as there are limits for overdue receivables within the limits of credit risk and they fall within the "risk acceptance statement" approved by the Board of Directors. The company also took the initiative to transfer the collection risk to specialized companies abroad. The company has a subscription to the services of the Saudi Credit Bureau "SIMAH". With regard to credit risk arising from time deposits and checking accounts, the company deals with local banks with high financial and credit position. The company also develops an analysis of the level of risk exposure with each bank separately. This also includes the company's investments with investment companies with a high investment and credit rating. The investment committee in the company is entrusted with developing the necessary expectations and analysis in this regard.

Information technology and cybersecurity risks:

Information technology plays an important role in the process of creating value and integrating the activities of business functions in the company due to the expansion of operations and the volume of activity. The company pays great attention to developing technical systems with raised levels of security and protection, especially for customer data.

The company takes into consideration the important and vital role of technical systems, especially with the expansion of the company's activity, including its branches and points of sale, and that technology risks in turn represent high risks that any sector may be exposed to for several reasons, including human errors and technical failures. And this is why the company is working to develop information security (Cyber security) "where cyber security risks are considered one of the most important emerging risks" within the framework of the cybersecurity department independent from the information technology department in accordance with the requirements of SAMA. And it is worth noting that the company has formed a committee approved by the Board of Directors to ensure the effectiveness, implementation and monitoring of plans and cybersecurity solutions, including spreading awareness and guidance periodically and determining the budget for information security, as well as the Technology and Information Department which conducts a disaster recovery test twice a year to ensure the continuity of work in the event of any malfunction that the company's systems may be exposed to.

Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulties in raising sufficient and timely funds to meet commitments and obligations related to financial liabilities. The liquidity gap arises as a result of the maturity gap between assets and liabilities in the short term. In other words, it arises as a result of mismatch between the maturity dates of assets and liabilities. Liquidity risk also arises as a result of the inability to liquidate assets in a timely manner, with the possibility of a loss in the value of the asset. All these risks limit the ability of the company to provide the necessary liquidity to fulfill the obligations and commitments of the company. The company monitors liquidity requirements periodically to ensure that sufficient liquidity is available to meet any commitments when they arise. The company maintains liquid and semi-liquid assets and short-term investments to meet any liquidity requirements. The risk management department monitors and reports on liquidity indicators within its periodic reports, which fall within the Company's "Acceptable Risk Statement".

Human Resource Risks:

The risks of human resources are represented in the speed of job turnover and the lack of the qualification component, expertise and skills needed for human cadres, as well as avoiding the existence of job vacancies within a specific time frame for leadership positions. So, as part of the company's continuous efforts to improve the human

element, the company makes vigorous efforts aimed at developing human resources and attracting expertise and local talent. All this is comprising by plans for job replacement, training and rehabilitation.

Operational risk:

The company's Risk Department started applying the operational risk classification according to "Basel 2 and 3" to improve the supervisory and monitoring mechanism. And the operational risks facing the company are the risks of direct and indirect loss that may result from multiple causes or errors and are related to technologies, systems, people, operational processes and others used in the company and its infrastructure. In addition to other external factors such as customer risk other than liquidity and credit risk, so operational risks arise from all of the company's operations. Company Management is responsible for developing and implementing control over operational risks, such as activating the "risk champion's team" to closely monitor risks. These controls include monitoring contingency plans and business continuity, monitoring internal and external fraud operations, compliance with other legal and regulatory requirements, documentation of controls and procedures, business standards and professional ethics.

Company Management exerts its efforts to ensure and support the availability of adequate training and experience for Company employees, and to encourage effective communication in everything related to operational risks.

Sales Risk:

The sales risk in the company is represented in the presence of deviation in sales levels from the set objectives, due to several external and internal factors, the most important of which are (the volume of competition, price wars or reputation risks, the inconsistency of the plans drawn with the strategic objectives, etc.). Therefore, Company Management seeks to provide support and assistance and allocate resources in order to achieve the planned targets and to develop the necessary solutions and action plans. The report will be monitored and made and the level of this deviation in sales will be reported, as it is among the risks included in the Company's "Acceptable Risk Statement".

Legal and Regulatory Risks:

The company seeks to reduce legal and regulatory risks by emphasizing on the internal departments in the company to adhere to all legislations, regulations and bylaws issued by the concerned authorities. So, the company will put in place written preventive and corrective policies and procedures and ensure of their effectiveness in order to avoid any legal or statutory penalties resulting from this type of violations.

Risks of Organizational Non-Compliance:

Failure to comply with the laws and regulations issued by the supervisory and regulatory authorities such as SAMA, the Financial Market Authority, the Medical Insurance Council, is one of the risks that will result in many punishments such as financial and non-financial penalties, which will negatively affect the reputation and profitability of the company. Therefore, the company seeks to enhance its efforts in this direction by updating its internal policies and regulations for its transactions to ensure compliance with the laws and regulations issued by the regulatory or legislative authorities.

19. Financial Performance

Summary of the balance sheet

The following table shows a comparison of the company's assets and liabilities in the past five years:

List of Financial Position		(Thousands of Saudi Riyals)				
	2020	2019	2018	2017	2016	
Insurance Operations Assets	462,215	581,235	493,017	539,122	503,983	
Deducted (Excluding Joint Operations)	(103,499)	(57,480)	(9,315)	(19,610)	(8,046)	
Total Assets of Insurance Operations	358,716	523,755	483,702	519,512	495,937	

Shareholders' Assets:					
Investments, Time Deposits, Cash and Cash Equivalents	373,354	429,637	423,082	341,276	335,713
Statutory Deposit	40,000	40,000	40,000	25,000	25,000
Other Assets	31,633	36,200	36,594	187,313	219,029
Deducted (Excluding Joint Operations)	0	0	(4,235)	(158,308)	(189,951)
Total Shareholders' Assets	444,987	505,837	495,441	395,281	389,792
Total Assets	803,703	1,029,592	979,143	914,793	885,729
Liabilities:					
Liabilities Arising from Insurance Contracts:					
Unearned Premiums	171,429	230,734	182,880	143,345	67,021
Outstanding Claims	106,553	169,692	143,330	98,263	105,513
Claims Incurred but Not Reported	76,121	63,181	39,134	44,856	54,130
Other Technical Reserves	20,154	19,360	28,337	8,600	5,852
Other Liabilities	49,808	52,536	52,532	196,086	224,914
Surplus Distribution Payable	35,219	44,433	45,808	46,197	47,370
Deducted (Excluding Joint Operations)	0	0	(4,235)	(158,308)	(189,951)
Total Liabilities Arising from Insurance Contracts	459,285	487,786	379,039	314,850	737,341
Liabilities for Shareholders' Operations:					
Zakat Payable	46,858	42,271	59,325	56,710	48,727
Other Liabilities	114,425	16,507	26,845	14,153	4,987
Deducted (Excluding Joint Operations)	(103,500)	(9,315)	(19,610)	(8,046)	(1,648)
Total Liabilities Arising from Shareholders' Operations	57,783	49,463	66,560	62,817	52,066
Total Liabilities	517,068	537,249	445,599	377,667	789,407

Shareholders' Equity:					
Share Capital	400,000	400,000	250,000	250,000	250,000
Statutory Reserve	0	47,342	78,342	76,789	46,501
Retained Earnings	(122,870)	(9,173)	138,369	182,157	111,005
Investments Fair Value Reserve	8,058	3,164	807	(884)	(2,275)
Re-measurement reserve of employee benefit	1,448	562	1,676	-	-
Total Shareholders' Equity	286,635	441,894	469,195	508,062	405,231
Total Liabilities and Shareholders' Equity	803,703	979,143	914,794	885,729	1,194,638

Summary of Business Results in the Last Five Years:

(Thousands of Saudi Riyals)

Statement of Income from Insurance Operations	2020	2019	2018	2017	2016
Gross Written Premiums	379,114	455,703	350,379	329,307	176,014
Net Written Premiums	314,168	386,234	306,471	275,196	109,197
Changes in Unearned Premiums	59,305	(47,854)	(39,534)	(76,324)	398,511
Changes in Reinsurers' Share of Unearned Premiums	3,849	2,248	1,272	(2,983)	(3,070)
Net Premiums Earned	377,322	340,629	268,209	195,889	504,639
Reinsurance Commission	6,315	4,769	5,311	6,175	7,071
Total Revenues	383,637	345,398	273,520	202,064	511,710
Underwriting Costs and Expenses					
Total Paid Claims	(495,300)	(315,174)	(193,377)	(158,838)	(264,986)
Other Expenses	(17,036)	(15,015)	(11,386)	(8,192)	(3,055)
Reinsurers' Share of Claims Paid	85,390	32,815	16,139	24,628	37,329
Net Claims Paid	(426,946)	(297,374)	(188,624)	(142,401)	(230,712)
Changes in Outstanding Claims, Net	5,152	(26,908)	1,394	16,839	8,517

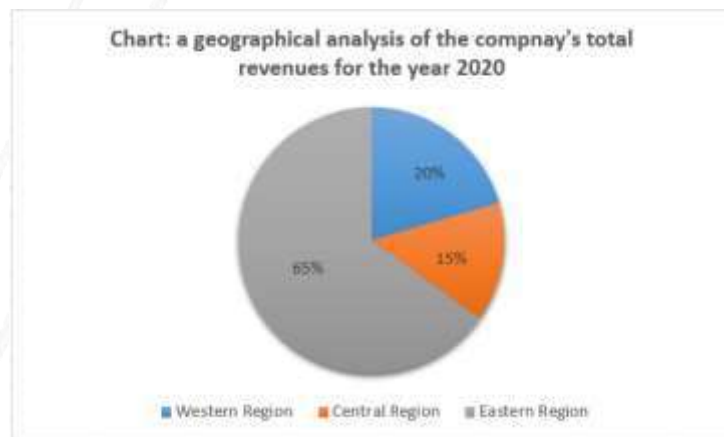
Net Claims Incurred	(421,794)	(324,283)	(187,229)	(125,562)	(222,195)
Policy Acquisition Costs and Other Underwriting Expenses	(33,759)	(23,538)	(47,069)	(25,949)	(63,006)
Total Underwriting Costs and Expenses	(455,552)	(347,821)	(234,298)	(151,513)	285,201
Net Underwriting Results	(71,915)	(2,423)	39,221	50,551	226,509
(Expenses) / Other Operating Income					
General and Administrative Expenses	(69,679)	(58,468)	(60,169)	(54,261)	(59,670)
Allowance for Doubtful Debts	(83)	(9,848)	(896)	4,750	(3,713)
Investment Income	21,087	28,608	20,251	17,379	16,618
Total Income for the Year Before Zakat	(106,277)	(39,861)	818	22,889	179,744
Zakat Provision	(6,500)	(8,400)	(10,610)	-	-
Total Income for the Year Attributable to Shareholders	(112,777)	(48,261)	(9,792)	22,889	179,744

* Certain comparative figures have been reclassified to conform to the classifications of the current period

20. Geographical Analysis of the Company's Total Revenues for the Year 2020

Region	Gross Premiums Written (Thousands of Saudi Riyals)
Central Region	55,069
Eastern Region	246,556
Western Region	77,489
Total	379,114

Statement	2020	2019	2018	2017	2016
Assets - Insurance Operations	358,716	523,755	483,702	519,512	495,937
Assets - Shareholders' Operations	444,987	505,837	495,441	395,281	389,792
Total Assets	803,703	1,029,592	979,143	914,793	885,729
Liabilities and Surplus - Insurance Operations	459,285	579,936	487,786	379,039	314,850
Liabilities - Shareholders' Operations	57,783	54,208	49,463	66,560	62,817
Total Liabilities	517,068	634,144	537,249	445,599	377,667
Total Shareholders' Equity	286,635	395,448	441,894	469,195	508,062
Total Liabilities and Shareholders' Equity	803,703	1,029,592	979,143	914,794	885,729



Comparison of assets and liabilities for the last five years 2016-2020 (Thousand Saudi Riyals)

21. Clarifications of the Material Differences in the Operating Results for the Year 2020 Compared to the Year 2019

Million Saudi Riyals	2020	2019	2018	2017	2016
Gross Written Premiums	379	456	350	329	176

o The total written premiums (GWP) during the year 2020 amounted to 379 million Saudi Riyals compared to 456 million Saudi Riyals for the previous year, which represents a decrease of 17%.

o The year 2020 was full of challenges, on top of which is the Corona Virus, which began at the beginning of the year 2020 and continued until the end of the year affecting the company and the insurance sector in general with regard to insurance premiums.

o The company also witnessed the continuation of some internal managerial and organizational changes during the year, especially with regard to improving internal control - in light of the directives of SAMA in this regard - which required focusing more on this aspect and directing efforts to achieve it as soon as possible.

o Clarification of any material differences in the operating results for the previous year or any expectations announced by the company. The following presentation represent a - summary of the most important fundamental differences in the operating results for the year 2020 compared to the year 2019:

- Total revenues in the year 2020 increased by 11% from 341 million in the year 2019 to 377 million by the end of 2020, an increase of 36 million Saudi Riyals
- The net claims incurred during the year 2020 amounted to 427 million Saudi Riyals, compared to 297 million Saudi Riyals for the previous year, which represents an increase of 44%. The large increase in claims in the recent period, especially Medical Insurance claims, is a general phenomenon that reflects the rise in the prices of service providers and that an increasing segment of the insured is directed to make the most of the insurance service through all available means even - in some cases - if it were not necessary and facilitated by some service providers. The company is striving through all means to control this increase by taking several measures, on top of which is increasing the level of scrutiny of claims to ensure their validity and following up with health claims management companies on an ongoing basis regarding monitoring and auditing claims received from service providers.

- The net underwriting results for the year amounted to a deficit of 72 million Saudi Riyals, compared to a deficit of 2.4 million Saudi Riyals, and this is mainly due to the large increase in health claims.
- The net profits of investments during the year 2020 amounted to 21.1 million Saudi Riyals compared to 28.6 million Saudi Riyals for the previous year, and this represents a decrease of approximately 26%
- The net loss before Zakat for the year 2020 is 106 million Saudi Riyals, compared to a loss of 39.9 million Saudi Riyals in the previous year.
- Comprehensive net loss during the year 2020 amounted to 108.8 million Saudi Riyals, compared to 46.4 million Saudi Riyals for the previous year.
- Loss per share for the year 2020 amounted to 2.82 Saudi Riyals per share (year 2019: loss of 1.21 Saudi Riyals per share)

22. The Accounting Standards Used for the Financial Statements

The company prepares its financial statements and the statements are reviewed by the company's auditors in accordance with the International Accounting Standards for Financial Institutions and the Financial Reporting Standards issued by the International Accounting Standards Board, as amended by SAMA for accounting for Zakat and income tax. The company confirms that there are no material differences or financial impact on the financial statements as a result of preparing them in accordance with international standards compared to those issued by the Saudi Organization for Certified Public Accountants.

23. A Description of the Company's Policy for Distributing Dividends

Articles 45 and 46 of the company's articles of association stipulate the distribution of profits as follows:

- (20%) of the net profits shall be set aside as the statutory reserve for the company, and the Ordinary General Assembly may decide to stop this retainer whenever the said reserve reaches 100% of the paid capital.
- The Ordinary General Assembly based on the proposal of the Board of Directors decided to set aside a certain percentage of the net profits to form an agreement reserve to be allocated to support the financial position of the company.
- The Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders.
- The Zakat and assessed income tax shall be set aside.

The shareholder is also entitled to a share in the profits in accordance with the decision of the general assembly issued in this regard, and the decision specifies the date of entitlement and the date of distribution. Eligibility for dividends shall be for shareholders registered in the shareholders' records at the end of the day specified for maturity. The company shall inform the Capital Market Authority - without delay - of any decision to distribute profits or recommend it, and the profits to be distributed to shareholders shall be paid at the place and dates determined by the Board of Directors in accordance with the instructions issued by the competent authority, subject to the prior written approval of SAMA.

24. A description of any interest, contractual securities and subscription rights of the members of the company's board of directors, senior executives and their relatives in the shares or debt instruments of the company, and any change in that interest or those rights during the last fiscal year.

A Description of Any Interest, Contractual Securities and Subscription Rights of the Members of the Company's Board of Directors and Their Relatives in the Shares or Debt Instruments of the Company

No.	The Name of the Person of Interest	At the Beginning of the Year		At the End of the Year		Net Change	The Percentage of Change
		Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
(1)	Mr. Fahd bin Abdulrahman Al-Turki	2,000,160	-	2,000,160	-	-	0.0%
(2)	Al Sagr National Insurance Company, represented by Mr. Majid bin Abdullah Al-Sari	10,400,000	-	10,400,000	-	-	0.0%
(3)	Al Sagr National Insurance Company, represented by Mr. Abdullah Juma Al-Sari	10,400,000	-	10,400,000	-	-	0.0%
(4)	Al Sagr National Insurance Company, represented by Mr. Sultan bin Abdulaziz Al-Suwaidi	10,400,000	-	10,400,000	-	-	0.0%
(5)	Al Sagr National Insurance Company, represented by Mr. Abdul Mohsen bin Nafez Jaber	10,400,000	-	10,400,000	-	-	0.0%
(6)	Mr. Khalid bin Abdul Hameed Al-Shuwayer	-	-	-	-	-	0.0%
(7)	Mr. Yasser bin Abdulaziz Al-Kadi	-	-	-	-	-	0.0%
(8)	Mr. Abdullah bin Abdulrahman Al-Bassam	-	-	-	-	-	0.0%

(9)	Mr. Sultan bin Khalid Al-Turki	-	-	90	-	-	0.0%
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A Description of Any Interest, Contractual Securities and Subscription Rights of Senior Executives and Their Relatives in the Shares or Debt Instruments of the Company							
No.	The Name of the Person of Interest	At the Beginning of the Year		At the End of the Year		Net Change	The Percentage of Change
		Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
(1)	Saran bin Manea Abu Saq	-	-	-	-	-	0.0%
(2)	Shafiq Mansour Al-Rumaih	-	-	-	-	-	0.0%
(3)	Imad Mahdi Muhammad Awani	19	-	19	-	-	0.0%

25. The Number of Board Meetings Held during the Last Fiscal Year, Their Dates, and the Attendance Record for Each Meeting Indicating the Names of the Attendees:

No.	Member's Name	Membership Classification	Position	Number of Meetings				Total
				First Meeting 03/03/2020	Second Meeting 09/07/2020	Third Meeting 25/10/2020	Fourth Meeting 13/12/2020	
1	Mr. Fahd bin Abdulrahman Al-Turki	Non-Executive	Chairman of the Board of Directors	Attended	Attended	Attended	Attended	4
2	Mr. Majid bin Abdullah Al-Sari	Non-Executive	Vice-Chairman of the Board of Directors	N/A	Attended	Attended	Attended	3
3	Mr. Abdullah bin Jumaa Al-Sari	Non-Executive	Member of the Board of Directors	Attended	Attended	Attended	Attended	4
4	Mr. Sultan bin Abdulaziz Al Suwaidi	Non-Executive	Member of the Board of Directors	N/A	Attended	Attended	Attended	3
5	Mr. Abdul Mohsen bin Nafez Jaber	Non-Executive	Member of the Board of Directors	Attended	Attended	Attended	Attended	4
6	Mr. Khalid bin Abdul Hamid Al-Shuwaier	Independent	Member of the Board of Directors	N/A	Attended	Attended	Attended	3
7	Mr. Yasser bin Abdulaziz Al-Kadi	Independent	Member of the Board of Directors	N/A	Attended	Attended	Attended	3
8	Mr. Abdullah Abdulrahman Al-Bassam	Independent	Member of the Board of Directors	N/A	Attended	Attended	Attended	3
9	Mr. Sultan bin Khalid Al-Turki	Independent	Member of the Board of Directors	N/A	Attended	Attended	Attended	3
1	Mr. Bassam Ahmed Nasser Al-Binali	Non-Executive	Chairman of the Board of Directors	Attended	N/A	N/A	N/A	1
2	Mr. Tariq Abdullah Al-Bassam	Independent	Member of the Board of Directors	Attended	N/A	N/A	N/A	1
3	Dr. Muhammad Abdulaziz Al-Naim	Independent	Member of the Board of Directors	Attended	N/A	N/A	N/A	1
4	Mr. Abdul Mohsen Abdullah Al-Sunaid	Non-Executive	Member of the Board of Directors	Attended	N/A	N/A	N/A	1
5	Mr. Saud bin Saleh Al-Arifi	Independent	Member of the Board of Directors	Attended	N/A	N/A	N/A	1

* The new, three-year cycle began on 16/06/2020

26. The Number of the Company's Requests for the Shareholders' Register. The Dates and Reasons for Those Requests.

The Number of the Company's Requests for the Shareholders' Register		The Date of the Request		The Reasons for the Request	
1		12/02/2020		For Review and Analysis Purposes	
2		31/03/2020		To Fill out the Form of SAMA	
3		30/06/2020		To Fill out the Form of SAMA	
4		30/09/2020		To Fill out the Form of SAMA	
5		20/05/2020		General Assembly	
6		01/06/2020		General Assembly	
7		27/10/2020		General Assembly	
8		31/12/2020		For the Purposes of Preparing the Report of the Board of Directors	

27. Transactions with Related Parties and Their Balances, and Information Related to Any Business in Which the Company is a Party or in Which It Has an Interest for a Member of the Company's Board of Directors, Its Senior Executives, or Any Person Related to Any of Them.

The Relevant Party / Party to the Transaction	The Nature of the Relationship / Their Relationship with the Company	The Nature of the Transaction / the Contract	Duration	The Terms of the Contract / Work	The Amount of the Transaction (Thousands of Saudi Riyals) During the Period from 01/01/2020 Until 12/31/2020
Mr. Fahad Al-Turki Abdulrahman Ali Al-Turki Group of Companies	Chairman of the Board of Directors	Written Insurance Premiums	One Year	According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	13,708
		Claims Incurred		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	(2,221)
		Office Rental Expense		Without Preferential Benefits	(1,174)
Mr. Tariq Al-Bassam Tariq Abdullah Al-Bassam Group of Companies	Ex-Member of the Board of Directors	Written Insurance Premiums	One Year	According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	134
		Claims Incurred		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	41
Mr. Bassam Ahmed Al-Binali Nasser Ahmad Al-Binali Holding Group	Former Chairman of the Board of Directors	Written Insurance Premiums	One Year	According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	664
		Claims Incurred		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	(120)
Mr. Abdul Mohsen Al-Sunaid In His Personal Capacity	Former Member of the Board of Directors	Written Insurance Premiums	One year	According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	12
		Claims Incurred		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	(16)
Mr. Abdullah Al-Sari Mr. Majid Abdullah Al-Sari Mr. Abdulmohsen Jaber Al Sagr National Insurance Company	Members of the Board of Directors	Premium Reinsurance	One year	According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	(461)
		Reinsurers' Share of Claims Paid		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	194
		Reinsurance Commission Income		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	33
		Claims Incurred		According to the Document Approved by the Regulatory Authorities and Without Preferential Benefits	-
		Consulting Agreement		Without Preferential Benefits	(552)

* The transactions with the relevant authorities are renewed annually by the General Assembly.

28. A Statement of Any Arrangements or Agreement Under Which a Member of the Company's Board of Directors or a Senior Executive Waived Any Remuneration:

There is no arrangement or agreement whereby a member of the company's board of directors or a senior executive waived any remuneration.

29. A Statement of Any Arrangements or Agreement Under Which a Shareholder of the Company Waived Any Rights to Profits:

There is no arrangement or agreement whereby any of the shareholders of the company waived any rights to profits.

30. A Statement of the Value of Statutory Payments:

The following Table shows a statement of the value of the statutory payments on the company for the year 2020 that were paid in the same year, bearing in mind that any amounts not paid by the end of the year 2020 will hopefully be paid during the year 2021.

(Thousands of Saudi Riyals)

Type of Payments	Payments Due Until the End of 2020 and Which Were Paid	Payments Due by the End of 2020 and That Will Be Paid During 2021
Social Insurance	3,798	370
Zakat, Tax and Income	5,373	46,858
Central Bank Supervision and Control Costs	1,202	1,339
Fees of the Cooperative Medical Insurance Board	2,658	555

31. Approvals of the External Auditors:

The General Assembly, which was held on 06/01/2020, approved the selection of the external auditors nominated by the Audit Committee, in order to review the company's accounts for the fiscal year 2020 and the quarterly statements and determine their fees as follows:

- Al-Bassam and Al-Nimr Allied Accountants, PKF
- PricewaterhouseCoopers

32. In the event that the Board of Directors recommends changing the auditor before the end of the period for which they are appointed, the report must contain that, along with the reasons for recommending the change.

Al-Sagr Cooperative Insurance Company acknowledges that its board of directors has not issued any recommendation to change the external auditor before the end of the period for which they are appointed.

33. If the auditor's report contains reservations about the annual financial statements, the board of directors' report must clarify those reservations, their reasons, and any information related to them.

Al-Sagr Cooperative Insurance Company acknowledges that there are no reservations on the annual financial statements in the auditor's report.

34. Recommendations of the Audit Committee where there is a conflict between it and the decisions of the Board of Directors, or which the Board has refused to take into account regarding the appointment and dismissal of the company's auditor, determining their fees and evaluating their performance or appointing the internal auditor, the rationale for those recommendations, and the reasons for not taking them into account.

N/A.

35. Disclosure of details of treasury shares held by the company and details of the uses of these shares:

The Number of Treasury Shares Held by the Company	Their Value	The Date They Were Kept	The Details of Their Use
None	None	None	None

36. A Description of Any Interest in the Voting-Eligible Shares Category Belonging to Persons (Other Than Members of the Company's Board of Directors, Senior Executives and Their Relatives) Who Informed the Company of Those Rights Under Article (45) of the Registration and Listing Rules, and Any Change in Those Rights During the Fiscal Year 2020:

There have been no changes in the ownership percentages of the major shareholders who own 5% or more, requiring the shareholders to inform the company or the Authority of this.

37. Declarations:

A. Acknowledgments:

The following are declarations made by Al Sagr Cooperative Insurance Company:

- The company acknowledges that it did not obtain any loans (whether due on demand or otherwise) during the year 2020.
- The company declares that it has not made any investments or created any reserves for employee benefits.
- The company acknowledges that it did not issue or grant any convertible debt instruments, contractual securities, subscription right notes, or similar rights during the fiscal year 2020.
- The company declares that it has not issued or granted any transfer or subscription rights under debt instruments convertible into shares, option rights, subscription right notes, or similar rights.
- The company declares that it has not redeemed, bought or canceled any recoverable debt instruments.

B. Confirmations:

The Board of Directors confirms to the shareholders and other related parties, and according to its full knowledge and in all material respects, the following:

- That the account records were prepared in the correct manner.
- That the internal control system was prepared on a sound basis and was effectively implemented.
- There is no doubt about the company's ability to continue its activity.