



# Board Annual Report for the fiscal year ended on 31 December 2020

# Annual Report 2020



**Custodian of the Two Holy Mosques  
King Salman bin Abdulaziz Al Saud**



**His Royal Highness Crown  
Prince Mohammed bin Salman bin Abdulaziz Al Saud**

“OUR  
AMBITION  
IS SKY  
HIGH”



The year 2020 AD witnessed unprecedented challenges not only on company level, but the world as whole, and Salama Cooperative Insurance Company has remarkably succeeded in making its way towards renewed horizons, with the help of its employees, partners and the confidence of its investing partners.

**Chairman of the Board of Directors**  
**Eng. Ahmed Tariq Murad**

# Contents

- **First:** Saudi insurance market Overview.
- **Second:** Company's Significant Developments.
- **Third:** Corporate Governance.
- **Fourth:** Board of Directors and Committees.
- **Fifth:** Board Committees until the end of the Period on 24/07/2022.
- **Sixth:** Executive Management.
- **Seventh:** Companies (Inside or Outside the Kingdom) In Which a Member of the Company's Board Is a Member of Its Current and Previous Boards or Its Managers.
- **Eighth:** The Board of Directors and Classification of Its Members.
- **Ninth:** The Measures Taken by The Board of Directors to Inform Its Members about the Shareholders suggestions regarding Company Performance.
- **Tenth:** Statement of the Remuneration of the Board Members, its Committees .
- **Eleventh:** Remunerations Policy.
- **Twelfth:** Distribution of remuneration based on the approved remuneration policy without any material deviation.
- **Thirteenth:** Annual review of company internal control procedures effectiveness.
- **Fourteenth:** The Social Contributions of the Company.
- **Fifteenth:** The General Assemblies of the Shareholders Held During the Fiscal Year and The Names of the Members of the Board of Directors Attending These Assemblies.
- **Sixteenth:** Description of the Main Activities of the Company.
- **Seventeenth:** Company Plans and Significant Decisions.
- **Eighteenth:** Company Risks.
- **Nineteenth:** Company Assets and Liabilities.
- **Twentieth:** Geographical Analysis of the Total Revenues of the Company and its Subsidiaries.
- **Twenty First:** Material Differences in Operational Results.
- **Twenty Second:** Description of The Company's Policy in Distributing Dividends.
- **Twenty Third:** Board of Directors Meetings.
- **Twenty Fourth:** The Number of Company Requests for Shareholders Record, Dates and Reasons for Those Requests.
- **Twenty Fifth:** Contracts and Business Related Parties.
- **Twenty Sixth:** Statement of the Value of the Statutory and Due Payments.
- **Twenty Seventh:** Auditor's Opinion.
- **Twenty Eighth:** Conclusion.
- **Twenty Ninth:** Statements.

# First:

## Saudi insurance market Overview

The COVID-19 pandemic in 2020 has had a major impact on individuals, society and economy around the world. This impact affected most sectors in the Kingdom, including insurance sector, and despite the government's quick response to support the economy and urgent measures to revive this sector in particular; insurance sector in the Kingdom of Saudi Arabia recorded a slight growth at the end of third quarter of 2020 compared to the same period of 2019.

### Market Size

It reached nearly 25.30 billion riyals by the end of third quarter of 2020, achieving a growth of 9.3% compared to the same period in 2019.

### Claims

Decrease in net claims incurred, which decreased by 2.6%.

### Investments

The investment income at the end of third quarter 2020 decreased by 7.19% compared to the same period in 2019.

It is expected that insurance companies will encounter a number of future challenges in the short term due to the implications of this crisis, but they will be exploring many new short and long term opportunities.

## Company Profile

Salama Cooperative Insurance Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under the Commercial Registry No. 4030169661 on 6/5/1428 AH. The company was established based on Cabinet Resolution No. 223 dated 6/5/1428 AH and based on the Royal Decree No. M / 60 dated 18/9/1427 AH with a capital of 250 million riyals fully paid.

## Company Activity

Salama Cooperative Insurance Company provides integrated insurance solutions in the field of cooperative insurance. As the number of insurance products provided by the company reached 31 products divided into two main activities: general insurance and health insurance. The company carries out all its activities in accordance with cooperative insurance laws and regulations applied in the Kingdom of Saudi Arabia.

# Second:

## Company's Significant Developments

The achievements that have been made by Salama Cooperative Insurance Company during 2020.

Many accomplishments have been achieved and the proceeding was according to the plans drawn and approved for the advancement of the company. Many projects have been completed, including the following:

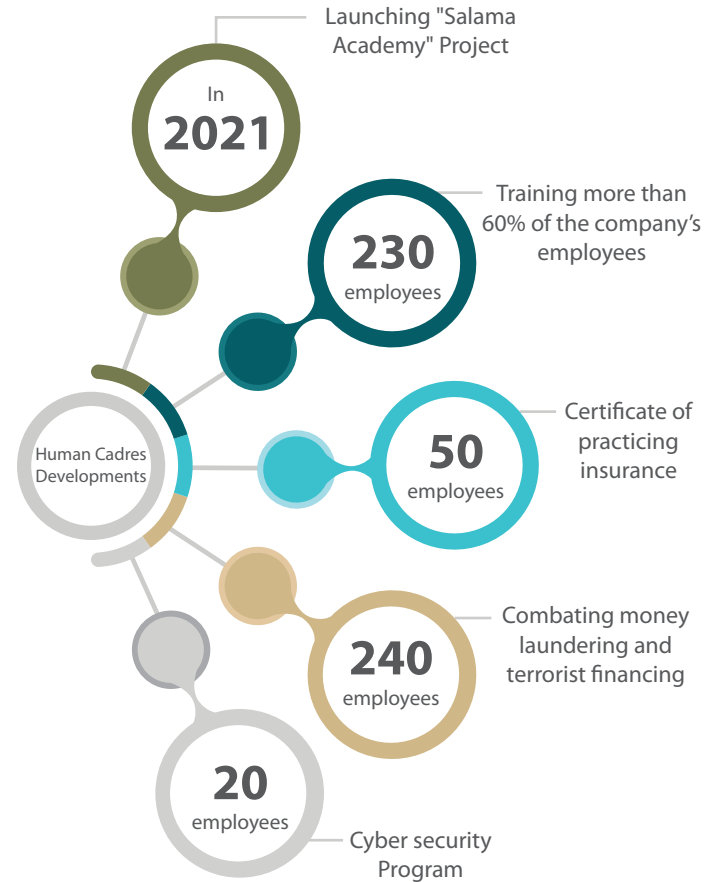
- Launching SAP system Project to enhance company internal systems.
- Launching Electronic Claims Project.
- Switching to electronic sales channels and legalizing branches specialized in providing insurance services to individuals.
- Launching Individual online Leasing insurance Project.
- Launching Motor Salvage electronic platform.
- Launching "Salama Academy" Project with the Knowledge City Institute to train the company's employees and raise their technical and employment skills.
- completing implementation of Security and Safety Systems Project "CCTV" to link monitoring systems for all branches into a central monitoring unit.



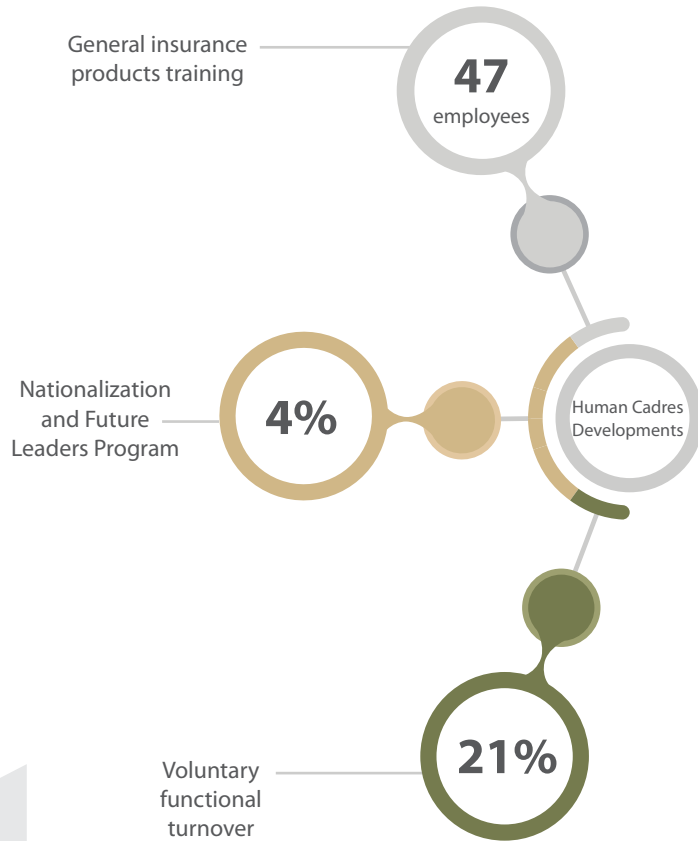
## Among the most important developments in infrastructure and business are the following:

### - Human Resource Department

In 2020, the world witnessed a qualitative leap in the design and operation of human resources systems by relying on technology despite the challenges that it witnessed on the Covid-19 pandemic, the most prominent of which was the launch of the global SAP system, which led to a focus on attracting and training National Competencies to enable them to carry out the replacement plan implemented by the company with the support of the Saudi Central Bank. This has contributed to our maintenance of the annual target for nationalization, as the company was classified within the platinum range and elite clients with the Ministry of Human Resources and Social Development for the same year. As a result of these developments, the company has begun preparing the "Salama Academy" project to be launched at the beginning of 2021 AD. It should be considered that the electronic training platforms have contributed to achieving the target in the percentage of training, as more than 60% of the company's employees (230 employees) have been trained in various fields. 50 employees have been qualified to successfully obtain a certificate of practicing insurance, and 240 employees were trained on combating money laundering and terrorist financing, in addition to developing a training program related to cyber security for 20 employees at the company level. The Human Resources Department, in coordination with the Operations Department, succeeded in launching the most important introductory program for general insurance products for 47 employees.







The company also continued to implement its own programs for human resources by launching the "Future Leaders" program to motivate and qualify young Saudi cadres to achieve the maximum possible benefit from their profession, so more than 4% of the company's employees were signed through this program in order to raise the percentage of Saudi competencies working for the company and invest all of this to effectively enhance nationalization plans, which contributed to exploring best practices in developing human cadres by creating an environment that allows the exchange of knowledge and experiences in the insurance sector.



The voluntary turnover rate has also been maintained below 21%, which reflects the efficiency and attractiveness of the work environment under the company's expense reduction plan. All of the above, along with other measures and policies taken by the company, have resulted in maintaining the level of overall performance.

## - Marketing Department



In line with the Kingdom's digital trend in marketing and customer service, and in light of the circumstances that the company went through during 2020 to confront the COVID-19 pandemic, where the focus of Salama Cooperative Insurance Company was in marketing through electronic channels and social media.

During the year 2020, the Marketing Department worked on many marketing campaigns and promotional offers to customers, and awareness campaigns to increase awareness of the company's products and seek to support the goals of the Sales Department, whether sales of individuals and small groups or corporate sales.

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The Marketing Department has also launched many community initiatives, and has followed up on the awareness campaigns of government agencies, for example, the campaigns of the Ministry of Health to confront Covid-19 ) such as (Your awareness in your home) campaign, in addition to initiatives and campaigns related to the Traffic Department such as the campaign (Insure to be safe) and many other bodies and campaigns.



## - Sales Department

The company's business in the sales sector during the year 2020 focused on selection and focus on the nature and quality of the business specified by the company, and the Sales Department went to support the diversity of insurance products offered by the company, which counted to 31 insurance products.

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## • Regional Sales Departments : (Companies)

The company focused primarily on restructuring the corporate sales sector and attracting the most qualified cadres. The company has sought to develop its relationship with insurance brokers, which reflects improved sales through brokers. The company endeavoured to keep clients with good results and to make efforts to collect the instalments owed by customers in a timely manner.

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## • Individual and Small Group Sales

The company's management decided to make a re-evaluation for all Point of Sales performance during 2019 and 2020, as the number of points of sales was reduced from 57 at the end of 2019 to 36 points of sales at the end of 2020. The remaining Point of Sales role and duties was to support small and medium corporate groups of clients and to diversify the sale in all insurance products to achieve high profitability compared to previous years. In 2021, the company's plans to develop and distribute points of sales to serve the company strategy and activate field marketing of the individuals and small groups products that cannot be marketed through electronic sales or that requires more effort in bringing customers of good profit rates.



## • Electronic Sales

The company achieved a growth in electronic sales during the year 2020, which was achieved through the activation and diversification of electronic sales channels, as well as launching other insurance products such as comprehensive insurance for individual vehicles and health insurance for small and medium groups, and focus on targeting customers with good profit results for third-party insurance sales.

The company seeks to sell other insurance products and services that can be marketed through the company's direct electronic platforms and the brokers authorized to work in the electronic platforms as the insurance of Medical Malpractice, travel and other products.

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## General Insurance Products

The operational plan was developed to increase productivity in general insurance products while maintaining appropriate profit rates, as Salama Cooperative Insurance Company carries out all its activities in accordance with the rules and regulations in force with cooperative insurance in the Kingdom of Saudi Arabia and authorized by the Saudi Central Bank.

## Health Insurance Products

Work has been made to improve the performance of the health insurance portfolio for the year 2020 by developing plans to improve the rates of profitability from previous years, and it is worth noting that Salama Cooperative Insurance Company aims to provide medical and health care services with the highest standards of quality and professionalism, as it seeks in turn with the Medical GlobeMed Company to ensure the fulfilment of the services required for the target segments. Since the company has developed its product for small and medium groups (RAHA) to include more than one insurance category (A, B, C - 0222, C - 0333) to meet the requests of institutions as well as small and medium companies in line with the terms and conditions of the product.

## - Operations Department

### Underwriting

Salama Cooperative Insurance Company has high experience and competence in assessing insurance risks facing all segments of customers. The company provides coverage commensurate with the needs and requirements of individual and corporate customers based on what is stipulated in the cooperative insurance system in the Kingdom of Saudi Arabia. Among the approved plans are to work in limiting the high loss ratios via applying several procedures, including work systems in the subscription and claims Department in order to increase the data accuracy, which will assist the operation team in developing analytical models to review and analyse insurance portfolios performance and provide the concerned Department with the necessary recommendations in order to provide technical consultancy to clients.



Among the plans of the underwriting Department is to attract qualified Saudi cadres in the insurance sector and prepare them to contribute to the realization of the current and future strategic vision of the company and the vision of the Kingdom of Saudi Arabia 2030.

## - Reinsurance Department

The company has renewed reinsurance agreements with a group of the best international reinsurance companies with high credit ratings, as shown in the table below, and the company has succeeded in raising its absorptive efficiency through the conclusion of several reinsurance agreements, enabling it to provide outstanding support and services to the underwriting Department and to respond immediately to the requirements of the local market.

REINSURERS	Credit Rating	
	S & P	A.M Best /Moodys'
Swiss Re , Zurich		A+
SCOR, Paris	AA-	
Hannover Re, Bahrain	A	
GIC, Dubai		A-
Saudi Re, Riyadh		A3
Partner Re, Paris		A-
Sirius, Sweden	A	
Singapore Re, Singapore		A-
Echo Re, Zurich	A-	
XL Re, Europe	A-	

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# وعيك قوي بيتك



## - Compliance Department

The compliance monitoring function is responsible for monitoring the company's compliance with all relevant laws, regulations and instructions issued by the Central Bank of Saudi Arabia or other relevant regulatory authorities, and for taking the necessary measures to improve the level of statutory compliance with the company. The fact that the company is linked in its business by virtue of its activity and by virtue of its legal status with a number of regulatory and supervisory authorities such as the Saudi Central Bank, the Cooperative Health Insurance Council, the Financial Market Authority and the Ministry of Commerce and Investment, this places on the Compliance Department the task of developing appropriate programs and plans to ensure the safety of all the work of the company's various departments. On the other hand, the Compliance Department examines the extent of the commitment of the company and its various departments in the implementation and enforcement of laws, systems and regulations, whether issued by the regulatory and supervisory authorities or the regulations, systems and internal policies of the company and thus monitors any violations or infringements of those laws and regulations.

## - Internal Audit Department

It is an independent and objective oversight activity that provides assurance and advisory services with the aim of adding benefit to the company and improving its operations. This activity helps in achieving the company's goals by adopting a systematic, structured approach to evaluate and improve the effectiveness of governance processes, risk management, and compliance and control management. The internal audit Department also evaluates the efficiency and effectiveness of the established internal control systems and controls, identifies weaknesses, provides observations and recommendations about them to the audit committee and the senior management, and then follows up on their treatment until they are appropriately corrected, in addition to the continuous examination and follow-up of the company's various operations and activities to reduce errors and potential violations, deception, or any kind of fraud. This activity assists in evaluating the independent internal audit process and the financial and operating activities in order to assist the senior management in achieving its current and future goals. Whereas, the senior management in the company supports the internal audit function as an integral part of the internal control environment used to measure and evaluate the effectiveness and efficiency of the company's internal control systems.



## - Governance Department

In 2020 AD, the Board of Directors of the Company was keen to apply the highest standards of governance through the establishment of the Corporate Governance Department in order to ensure an effective basis for the governance framework and to ensure the rights of shareholders and stakeholders and the rights of the insured to achieve better returns for the shareholders. The Corporate Governance Department also aims for disclosure and transparency of all matters of interest to all shareholders and those wishing to invest and the sustainability of the company business. The corporate governance regulation is based on the regulations and laws issued by the Saudi Central Bank, the Capital Market Authority, and the Companies Law.

## - Legal Affairs Department

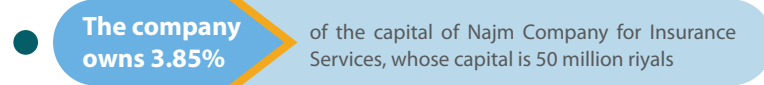
The Legal Affairs Department follows up the progress of all legal procedures in the company, including reviewing contracts, providing legal advice, pleading in cases brought by others against the company or from the company against others and directing them, and it tries hard to find just and appropriate solutions for each case. The Legal Affairs Department also handles committee issues by providing the response and reaching settlements or conciliation to avoid any procedures or penalties imposed on the company. Recently, the Collection Department has been included in the Legal Affairs Department for collecting amounts for the company, and the Legal Affairs Department supports all departments from a legal standpoint.

## - Anti Money Laundering and Terrorism Financing Department

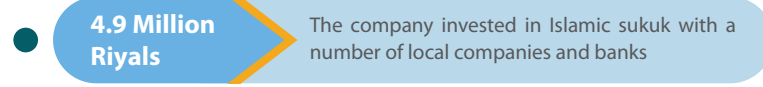
The Money Laundering and Terrorism Financing Department was established to protect the company from persons and companies that carry out money laundering operations, to ensure the integrity of the company's clients and not to be involved in money laundering operations or to persons carrying out terrorist financing operations, and to protect the company from any statutory or legal penalties that may entail in this jurisdiction by providing Consulting the senior management of the company and providing awareness lectures to all company employees.

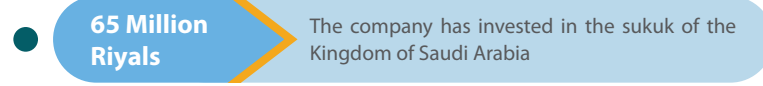
## - Investments


Salama owns shares in one company, and other investments are expected to show the financial impacts of these investments in the coming years, which are:

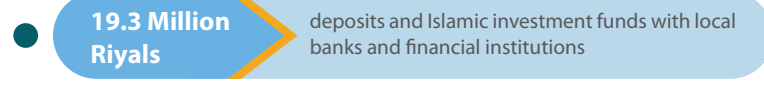
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**The company owns 3.85%** of the capital of Najm Company for Insurance Services, whose capital is 50 million riyals

Other than that, there is no subsidiary of Salama Cooperative Insurance Company inside or outside the Kingdom
- 

**4.9 Million Riyals** The company invested in Islamic sukuk with a number of local companies and banks
- 

**65 Million Riyals** The company has invested in the sukuk of the Kingdom of Saudi Arabia
- 

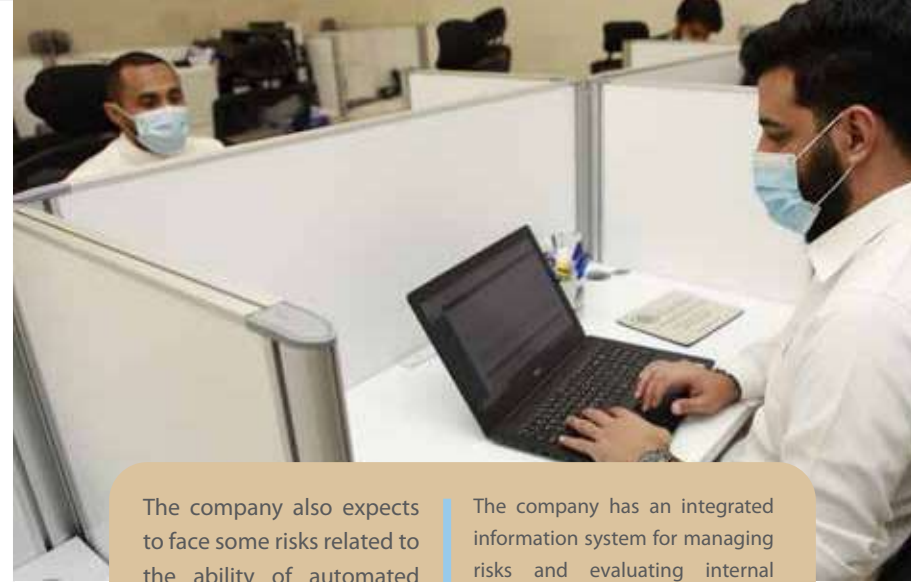
**56.2 Million Riyals** The market value of the company's investments in local shares (Shariah approved) in 31/12/2020
- 

**19.3 Million Riyals** deposits and Islamic investment funds with local banks and financial institutions

Salama Cooperative Insurance Company confirms that there are no loans on the company and there are no sums paid by the company in repayment of loans during the year.

## - Risks & Expected Future Dangers Management

Due to the nature of the insurance and investment activity of the company, it is naturally exposed to several types of risks, the most important of which are corporate governance risks, insurance risks, reinsurance risks and market risks represented by fluctuation in the value of financial instruments as a result of market price volatility and intense competition, credit risk, liquidity risks and third parties, the most recent of which are information security risks (Cyber risks) and money laundering and terrorist financing risks through insurance. Salama expects to face several future risks, the most important of which is the intensity of competition from insurance companies, which may sometimes lead to intense price competition, and maintaining standard operations criteria in light of the great expansion of business, and the change in the nature of the risks to which the company's portfolio is exposed as a result of the application of compulsory medical and vehicle insurance systems, which led to the tendency of the portfolio towards these two types of insurance.



The company also expects to face some risks related to the ability of automated operating systems to keep pace with the great growth in business through the new challenge in the (SAP) system, in addition to the accumulation of risks, lack of vital information, the risk of fraud and financial crimes as well as the risks of competitors not adhering to the regulations issued by the supervisory authorities.

The company has an integrated information system for managing risks and evaluating internal control systems, as this system enables the definition, measurement and re-measurement periodically and continuously for the risks associated with each department of the company, every activity and every operational process, and in return, the internal controls specified for those risks and their efficiency and effectiveness. The company has held many workshops for its employees in different departments to introduce them and train them to benefit from this system.



The maximum benefit from the system has been activated, as the risk department is currently making sure that all risks related to the achievement of the company's objectives and the risks associated with the various operations and activities have been identified and measured in an acceptable and sufficient manner by the executive management and that they are re-evaluated periodically and continuously. In addition, all operational risks in the company have been classified according to the "Basel" classification, and all risk indicators related to them are defined in order to control and activate internal control in an effective manner.

The company's ability to withstand risk appetite statements has also been approved by the Board of Directors and senior management to preserve the rights of shareholders, while monitoring their implementation, in addition to applying the risk-based internal audit principle.

It is worth noting and according to the instructions of the Saudi Central Bank to implement and apply the integrated framework for information security (cyber security), Salama has formed a committee to oversee the tasks of the concerned department and the action plan has been approved and the appropriate people have been appointed to reduce the occurrence of any risks related to this regard through continuous awareness and proper monitoring.

**In line with the National Transformation Plan 2020 and Vision 2030**

The company started internal and external awareness campaigns to build a culture of risks and insurance awareness.

# Third

## Corporate Governance

### The Board of Directors Opening Statement

**Praise be to Allah, Alone, and Peace and Blessings of Allah be upon Prophet Muhammad after whom there is no other prophet.**

**Dears, Salama Cooperative  
Insurance Company Shareholders**

**Peace and Allah's mercy and blessings be upon you**

The Board of Directors of the company provides you with the annual report for the financial year ending on 31/12/2020 AD, including the most important developments, financial results, operating activities, disclosures, and attached to it the audited financial statements, notes, and the report of the external auditors, in accordance with the provisions of the company's articles of association and in accordance with the rules and regulations.

We expect the Saudi insurance market to regain its balance in the year 2021 AD and create good opportunities for the growth of insurance companies during the next stage. The next real investment for the company will be in improving work procedures and completing the SAP Project as well as the new electronic system for operational processes, developing its competencies and investing in talented employees, all of which will ensure with the help of Allah Almighty, to obtain a good share of the Saudi insurance market.

We thank you, dear Shareholders, for your confidence, and we thank our partners in success in the Saudi market for their support. We also thank the members of the board committees, the management team, and all employees for their dedication, and we promise our valued clients more achievements.

**May God grant us success.**

# Fourth:

## Board of Directors and Committees

The current members of the Board of Directors as of 25/07/2019 AD

### Luay Hamza Basrawi

Did Not Complete The Period

**Current Positions:** Member of the Board of Directors of KSB Corporation

**Previous Positions:** Executive General Manager, Hafel Transport Corporation, from 2009/07/01 AD to 2012/10/30 AD  
Executive General Manager - Al Madinah and Al Arabiya Transport Companies from the date of 2007/07/01 AD to 2009/06/30 AD

Executive General Manager - Fakhry Group Company from the date of 2000/01/01 AD to 2006/06/30 AD

**Qualifications:** Bachelor of Arts - King Abdul Aziz University in 1987 1986 AD

**Experiences:** Executive General Manager, Hafel Transport Corporation, from 2009/07/01 AD to 2012/10/30 AD  
Executive General Manager - Al Madinah and Al Arabiya Transport Companies from the date of 2007/07/01 AD to 2009/06/30 AD

Executive General Manager - Fakhry Group Company from the date of 2000/01/01 AD to 2006/06/30 AD.

### Hussein Hasan Bayari

Did Not Complete The Period

**Current Positions:** : Chairman of the Board of Directors of Al-Firdous Group of Companies

Member of the Board of Directors for Raysan Arabia Company  
Member of the Board of Directors of Al-Ruwais Company

**Previous Positions:** Project Manager for Abdul Latif Jameel Real Estate Consultants Ltd. from 1993/02/25 AD to 1996/10/26 AD  
**Qualifications:** Bachelor of Civil Planning Engineering - Environmental Designs - King Fahd University of Petroleum and Minerals in 1985

**Experiences:** Director of Projects for Abdul Latif Jameel Real Estate Consultants Ltd. from 1993/02/25 AD to 1996/10/26 AD  
Chairman of the Board of Directors of Al-Firdous Group of Companies since 1996 and is still working

Member of the Board of Directors of Salama Cooperative Insurance Company from 2010 and is still working

Member of the Board of Directors for Raysan Arabia Company since 2011 and is still working

Member of the Board of Directors of Al-Ruwais Company from 2009 and still working.

### Moraia Saad Habash

Did Not Complete The Period

**Current Positions:** Faculty member at King Khalid University

**Previous Positions:** Vice Dean of the College of Administrative and Financial Sciences for Academic Affairs at King Khalid University from 2012/11 AD to 2013/9 AD

Partial Lecturer at the College of Business Administration, University of Durham, United Kingdom, from 2007/10 AD to 2010/6 AD

Auditor Assistant (Partial) - Farooki & Co. Ltd. Chartered Accountants Leeds - United Kingdom from 2005/6 AD to 2006/9 AD

**Qualifications:** Ph.D. in Accounting and Finance - University of Durham in 2010  
MA in Accounting and Finance - University of Birmingham in 2006  
Bachelor of Accounting - King Khalid University - Saudi Arabia in 2003 AD

**Experiences:** Vice Dean of the College of Administrative and Financial Sciences for Academic Affairs at King Khalid University from 2012/11 AD to 2013/9 AD

Partial Lecturer at the College of Business Administration, University of Durham, United Kingdom, from 2007/10 AD to 2010/6 AD

Auditor Assistant (Partial) - Farooki & Co. Ltd. Chartered Accountants Leeds - United Kingdom from 2005/6 AD to 2006/9 AD.

### Ahmed Ali Al-Shtif

Did Not Complete The Period

**Current Positions:** Assistant General Manager of Islamic Banking - Secretary of the Authority at Banque Saudi Fransi from 2013/6 to date

**Previous Positions:** Director of Islamic Banking Tawafuq - Banque Saudi Fransi from 2008 AD until 2013 AD. -Promotion  
Director of Administration Affairs - Secretariat at Banque Saudi Fransi from 2002 until 2008. - Promotion

**Qualifications:** Bachelor of Administrative Sciences - King Saud University - 1987/1986 AD

**Experiences:** Member of the Board of Directors of Salama Cooperative Insurance Company

Assistant General Manager of Islamic Banking - Secretary of the Authority at Banque Saudi Fransi from 2013/6 to date

Director of Islamic Banking Tawafuq - Saudi Fransi Bank from 2008 until 2013. -Promotion

Director of Administration Affairs - Secretariat at Banque Saudi Fransi from 2002 until 2008. - Promotion.

## Wael Saad Al-Rashed

Did Not Complete The Period

**Current Positions:** Member of the Board of Directors of Al-Sorayai Group

**Previous Positions:** CEO of Al-Sorayai Group

Vice President of the Etihad Wire Mesh Company

MADAF Co. CEO

CEO of Abdullah Al-Ameed Company

**Qualifications:** Bachelor of Computer - Saudi Arabia 1992

Bachelor of Sharia and Law - Saudi Arabia 1999 AD

Master of Business Administration - United Kingdom 2002

PhD in Business Administration - United Kingdom - 2013

**Experiences:** Member of the Board of Directors - Al Sorayai Group 2018 until now

CEO - Al Sorayai Group - 2017 to 2018

Member of the Board of Directors - Aldrees Company (ALITCO) 2017 until now

Member of the Board of Directors - Saudi Bio Acids Company - 2014 to 2018

Vice President - Etihad Wire Mesh Company - 2015 to 2017

CEO - MADAF Co. - 2011 AD to 2016 AD

CEO - Abdullah Al-Ameed Company from 2003 to 2011.



## Ahmed Tariq Murad

Independent member

**Current Positions:** Chairman of the Board of Directors of Salama Cooperative Insurance Company

Vice Chairman of the Saudi United Fertilizer Company

Member audit committee in Anaam International Holding Group

**Previous Positions:** Vice Chairman - United Fertilizer Company of Saudi Arabia - 2010 until now

Vice President of Investment - Nesma Holding Company 2010-2008

Head of Product Development and Research - Alkhabeer Capital - 2008-2006

Senior Manager of Corporate Finance - Shamil Bahrain Bank - 2006 - 2000

**Qualifications:** Bachelor's in Civil Engineering - Worcester Polytechnic Institute - Massachusetts, USA - 1984

Master of Business Administration - University of San Francisco, California, United States of America, in 1988

**Experiences:** Vice Chairman - Saudi United Fertilizer Company - 2010 until now

Vice President of Investment - Nesma Holding Company from 2008 to 2010

Head of Product Development and Research, Al-Khabeer Capital Company - 2006G to 2008G

Senior Manager of Corporate Finance - Shamil Bank of Bahrain - from 2000 to 2006.



## Omar Nasser Makhharsh

Independent member

**Current Positions:** Vice-Chairman of the Board of Directors of Salama Cooperative Insurance Company

Founder and CEO - Makhharsh Office for Financial and Administrative Consultations

**Previous Positions:** Vice Chairman of the Board of Directors, Member of the Executive Committee, Chairman of the Nominations and Remuneration Committee, Member of the Investment Committee of the United Cooperative Insurance Company

Regional Director for the Western Region of Rasmala Saudi Investment Company

Senior Manager, Corporate Banking Services, Saudi Hollandi Bank

**Qualifications:** Bachelor's degree in Management, Boston University, USA, 1981

CME Banking Institute General Certificate for dealing in securities 2009

Certificate of Conformity, Compliance, Anti-Money Laundering and Terrorism Financing CME Banking Institute 2009

**Experiences:** Vice Chairman of the Board of Directors, Member of the Executive Committee, Chairman of the Nominations and Remuneration Committee, Member of the Investment Committee of the United Cooperative Insurance Company 2020/04 - 2017/12

Regional Director for the Western Region - Rasmala Company - for Saudi Investment. 2010-2008

Senior Manager - Corporate Banking Services - The Saudi Hollandi Bank 2008 - 1997

Founder and CEO - Makhharsh Office for Financial and Administrative Consultations 2010 to date



## Raed Abdul Malik Al Qasim

Independent member

**Current Positions:** : Member of the Board of Directors of Salama Cooperative Insurance Company

**Previous Positions:** General Manager of the Professional Group Company for the Insurance Agency

General Director of the Raed Abdul Malik Yahya Al Qasim Foundation

Concession holder for the Tawuniya Cooperative Insurance Company - Marketer

**Qualifications:** Bachelor of Science, King Saud University - Kingdom of Saudi Arabia

Insurance Institute of Banking, Kingdom of Saudi Arabia 2012

**Experiences:** General Manager of the Insurance Agency Professional Group Company. 2018-2012

General Director of the Raed Abdul Malik Yahya Al Qasim Foundation - 2005 2012

Concession granted to the Cooperative Insurance Company for Cooperative Insurance - Market 2004-2003.



## Akram Omar Gad

Independent member

**Current Positions:** Member of the Board of Directors of Salama Cooperative Insurance Company

**Previous Positions:** Regional Director for the Western Region of Walaa Insurance Company

General Manager - Medad Al-Thiqa Insurance Agency

**Qualifications:** Bachelor of Arts and Humanities, Public Relations and Advertising, King Abdulaziz University 1992

Certificate of insurance professionalism, insurance of the British Institute - Jeddah 1996

Diploma in Insurance Professionalism Insurance Bahrain Institute of Banking, Jeddah, 2005

**Experiences:** Regional Director for the Western Region of Walaa Insurance Company 2009 - 2007

General Manager - Medad Al-Thiqa Insurance Agency 2019 - 2010.



## Khaled Jaber Al-Zaidi

Independent member

**Current Positions:** Independent Board Member of Salama Cooperative Insurance Company

Freelance financial analyst and financial coach

**Previous Positions:** Accountant, Islamic Arab Insurance Company

Head of Accounts Department and Acting Financial Manager - Islamic Arab Insurance Company

Senior International Stock Broker - Riyadh Bank

Senior Local Stock Broker - Riyadh Bank

Senior Financial Analyst - Alkhabeer Capital Company

Financial Advisor - Communications and Information Technology Commission

**Qualifications:** Master of Engineering Management 2002 Florida Institute of Technology

Bachelor of Accounting, King Abdulaziz University, 1994

**Experiences:** Accountant of the Islamic Arab Insurance Company 1997-1994

Head of Accounts Department and Acting Financial Manager - Islamic Arab Insurance Company 1998-1997

Senior International Stock Broker - Riyadh Bank 2006-2004

Senior Local Stock Broker - Riyadh Bank 2007-2006

Senior Financial Analyst - Alkhabeer Capital Company - 2013-2009

Financial Advisor - Communications and Information Technology Commission 2019-2018

Freelance Financial Analyst and Financial Coach 2014 to date



## Mazen Ibrahim Abdul Salam

Independent member

**Current Positions:** - Member of the Board of Directors of SALAMA Cooperative Insurance Company

Dr. Samir Muhammad Ali Abbas Hospital Head of Support Services Sector and Director of Compliance and Legal Affairs Department General Manager of Badr Modern Company for Operation and Maintenance (a hospital-owned company)

Partner and founder of the Arab Hudhud Company for Information Technology

**Previous Positions:** - Director of Strategic Management and Institutional Excellence, Al-Murjan Holding Company NOV2014 – OCT 2016

Director of Financial Operations, Bagedo Hospital and Dr. Irfan March-2014 October 2014

Director of the Western Region, Sanad Company for Cooperative Insurance March -2013 March 2014

Director of Risk Management, Director of Marketing, Director of Quality Assurance, Secretary of the Board of Directors of Salama Cooperative Insurance Company August -2006 March 2013

Division Manager for United Panda Company Feb -2004 Aug 2006

**Qualifications:** Bachelor of Systems Engineering - King Fahd University of Petroleum and Minerals - 2004

**Experiences:** Comptroller General and Secretary of the Board of Directors Dr. Samir Abbas Hospital - 2016 until now

Director of Strategic Planning and Institutional Excellence from 2014 to 2016.



## Mustafa Ghazi Kheriba

Did Not Complete The Period

**Current Positions:** SHUAA Capital (UAE) Executive Vice President, Head of Asset Management and Investment Solutions Division

Abu Dhabi Financial Group (UAE), Executive Vice President, Head of Asset Management Division Cayman Islands ADCM Director (LT)

UK Director of Spadille Ltd

UK Director North Care Ltd.

Cayman Islands Director AD POWER LTD

Cayman Islands director Qannas investment ltd

Cayman Islands Director SPE Qannas B Ltd

Cayman Islands, Director, Palace real estate partners Gp

Cayman Islands Manager, Palace Preferred Partners GP

Cayman Islands Director SPE Qannas C.

Montenegro (Director) integrated EE Holding

Cayman Islands, director of integrated Eastern European fund

Cayman Islands Director of EE F&B Holding Ltd.

Gulf Finance Company Vice Chairman of Reem Finance (United Arab Emirates) Member of the Board of Directors of the Islamic Arab Insurance Company Salama Managing Director

Abu Dhabi Financial Market Director, Goldlocks investment company limited

Khaleeji Commercial Bank (Bahrain), a member of the Board of Directors

Salama Managing Director

Abu Dhabi Financial Market Director, Goldlocks investment company limited

Khaleeji Commercial Bank (Bahrain), a member of the Board of Directors

## Mustafa Ghazi Kheriba

Gulf Finance House (Bahrain) Board Member

Gulf Finance Closed Joint Stock Company (Saudi Arabia) Board Member

Director of Etihad Reit (ic) limited Abu Dhabi Global Market

Director of ADCorp Ltd (Abu Dhabi Global Market)

**Previous Positions:** Member of the Board of Directors of Salama Cooperative Insurance Company

Vice President of Operations, Brainnox investment group

The Global Investment Board, Vice President, Integrated Operations Capital (United Arab Emirates), Board Member

SHUAA Capital United Arab Emirates Board Member

Gulf Navigation Holding (United Arab Emirates) Member of the Board of Directors

Salama Cooperative Insurance Company, member of the Board of Directors

**Qualifications:** Bachelor of Arts (Economics and Business Communication) University of Tornado Canada 1996

Master of Business Administration (Corporate Strategy Chair category) 2009

**Experiences:** Vice President of Operations 2011-2009, Brainnox investment group

Global Investment Board Vice President of Operations 2009-2005

Integrated Capital (United Arab Emirates) Board Member 2016-2015

SHUAA Capital (United Arab Emirates) Member of the Board of Directors 2019-2018

Gulf Navigation Holding (United Arab Emirates) Member of the Board of Directors January 2019 - April 2019

Salama Cooperative Insurance Company

Member of the Board of Directors October 2020 - December 2020

SHUAA Capital (UAE) Executive Vice President, Head of Asset Management and Investment Solutions Division to date

Abu Dhabi Financial Group (UAE), Executive Vice President, Head of Asset Management Division to date

Cayman Islands ADCM Director (LT)

UK Director of Spadille Ltd

UK Director North Care Ltd.

Cayman Islands Director AD POWER LTD

Cayman Islands director Qannas investment Ltd

Cayman Islands Director SPE Qannas B Ltd

Cayman Islands, Director, Palace real estate partners Gp

Cayman Islands Manager, Palace Preferred Partners GP

Cayman Islands Director SPE Qannas C.

Montenegro (Director) integrated EE Holding

Cayman Islands, director of integrated Eastern European fund

Cayman Islands Director of EE F&B Holding Ltd.

Director of Gulf Finance Company, Vice-Chairman of the Board of Directors to date

Reem Finance (United Arab Emirates) a member of the Board of Directors to date

Islamic Arab Insurance Company Salama, Managing Director. To date

Abu Dhabi Financial Market, Director to date

Khaleeji Commercial Bank (Bahrain) is a member of the Board of Directors, Goldilocks investment company limited

Gulf Finance House (Bahrain), a member of the Board of Directors to date

Gulf Finance is a closed joint stock company (Saudi Arabia), a member of the Board of Directors to date

Director of Etihad Reit (ic) limited Abu Dhabi Global Market to date

Director of ADCorp Ltd (Abu Dhabi Global Market) to date.

# Fifth:

## Board Committees until the end of the Period on 24/07/2022

- Executive Committee
- Review Committee
- Nomination and Remuneration Committee
- Investment Committee
- Risk Committee





## Executive Committee

Name	Membership Nature	No. of Meetings (1) Meeting
		First Meeting 29/11/2020 AD
Ahmed Tariq Murad	Committee Chairman Independent Member	✓
Raed Abdul Malik Al Qasim	Independent Member	✓
Mazen Ibrahim Abdul Salam	Independent Member	✓

### A brief description of the jurisdiction of the Executive Committee:

- ▶ Subject to any instructions laid down by the Saudi Central Bank or set by the Board of Directors, the Executive Committee exercises all the powers determined by the Saudi Central Bank or the Board, and the Executive Committee shall cooperate with the CEO and the Managing Director.
- ▶ The Committee exercises all the powers granted to it to carry out its duty towards the meetings of the Board of Directors, and its members have the right to view the confidential information of the company.
- ▶ Formulating, reviewing, communicating and managing the company's strategy in relation to the interests of shareholders, customers, employees and other stakeholders.
- ▶ The Committee discusses and takes decisions on urgent issues that need urgent decision-making.
- ▶ The responsibilities of the Committee include making decisions regarding the day to day business of the company.
- ▶ Approval of the amendments to the budget clauses and the final approval of the capital expenditures items according to the Committee's powers stipulated in the table of powers.

- ▶ Approval of the company's business policies and procedures.
- ▶ Monitoring the performance of the CEO and senior management and making recommendations in this regard.
- ▶ The Committee performs the tasks listed below related to the company's strategy:
  - ▶ Reviewing the company's strategic planning procedures and processes in cooperation with the CEO.
  - ▶ Ensuring the completion of strategic plans that achieve the company's goals.
  - ▶ Reviewing the CEO's recommendations regarding the distribution of the company's resources aimed at achieving alignment between the company's strategic plans and its long-term operational goals.
  - ▶ Reviewing the strategic plans and operational goals of the company and its subsidiaries periodically (if any) to ensure that they are consistent with the company's goals.
  - ▶ Monitoring the implementation of the policies and procedures of the Board of Directors.
- ▶ The committee prepares recommendations for the Board of Directors regarding the company's operational priorities and the strategies to be followed.
- ▶ The company carries out the tasks listed below related to the financial planning of the company:
  - ▶ Preparing and reviewing annual and long-term financial goals and strategies and submitting the necessary recommendations to the Board of Directors.
  - ▶ Reviewing the financial aspects of the company, in cooperation with the company's executive management and the audit committee.
  - ▶ Preparing and reviewing profit distribution policies, how to implement them, and submitting recommendations regarding them to the Board of Directors.
  - ▶ Reviewing the actual capital expenditures periodically to match them with the budgets approved by the Board of Directors.
- ▶ The Committee submits a periodic report once every six (6) months at least on its work to the board of directors.
- ▶ Informing the board of directors in the event of any conflict of interest situation or arising as a result of the decisions that the Committee takes.
- ▶ Preparing an annual review and evaluation of the activities of the committee and its members.



## Risk Committee

Name	Membership Nature	(2) Meetings	
		First Meeting 29/11/2020 AD	Second Meeting 30/12/2020 AD
Mazen Ibrahim Abdul Salam	Committee Chairman Independent Member	✓	✓
Omar Nasser Makharsh	Independent Member	✓	✓
Mustafa Ghazi Kheriba	Non-executive Member	✓	Resignation

### A brief description of the jurisdiction of the Risk Committee:

- ▶ Determining the risks that the company may be exposed to, and maintaining an acceptable level of risks related to the company.
- ▶ Supervising risk management systems and evaluating their effectiveness.
- ▶ Verifying the feasibility of the company's continuation and successful continuation of its activity, along with identifying the risks that threaten its continuation during the next twelve months.
- ▶ Developing a comprehensive risk management strategy for the company, supervising its implementation, reviewing and updating it periodically, taking into account the relevant internal and external variables.
- ▶ Reviewing risk management policies.
- ▶ Reviewing and reassessing the company's level of risk appetite, and its exposure to risks, on a regular basis.

- ▶ Submitting detailed reports to the Board of Directors on potential risks and giving recommendations on ways to manage them.
- ▶ Providing advice to the Board of Directors on what is related to risk management.
- ▶ Ensuring the availability of adequate resources and systems to manage risks.
- ▶ Reviewing the organizational structure of risk management and making recommendations regarding it before approval by the Board of Directors.
- ▶ Verifying the independence of the risk management personnel from the activities that may result in exposing the company to risks.
- ▶ Verifying that the risk management personnel understand the risks surrounding the company, and working to increase awareness of the risk culture.
- ▶ Reviewing the issues raised by the Review Committee that may affect the risk management in the company.
- ▶ The committee submits its reports to the Board of Directors on the results of its work in accordance with the controls and mechanisms contained in the Risk Management Charter, and the minutes of the meetings of the Risk Management Committee must be presented to the Board of Directors for information and knowledge.
- ▶ When needed, the Committee has the right to seek external consulting services in order to perform its duties, at the expense of the company, after obtaining the approval of the Board of Directors.



## Review Committee

Name	Membership Nature	No. of Meetings (1) Meeting
		First Meeting 28/01/2020 AD
Moraia Saad Habash	Committee Chairman Independent Member	✓
Salem Ali Al-Qahtani	Independent Member	✓
Alaa Abdullah Al-Hashem	Independent Member	✓
Khaled Jaber Al-Zaidi	Committee Chairman Independent Member	He was not a member
Raed Fahad Al-Rusais	From outside the board	He was not a member
Walid Muhammad Mari	From outside the board	He was not a member

### A brief description of the jurisdiction of the Review Committee:

- Recommending to the Board of Directors to approve the appointment or reappointment of external auditors. This includes ensuring that the nominated external auditors have the necessary experience to audit the business of insurance and reinsurance companies.
- Appointing and dismissing the Compliance Department Manager or the compliance officer after obtaining the no-objection letter from the Saudi Central Bank in writing.
- Appointing and dismissing the Internal Audit Department Manager and the internal auditor after obtaining a written no objection from the Saudi Central Bank in writing.

- Ensuring the independence of the external auditors from the company, board of directors and senior management in the company.
- Ensuring the independence of Internal Audit Department or the internal auditor in performing their duties and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- Ensuring the independence of the Compliance Department or the Compliance Officer in performing their duties and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- Discussing the initial annual and quarterly financial statements with the external auditors and company senior management before releasing it.
- Studying and reviewing the initial annual and quarterly financial statements and provide the appropriate recommendations to the Board of Directors.
- Studying and reviewing the internal and external auditor plans.
- Studying the Compliance plan, approving it, and following up on its implementation.
- Studying the main accounting policies and procedures and the changes that may occur to them.
- Coordinating between the internal and external auditors.
- Studying external auditors reports and provide appropriate recommendations to the Board of Directors.
- Reviewing the reports of the Internal Audit Department or the internal auditor and submitting recommendations regarding them to the board of directors.
- Studying reports, managing the statutory oversight or the regular auditor, and making recommendations regarding them to the Board of Directors.



## Investment Committee

- Evaluating the level of efficiency, effectiveness and objectivity of the work of the external auditors, the Internal Audit Department or the internal auditor, the Compliance Department or the compliance officer.
- Studying the observations of the Saudi Central Bank and the relevant supervisory and regulatory authorities regarding any regulatory violations or requesting corrective measures and submitting recommendations regarding them to the Board of Directors.
- Studying the operations between group entities and operations with related parties.
- Evaluating internal and external auditors of internal control procedures.
- Studying the reports of the actuary and making recommendations regarding them to the Board of Directors.
- Ensuring that the company is committed to implementing the proposals and recommendations of the actuary when it is mandatory in accordance with the regulations and instructions issued by the Saudi Central Bank and the relevant supervisory and regulatory authorities.
- Following up the reports issued by the Saudi Central Bank and the relevant supervisory and regulatory authorities and submitting recommendations regarding them to the Board of Directors.
- Determining the monthly salary, incentive bonus, and other remuneration for the Internal Audit Department or the external auditor in line with the company's internal regulations approved by the Board of Directors.
- Determining the value of the monthly salary, incentive bonus and other remuneration for the Compliance Department or the compliance officer in line with the internal regulations of the company approved by the Board of Directors.
- Ensuring that a written regulation related to professional conduct is available after being approved by the Board of Directors to ensure that the company's activities are carried out in a fair and ethical manner.
- Following up on the important lawsuits brought by or against the company with the Compliance Department or the Compliance Officer, and submitting periodic reports on them to the Board of Directors.
- Ensuring the optimal use of information technology and the availability of necessary controls to obtain accurate and reliable information and data.

Name	Membership Nature	No. of Meetings (1) Meeting
		First Meeting 23/11/2020 AD
Ahmed Tariq Murad	Committee Chairman Independent Member	✓
Khaled Jaber Al-Zaidi	Independent Member	✓
Akram Omar Gad	Independent Member	✓

### A brief description of the jurisdiction of the Investment Committee:

- Subject to any instructions laid down by the Saudi Central Bank or set by the Board of Directors, the Investment Committee exercises all the powers delegated by the Board of Directors, and the Committee cooperates with the CEO and the Managing Director in the matter of investment decisions.
- The Committee exercises all the powers granted to it to carry out its duty towards its shareholders and the corporate strategy.
- The Committee is responsible for preparing the investment policy for the company, and it must present this policy to the Saudi Central Bank and obtain its approval on the investment policy.
- Preparing and formulating the investment policy for the company, following up on its implementation, and approving it annually by the Board of Directors. This policy shall not be amended except after obtaining the approval of the Board of Directors on any amendment to it.

- Overseeing the implementation of investment policy and the operations of the company's investment portfolios within the stable operational frameworks of strategy and risks. Reviewing policies, objectives and special investment plans and making recommendations thereon.
- Taking the necessary steps to inform the employees directly and indirectly concerned with the investment activities and ensuring that they understand it.
- Strategic allocation of assets to major investment classes.
- Reviewing the performance of each asset class.
- Setting limits for the distribution of assets according to geographical areas, financial markets, related sectors, securities, as well as currencies.
- Defining and identifying illiquid assets and setting restrictions on investing in them.
- The Committee monitors the performance of the investment company's portfolios on an on-going basis and submits reports on a quarterly basis.
- Following and monitoring investment risks periodically.
- The responsibilities of the committee include making decisions related to investment within the delegation of authority granted by the Board of Directors.
- Comprehensive reviewing, on an annual basis, of the adequacy of the general investment policy in light of the company's activities, the general tolerance for risks, the requirements of long-term risk return and the solvency position.
- Reviewing the due diligence reports prepared by external asset managers or any third party that provides investment-related services.

- Conducting a comprehensive evaluation of investment service providers, asset management, and external parties related to investment on an annual basis to ensure the stability of the conditions on the basis of which this entity was appointed and the absence of any fundamental change that may lead to the company's review regarding dealing with that entity.
- Recommending the appointment of investment or asset managers or a portfolio manager licensed by the Capital Market Authority or any other regulatory body or entity if the investments are outside the Kingdom.
- Managing the relationship between the company and the officially appointed asset managers.
- Ensuring that the company's investments are in compliance with the investment regulations issued by the Saudi Central Bank.
- Monitoring the performance of the CEO and senior management regarding the company's investments and make recommendations in this regard.
- The committee submits a quarterly periodic report on its activities to the Board of Directors and on the performance of investment portfolios to the Board of Directors.
- Informing the Board of Directors in the event that any conflict of interest situation arises as a result of the decisions taken by the committee.
- Preparing an annual review and evaluation of the activities of the committee and its members.



## Nomination and Remuneration Committee

Name	Membership Nature	(2) Meetings	
		First Meeting 29/11/2020 AD	Second Meeting 30/12/2020 AD
Raed Abdul Malik Al Qasim	Committee Chairman Independent Member	✓	✓
Akram Omar Gad	Independent Member	✓	✓
Omar Nasser Makharsh	Non-executive Member	✓	Resignation

### A brief description of the jurisdiction of the Nomination and Remuneration Committee:

- Suggesting clear policies and criteria for the Board of Directors and senior executive management.
- Recommending to Board of Directors the nomination for Board of Directors membership and its committees in accordance with the legal requirements, policies and approved standards.
- Establishing job descriptions for executive members, non-executive members, independent members and senior executives.
- Annual review of the required needs of appropriate skills for Board of Directors membership and its committees, preparing descriptions of capabilities and qualifications required to fill positions of higher executive management and Board membership and its committees, determining the time that the member shall allocate to the work of the Board or Board Committees, assessing the structure and composition of the Board and its committees, determining its weaknesses periodically and proposing the necessary actions.

- Evaluating and monitoring the independence of Board of Directors members and its committees and ensure that there is no conflict of interest, including ensuring on an annual basis the independence of independent members.
- Establishing clear compensation and remuneration policies for members of the Board of Directors, its committees and members of the senior management, and submitting them to the Board of Directors for approval by the General Assembly, taking into account in this policy the following standards related to performance, disclosing them, and verifying their implementation.
- Reviewing the remuneration policy periodically and evaluating its effectiveness in achieving the objectives sought from it.
- Clarifying the relationship between the bonuses granted and the applicable remuneration policy, and indicating any material deviation from this policy.
- Supervising the periodic evaluation of the performance of the members of the Board and its committees.
- Recommendation regarding appointment and dismissal of senior management members.
- Setting up special procedures in case the position of a member of the board of directors or a senior executive becomes vacant.
- Proposing succession policy and procedures for the CEO and senior members of senior management and monitoring the implementation of succession plans and procedures for them.
- Reviewing compensation plans for members of senior management.
- Supervising the induction program and periodic training for members of the Board of Directors.
- Recommending to the Board on matters related to the nominations and remuneration of members of the Board of Directors and the committees emanating from it and the senior executives of the company in accordance with the approved policy.

# Sixth:

## Executive Management



### Omar Mohammed Al-Ajlani

CEO of Salama Cooperative Insurance Company

#### Previous Positions

- ♦ Chief Planning - Salama Company
- ♦ Branches Network Manager - Al Rajhi Takaful
- ♦ Personal Lines Manager - Al Ahlia Insurance
- ♦ Operations Manager - Malath Insurance

#### Qualifications

- ♦ Bachelor of Chemical Engineering, King Abdulaziz University, Jeddah, 2003
- ♦ Diploma in Professional Insurance, Bahrain Institute for Banking and Financial Studies - Bahrain

#### Experiences

- ♦ Chief Executive Officer - Salama Company from 01/12/2016 - Present
- ♦ Acting CEO from 01/05/2016 to 30/11/2016 - Salama Company
- ♦ Chief Planning - Salama Company from 11/05/2014 to 30/04/2016
- ♦ Branches Network Manager from 6/10/2012 to 05/05/2014 - Al-Rajhi Takaful
- ♦ Personal Lines Manager from 13/08/2011 to 03/10/2012 - Al-Ahlia Insurance
- ♦ Partners Relations Manager from 01/03/2011 to 01/08/2011 - Malath Insurance
- ♦ Operations Manager from 01/02/2010 to 28/02/2011 - Malath Insurance
- ♦ Motor Underwriting Officer 26/05/2007 - 31/01/2010 - Malath Insurance
- ♦ Motor Claims Officer 2004-2007 - Tawuniya Insurance



## Ammar Ahmed Hamza Ghurab

Head of Operations at Salama Cooperative Insurance Company

### Previous Positions

- ♦ Head of Motor Insurance - Salama Cooperative Insurance Company
- ♦ Motor Claims Manager at Salama Cooperative Insurance Company

### Qualifications

- ♦ Bachelor of Business Administration, King Abdulaziz University, 1998
- ♦ Insurance diploma from the Bahrain Institute for Banking and Financial Studies in 2011

### Experiences

- ♦ Chief Operation Officer from 2017 till date
- ♦ Head of Motor Insurance from 2011 till 2017 Salama Cooperative Insurance Company
- ♦ Motor Claims Manager from 2003 to 2011 Salama Cooperative Insurance Company

## Mohammed Nasser Abdul Aziz Al-Wahbi

Head of Customer Care at Salama Cooperative Insurance Company

### Previous Positions

- ♦ Director of the Personnel Sales Branch at Al-Rajhi Company for Cooperative Insurance
- ♦ Director of the Saudi Investment Bank branch
- ♦ Customer service at The Saudi Investment Bank
- ♦ Head of Patient Affairs Support Services Department
- ♦ Supervisor of the admission office at Dallah Hospital

### Qualifications

- ♦ Bachelor's degree in Business Administration from King Faisal University
- ♦ High School
- ♦ BIC Principles of Investment Certificate
- ♦ IFCE Insurance Fundamentals Certificate

### Experiences

- ♦ Director of Personnel Sales at Al-Rajhi Company for Cooperative Insurance from 2014 to 2016
- ♦ Director of the Saudi Investment Bank branch from 2010 to 2016
- ♦ Customer service at The Saudi Investment Bank from 2004 to 2006
- ♦ Head of the Patient Support Services Department from 2002 to 2004
- ♦ Supervisor of the Admission Office at Dallah Hospital from 2001 to 2002
- ♦ Program Coordinator at the Ministry of Islamic Affairs from 1998 to 2001







## Raed Issa Kurdi

Acting Head of Human Resources at Salama Cooperative Insurance Company

### Previous Positions

- ◆ Vice President of Human Resources at Salama Company
- ◆ Deputy Director of Human Resources and Administration Affairs at Salama Company
- ◆ Assistant Director of Human Resources and Administrative Affairs at Salama Company
- ◆ Senior Supervisor of Human Resources and Administration Affairs at Salama Company
- ◆ Director of Administration Affairs and Personnel at Al-Issa Holding Autostar Group
- ◆ Human Resources and Administration Specialist at Bin Laden Group
- ◆ Administrator in Overseas Hotels Investment Company

### Qualifications

- ◆ King Abdulaziz University, Department of Business Administration - Human Resources
- ◆ Human Resources Diploma
- ◆ CIPD Certificate

### Experiences

- ◆ Vice President of Human Resources at Salama Company 01/02/2018 - 04/10/2020
- ◆ Deputy Director of Human Resources and Administration Affairs at Salama Company - 01/01/2016 - 30/01/2018
- ◆ Assistant Director of Human Resources and Administrative Affairs at Salama Company - 01/02/2015 30/12/2015
- ◆ Senior Supervisor of Human Resources and Administration Affairs at Salama Company - 06/01/2014 - 30/01/2015
- ◆ Director of Administration and Personnel Affairs for Personnel at Al-Issa Holding Group - Autostar - 11/11/2012- 30/05/2014
- ◆ Human Resources and Administration Specialist at Bin Laden Group - 01/01/2011 - 10/11/2012
- ◆ Administrator in Overseas Hotels Investment Company - 01/01/2005 - 30/12/2010



## Mohammed Abdullah Ahmed Badress

Director of Internal Audit at Salama Cooperative Insurance Company

### Previous Positions

- ◆ Director of Internal Audit at the Saudi Credit House
- ◆ Head of audit, Ernst & Young
- ◆ Auditor in Ernst & Young

### Qualifications

- ◆ Master of Accounting from Oklahoma City University, USA
- ◆ Bachelor's degree in Accounting from King Abdulaziz University
- ◆ Certificate of practicing a profession from the Ministry of Commerce and Investment

### Experiences

- ◆ Director of Internal Audit at Saudi Credit House from 2016-4 to 2018-2
- ◆ Head of Audit at Ernst & Young, from 2010-11 to 2016-03
- ◆ Auditor in Ernst & Young from 6-2005 to 5-2

## Khaled Mohammed Bajunaid

Acting Chief Financial Officer of Salama Cooperative Insurance Company until 2020/09/30

### Previous Positions

- ◆ -Executive Vice President for Financial Operations and Custody at Alawwal Capital
- ◆ -Financial Controller of the Saudi Economic and Development Company SEDCO
- ◆ Assistant General Manager for Administrative and Financial Affairs for Real Estate Projects Management and Development Company
- ◆ Head of accounts for the Saudi Research and Publishing Company
- ◆ Senior advisor to the financial advisory house

### Qualifications

- ◆ Bachelor of Accounting from King Abdulaziz University in 1993
- ◆ CME1 Certificate from the Capital Market Authority in 2011

### Experiences

- ◆ Executive Vice President of Financial Operations and Custody at Alawwal Capital from 2010 to 2019
- ◆ Financial Controller of the Saudi Economic and Development Company (SEDCO) from 2007 to 2008
- ◆ Assistant General Manager for Administrative and Financial Affairs for Real Estate Projects Management and Development Company from 2001 to 2006
- ◆ Head of accounts for the Saudi Research and Publishing Company
- ◆ Senior Advisor to the Financial Consulting House from 1994 to 1999

## Hassan Ahmed Mohammed Shabeli

Director of Compliance and Legal Affairs Department at Salama Cooperative Insurance Company until 2020/23/06

### Previous Positions

- ◆ Director of Compliance and Legal Affairs at Salama Cooperative Insurance Company
- ◆ Director of Compliance and Legal Affairs Department at Tokyo Marine Cooperative Insurance Company
- ◆ Director of Compliance and Legal Affairs Department at IAIC Islamic Arab Insurance Company
- ◆ Trained lawyer in the office of lawyer Abdullah Al-Asmari Advocates and Arbitration

### Qualifications

- ◆ LLM from University of Waikato Hamilton New Zealand 2009
- ◆ Bachelor of Law from King Abdulaziz University in Jeddah in 2004
- ◆ Certificate of Fundamentals of Insurance from the Institute of Banking 2011
- ◆ Diploma in legal advisor approved by the Arab Council for Administrative Development 2015
- ◆ He holds a previous license from the Ministry of Justice to practice the legal profession

### Experiences

- ◆ Director of Compliance and Legal Affairs at Salama Cooperative Insurance Company from 2013 to 2020
- ◆ Director of Compliance and Legal Affairs Department at Tokyo Marine Cooperative Insurance from 2012 to 2013
- ◆ Director of Compliance and Legal Affairs at the Islamic Arab Insurance Company (IAIC) from 2010 to 2012
- ◆ Trained lawyer in the office of lawyer Abdullah Al-Asmari Advocates and Arbitration from 2004 to 2007

## Shaker Faisal Mustafa Al-Khanani

Risk Manager at Salama Cooperative Insurance Company until 2020/07/30

### Previous Positions

- ◆ Director of Risk Management Salama Cooperative Insurance Company
- ◆ Director of Compliance and Risk at Al-Mustaqilla Insurance Brokerage Company

### Qualifications

- ◆ MSc Financial Services Management University of Salford UK Manchester 2018
- ◆ Bachelor's degree in Marketing from the College of Business Administration, University of Science and Technology Dhahban, Jeddah, in 2013

### Experiences

- ◆ Director of Risk Management Salama Cooperative Insurance Company from 2014 to 2020
- ◆ Director of Compliance and Risk at Al-Mustaqilla Insurance Brokerage Company from 2011 to 2014

## Abdullah Faisal Al-Bayari

Head of Cyber security at Salama Cooperative Insurance Company until 2020/12/31

### Previous Positions

- ♦ Analyst in the Department of Cyber security - King Abdulaziz University
- ♦ Head of Cyber security - Salama Cooperative Insurance Company

### Qualifications

- ♦ Bachelor's degree in Administrative Information Systems
- ♦ University of Business and Technology
- ♦ Master's degree in Cyber security - George Washington University

### Experiences

- ♦ Head of Cyber security - Salama Cooperative Insurance Company from 2018 to 2020
- ♦ Analyst in the Department of Cyber security - King Abdulaziz University from 2011 to 2014
- ♦ Bachelor's degree in Administrative Information Systems - University of Business and Technology
- ♦ Master's degree in Cyber security - George Washington University

# Seventh:

Companies (Inside or Outside the Kingdom) In Which a Member of the Company's Board Is a Member of Its Current and Previous Boards or Its Managers

## Members of the Board of Directors since 7/25/2019

Current membership in the boards of other companies	Inside / outside the kingdom	Legal entity	Previous membership in the boards of other companies or managers	Inside / outside the kingdom	Legal entity
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### Loai Hamza Basrawi did not complete the period

CEO of Umrah Company	Inside the kingdom	Closed joint stock company	<ul style="list-style-type: none"> <li>- General Executive Manager of Hafel Corporation for Transportation since 2009/7/1 to 2012/1/30.</li> <li>- General Executive Manager of Al-Madina and Al-Arabia Companies for Transportation since 2007/7/1 to 2009/6/30.</li> <li>- General Executive Manager of Fakhry Group Company since 2000/1/1 to 2006/6/30.</li> </ul>	Inside the kingdom	Closed joint stock company
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### Hussain Hassan Ali Bayari did not complete the period

<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors for Al-Firdous Group of Companies.</li> <li>- Member of the Board of Directors of Risan Arabia Company</li> <li>- Member of the Board of Directors of Al-Ruwais Company</li> </ul>	Inside the kingdom	Closed joint stock company	<ul style="list-style-type: none"> <li>- Projects Manager for Abdul Latif Jameel Real Estate Consultants Ltd. since 1993/2/25 to 1996/10/26</li> <li>- Deputy General Manager of Al-Sharif Group for Trade and Contracting since 1991/05 to 1993/01</li> </ul>	Inside the kingdom	Closed joint stock company
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### Moraia Saad Habash did not complete the period

Faculty member	Inside the kingdom	Governmental entity	<ul style="list-style-type: none"> <li>- Dean of Student Affairs of King Khalid University.</li> <li>- Chairman of the Student Fund Board of Directors at King Khalid University.</li> </ul>	Inside the kingdom	Governmental entity
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### Ahmed Ali Al-Shetifi did not complete the period

None	None	None	<ul style="list-style-type: none"> <li>- Director of Islamic Banking at Banque Saudi Fransi since 2002 to 2008.</li> <li>- Director of Administrative Affairs at the Banque Saudi Fransi since 2008 to 2002.</li> <li>- Director of Public Relations - Peace Aviation since 1990 to 1992.</li> </ul>	Inside the kingdom	General Joint-stock company
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### Wael Saad Al-Rashed did not complete the period

<ul style="list-style-type: none"> <li>- Member of the Board of Directors for Al-Sorayai Group</li> <li>- Member of the Board of Directors of Aldrees Company - ALITCO</li> </ul>	Inside the kingdom	General Joint-stock company	<ul style="list-style-type: none"> <li>- Member of the Board of Directors for Al-Sorayai Group</li> <li>- Member of the Board of Directors of the Saudi Bio-Acids Company</li> <li>- Vice President of Wire Factories Federation</li> <li>- CEO of Al-Mudaf Company.</li> <li>- CEO of Abdullah Al-Ameed Company</li> </ul>	Inside the kingdom	Closed joint stock company
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### Ahmed Tariq Murad

<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of SALAMA Cooperative Insurance Company</li> <li>- Vice Chairman of the Board of Directors of the Saudi United Fertilizers Company</li> <li>- Member audit committee in Anaam International Holding Group</li> </ul>	Inside the kingdom	<ul style="list-style-type: none"> <li>- Open joint stock company.</li> <li>- Limited liability company</li> </ul>	<ul style="list-style-type: none"> <li>- Vice President of Investment for Nesma Holding Company</li> <li>- Head of Product Development and Research for Al-Khabeer Capital</li> <li>- Senior Manager Corporate Finance for the Bahrain Shamil Bank</li> </ul>	Inside the kingdom	Limited liability company
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## Mazen Ibrahim Abdel Salamz

- Member of the Board of Directors of SALAMA Cooperative Insurance Company
- Dr. Samir Muhammad Ali Abbas Hospital Head of Support Services Sector and Director of Compliance and Legal Affairs Department
- General Manager of Badr Modern Company for Operation and Maintenance (a hospital-owned company)
- Partner and founder of the Arab Hudhud Company for Information Technology

Inside the kingdom

- Open joint stock company.  
- Closed joint stock company.

- Limited liability company

- Director of Strategic Management and Institutional Excellence, Al-Murjan Holding Company NOV2014 - OCT 2016
- Director of Financial Operations, Bagedo Hospital and Dr. Irfan March-2014/October 2014
- Director of the Western Region, Sanad Company for Cooperative Insurance March-2013 March 2014
- Director of Risk Management, Director of Marketing, Director of Quality Assurance, Secretary of the Board of Directors of Salama Cooperative Insurance Company August-2006 March 2013
- Division Manager for United Panda Company Feb-2004 Aug 2006

Inside the kingdom

Closed joint stock company

## Raed Al Qasim

- Member of the Board of Directors of SALAMA Cooperative Insurance Company

Inside the kingdom

- Open joint stock company

- General Manager of the Professional Group Company for the Insurance Agency
- General Director of the Raed Abdul Malik Yahya Al Qasim Foundation
- A Concession granted to the Tawuniya Insurance Company

Inside the kingdom

-(Professional Group) Limited liability company  
-(Raed Abdulmalik) Individual Establishment

## Akram Omar Gad

- Member of the Board of Directors of SALAMA Cooperative Insurance Company

Inside the kingdom

- Open joint stock company.

- Regional Director of the Western Region for WALAA Insurance Company
- General Manager of MEDAD Al-THIQA Insurance Agency

Inside the kingdom

-(WALAA) is Open joint stock company  
-(MEDAD) is Limited liability company

## Khaled Jaber Al-Zaidi

- Member of the Board of Directors of SALAMA Cooperative Insurance Company

Inside the kingdom

- Open joint stock company.

- Head of Accounts Department and Acting Financial Manager - Islamic Arab Insurance Company 1997-1998

Inside the kingdom

Open joint stock company

## Omar Nasser Makhharsh

- Vice Chairman of the Board of Directors of SALAMA Insurance Company

Inside the kingdom

- Closed joint stock company

- Individual Establishment

- Founder and CEO of MAKHARASH Office for Financial and Administrative Consultations

- Vice Chairman of the Board of Directors - Member of the Executive Committee - Chairman of the Nomination and Remuneration Committee - Member of the Investment Committee of the United Insurance Company - 2020 2017.
- Regional Director of the Western Region for RASMALA Saudi Investment Company 2008-2010.
- Senior Manager Corporate Banking Services - Saudi Hollandi Bank 1997-2008

Inside the Kingdom, a contribution with Gulf capital

- United Cooperative Insurance, Saudi Hollandi Bank is an Open joint stock company

## Mustafa Ghazi Khriba

- SHUAA Capital (UAE) Executive Vice President, Head of the Department of Asset Management and Investment Solutions.

- Cayman Islands Palace Preferred Partners GP
- Cayman Islands Director Director SPE Qannas C.
- Director of integrated EE Holding Islands (Montenegro)
- Cayman Islands director, integrated Eastern European fund

- Director of the Cayman Islands EE F&B Holding Ltd.
- Vice Chairman of the Gulf Finance Company
- Member of the Board of Directors for Reem Finance (UAE)

- Managing Director of the Islamic Arab Insurance Company SALAMA
- Goldilocks investment company limited
- Director of Abu Dhabi Financial Market
- Member of the Board of Directors of Khaleej Commercial Bank (Bahrain)
- Member of the Board of Directors of the Gulf Finance House (Bahrain)
- Member of the Board of Directors of Gulf Finance, a closed joint stock company (Saudi Arabia). Member of the Board of Directors
- Director of Etihad Reit (ic) limited Abu Dhabi Global Market
- Director of ADCorp Ltd (Abu Dhabi Global Market)

- Director of the United Kingdom Spadille Ltd
- Director UK North Care Ltd.
- Cayman Islands Director AD POWER LTD
- Cayman Islands director Qannas investment ltd
- Cayman Islands Director SPE Qannas B Ltd
- Cayman Islands palace real estate partners GP

- Vice President of Operations, Brainnox investment group
- Vice President of Operations, Global Investment Board
- Member of the Board of Directors of Integrated Capital (United Arab Emirates)

- Member of the Board of Directors of SHUAA Capital (United Arab Emirates)
- Member of the Board of Directors of Gulf Navigation Holding (United Arab Emirates)

- Member of the Board of Directors of Salama Cooperative Insurance Company

# Eighth

## The Board of Directors and Classification of Its Members

The Composition of the current Board of Directors since 2019\7\25

Members Names	Classification
Hussein Hassan Ali Bayari - He did not complete the period	Non-executive
Mustafa Ghazi Khriba - He did not complete the period	Non-executive
Loai Hamza Basrawi - He did not complete the period	Independent
Moraia Saad Habash - He did not complete the period	Independent
Ahmed Ali Al-Shetifi - He did not complete the period	Independent
Wael Saad Al-Rashed - He did not complete the period	Independent
Ahmed Tariq Murad	Independent
Mazen Ibrahim Abdel Salam	Independent
Raed Abdul Malik Al Qasim	Independent
Akram Omar Gad	Independent
Khaled Jaber Al-Zaidi	Independent
Omar Nasser Makharsh	Independent

# Ninth

## 1- The Measures Taken by The Board of Directors to Inform Its Members of Shareholders' Proposals and Observations About the Company and Its Performance

A request by a major shareholder to dismiss a board member, and the request has been denied due to the resignation of the member, noted that the members of the board are notified through the board meetings.

## 2- Penalties Imposed On the Company by The Authority or Any Supervisory Authority.

Suspending the trading of the company's shares for a period of one session on 2020/8/26 due to the company's inability to publish its preliminary financial results for the period ending in 2020/6/30 on the Saudi Stock Exchange website (TADAWUL) at the specified time due to the delay in obtaining regulatory approvals.

## 3- Ownership of Major Shareholders and Board Members.

### Major shareholders

Arab Islamic Insurance Company (SALAMA Emirates) Ownership %12.

Board Members.	Ownership Percentage
Ahmed Tariq Murad	0,0004
Omar Nasser Makharsh	0,000096
Mazen Ibrahim Abdel Salam	0,004

# Tenth

## Statement of the Remuneration of the Board Members and it's Committees.

Audit Committee Members	Fixed Remuneration (Except Meetings Allowances)	Meetings Allowances
Moraia Saad Al-Habbash <small>He did not complete the period</small>	0	1,500
Salem Ali Al-Qahtani <small>He did not complete the period</small>	0	1,500
Alaa Abd al-Hashem <small>He did not complete the period</small>	0	1,500
Khaled Jaber Al-Zaidi	0	0
Raed Fahad Al-Rusais	0	0
Walid Muhammad Marii	0	0
Total	0	4,500

## Investment Committee Members

	Fixed Remuneration (Except Meetings Allowances)	Meetings Allowances
Ahmed Tariq Murad	0	1,500
Khaled Jaber Al-Zaidi	0	1,500
Akram Omar Gad	0	1,500
Total	0	4,500

## Nominations and Remuneration Committee Members

Raed Abdul Malik Al Qasim	0	3,000
Akram Omar Gad	0	3,000
Omar Nasser Makharsh	0	3,000
Total	0	9,000

## Risk Committee Members

Mazen Ibrahim Abdel Salam	0	3,000
Omar Nasser Makharsh	0	3,000
Mustafa Ghazi Khriba <small>He did not complete the period</small>	0	1,500
Total	0	7,500

## The Executive Committee

Ahmed Tariq Murad	0	1,500
Raed Abdul Malik Al Qasim	0	1,500
Mazen Ibrahim Abdel Salam	0	1,500
Total	0	4,500



Independent Board Members	Certain amount	Meetings Allowances	Total meetings allowances	Fixed Remuneration			Variable Remuneration										
				Benefits in kind	Statement of what board members received as workers or administrators, or received for technical or administrative work or consultations.	Remuneration of the Chairman of the Board, the Managing Director, or if he is a member.	Total	profits percentage	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Granted Shares (value is entered)	Total	Severance package	total summation	expenses allowances	
<b>Loai Hamza Basrawi</b> He did not complete the period	-	3,000	-	-	-	-	3,000	-	-	-	-	-	-	-	-	-	
<b>Moraia Saad Habash</b> He did not complete the period	-	-	1,500	-	-	-	1,500	-	-	-	-	-	-	-	-	3,000	
<b>Ahmed Ali Al-Shtifi</b> He did not complete the period	-	3,000	-	-	-	-	3,000	-	-	-	-	-	-	-	-	-	
<b>Wael Al-Rashed</b> He did not complete the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Ahmed Tariq Murad</b>	-	18,000	3,000	20,993	-	-	41,993	-	-	-	-	-	-	-	-	-	
<b>Mazen Ibrahim Abdel Salam</b>	-	18,000	4,500	17,677	-	-	40,177	-	-	-	-	-	-	-	-	-	
<b>Omar Nasser Makharsh</b>	-	9,000	6,000	6,618.94	-	-	21,618.94	-	-	-	-	-	-	-	-	-	
<b>Akram Omar Gad</b>	-	15,000	4,500	13,228.44	-	-	32,728.44	-	-	-	-	-	-	-	-	-	
<b>Khaled Jaber Al-Zaidi</b>	-	9,000	1,500	10,007.63	-	-	20,507.63	-	-	-	-	-	-	-	-	-	
<b>Raed Abdul Malik Al Qasim</b>	-	15,000	4,500	16,582.15	-	-	36,082.15	-	-	-	-	-	-	-	-	9,000	
<b>Total</b>	-	90,000	25,500	85,107.16	-	-	200,607.16	-	-	-	-	-	-	-	-	12,000	
<b>Non-executive board members</b>																	
<b>Mustafa Ghazi Khriba</b> He did not complete the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	6,000	-
<b>Hussein Hassan Ali Bayari</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	9,000	-

Name	Fixed Remuneration									Variable Remuneration			
	Salaries	Allowances	Total meetings allowances	Benefits in kind	Total	Profits	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Granted Shares (value is entered)	Total	Severance Package	Total Summation
<b>Omar Al-Ajlani</b>	1,020,000	274,200	1,294,200								446,679	-	446,679
<b>Ammar Ghorab</b>	348,000	106,200	454,200								710,423	-	710,423
<b>Muhammad Al-Wahbi</b>	324,000	100,200	424,200								72,762	-	72,762
<b>Raed Kurdi</b>	300,000	94,200	394,200								134,229	-	134,229
<b>Khaled Bajunaid</b>	372,000	112,200	484,200								-	-	-
<b>Total</b>	2,364,000	687,000	3,051,000								1,364,093	-	1,364,093

# Eleventh

## Remunerations Policy

The Nomination and Remuneration Committee is charge of the remunerations as follows:

- 1- Establishing a clear policy for compensations, remunerations, and incentives for the board members, executives, and best use of the efforts of board members and CEO to achieve the company's strategic objectives, also adopting assessment tools to assess their performance against the goals set by the Board of Directors.
- 2- Setting standards for the remuneration of the board chairman and members that guarantee the best performance without affecting the independence of the members.
- 3- Setting standards for the remuneration of the CEO and heads of departments and units in the company, and standards for long-term incentives to link the interests of managers and the company's shareholders.
- 4- Reviewing annual fixed salaries and variable allowances on an annual basis for all company employees.
- 5- Constant review of the suitability of the company's remuneration standards against the company's performance, financial position, and basic trends in the labour market
- 6- Ensuring that the company's incentive policy does not lead to unjustifiable risks.
- 7- Following up on the implementation of the decisions taken by the General Assembly of shareholders and related to issues of the remuneration of board members and senior executives of the company and statement policy of the remuneration in the annual report of the Board of Directors.

# Twelfth

**Distribution of remuneration based on the approved remuneration policy without any material deviation.**

# Thirteenth:

## Annual review of the effectiveness of the company's internal control procedures.

As soon as the Board of Directors completed, The Board addressed the Saudi Central Bank in order to obtain the approval of the candidates for the Audit Committee Composition in accordance with Letter No. 2020\7 dated 2020\10\18, and they were appointed at the fifth meeting of the board for the fiscal year 2020, and subsequently the Board issued its decision No. 2020/23 dated 2020\11\30 on the appointment of the members of the Audit Committee, and then the Committee was approved by the General Assembly held on 2020\12\28.

The Board keeps ensuring the role of control departments by searching for the best competencies to fill, the Nominations and Remuneration Committee, the Audit Committee and the Executive Management conducted many personal interviews during the last period with candidates to fill vacant positions in the control departments.

The Board also updated the organizational structure of the company, taking into account the effectiveness of control procedures by separating some departments from each other in order to raise the efficiency of the control departments.

The Board of Directors adopted a decision approving the company's corporate governance regulation, where an entire chapter of the Company's oversight functions has been added to the regulation, to ensure highlighting the important role of the company's control departments and assessing the policies and procedures related to the implementation of the provisions of the relevant regulations.

# Fourteenth:

## The Social Contributions of the Company.

The company is paying attention to its social role since 2012, when the eleventh chapter of its approved implementing regulations was devoted to social services. Nowadays, the company seeks to develop its social services in order to keep pace with the enormous changes in society at all levels., as the executive regulations are now being updated, which includes improvements to the social contributions provided by the company.

The company also works to highlight its active role in in this track and spares no effort in targeted community initiatives and programs.



# Fifteenth:

The General Assemblies of the Shareholders Held During the Fiscal Year and The Names of the Members of the Board of Directors Attending These Assemblies :

## Attendance Record

The General Assembly meeting on 2020\6\16

<b>Loai Hamza Basrawi</b>	<b>Attended</b>
<b>Ahmed Al-Shetifi</b>	<b>Attended</b>
<b>Ahmed Tariq Murad</b>	<b>Attended</b>
<b>Mazen Abdel Salam</b>	<b>Attended</b>
<b>Hossein Bayary</b>	<b>Apologize for not attending</b>

The General Assembly meeting on 2020\10\12

<b>Ahmed Tariq Murad</b>	<b>Attended</b>
<b>Mazen Ibrahim Abdel Salam</b>	<b>Attended</b>
<b>Akram Omar Gad</b>	<b>Attended</b>
<b>Raed Abdul Malik Al Qasim</b>	<b>Attended</b>
<b>Ahmed Tariq Murad</b>	<b>Attended</b>

The General Assembly meeting on 2020\12\28

<b>Ahmed Tariq Murad</b>	<b>Attended</b>
<b>Omar Nasser Makhharsh</b>	<b>Attended</b>
<b>Mazen Ibrahim Abdel Salam</b>	<b>Attended</b>
<b>Akram Omar Gad</b>	<b>Attended</b>
<b>Raed Abdul Malik Al Qasim</b>	<b>Attended</b>
<b>Khaled Jaber Al-Zaidi</b>	<b>Attended</b>

# Sixteenth

## Description of the Main Activities of the Company

Activity	Activity revenues	Ratio
Activity (1) Vehicle insurance	313,894,587	71,6%
Activity (2) Medical insurance	89,361,781	20,90%
Activity (3) other insurances	24,366,972	5,70%
<b>Total</b>	<b>427,623,340</b>	<b>100%</b>



# Seventeenth:

## Company Plans and Significant Decisions

The company faced difficulties - like other companies in the insurance sector - in 2020 due to the economic crisis associated with the Corona pandemic, which led directly to a decrease in sales also the company's results. Highlights of the company's decisions, structural changes, and future expectations:

### Significant Company Decisions

- Reduction of administrative and general expenses.
- Create new channels for electronic sales.
- Focus on sales of general insurance products.
- Reduce company sales of high-loss activities and focus on better-profit sales.

### Organizational structure Changes

- Changes in the company's administrative structure.
- Introduce the actuarial services department and its reference for the CEO.
- Introduce the governance department.

### Company Future Expectations

- Complete the transformation of the company's internal systems to the new SAP system.
- Expanding and increasing the volume of electronic sales.
- Raise the insurance sales of lease financing vehicles.
- Increase diversity of the company's portfolios by introducing new high-profit insurance products.
- Increase in the company's share of general insurance products.
- Developing an employee training and talent attraction program.

### Induction Programme

An induction program was carried out on 2020\12\16 for the Board members at the main branch of SALAMA Cooperative Insurance Company, through an introductory tour accompanied by the CEO of the company and the Head of Human Resources, to get acquainted with the company's departments and directors of the executive management. Workshops and Sessions of Board Members

### Workshops and Sessions of Board Members

Governance and its implementation mechanisms on 2020\11\5. Cybersecurity workshop on governance, compliance and risk management 2020\12\21.

# Eighteenth:

## Company Risks

Risk Category	Description	Applicability	Risks Exposure
Product development and evaluation	The risk related to changes in one of the existing products to meet client's needs, and to make the product more marketable in a competitive environment. These changes may affect the coverage of the product and its requirements causing this risk.	Applicable	There is an exposure to risk in this category due to the fact that safety is involved in developing new insurance products and also settling for existing products. They are evaluated through the Insurance Products Committee, an internal committee of the Risk Committee.
Insurance Risk	The risk associated with assessing and accepting the risk of insurance.	Applicable	However, SALAMA complies with the instructions provided by the regulators, and will conduct assessments of the insurance needs required of clients, as well as acceptance tests to determine any potential subsequent risks. Exposure to risks can include the following: - SALAMA does not provide adequate insurance documents. - Attempts to launder money by clients with suspicious or criminal backgrounds
Claims Settlement Risk	The risk associated with paying claims to policyholders based on policy coverage.	Applicable	SALAMA Company handles the preparation of claims that will be responsible for evaluation and acceptance. However, claims management will act as a first line of defence to protect the company from any risks associated with clients' claims

Price Risk	The risk resulting from the process by which the company attempts to determine the appropriate premium price.	Applicable	Hence the company ensures that competitive risk is provided. Risk exposure in this category includes the following: - Offering high prices compared to other types of insurance. - The ability of the insurance to offer reduced rates due to internal efficiency.
Liquidity Risk	The risk related to the inability to liquidate assets quickly enough without sacrificing part of the assets' value. The risk of liquidity is more likely to occur when the assets are acquired in excess of the limit and long-term versus the capabilities of the insurance company.	Applicable	- Assets with a high percentage of revenue. - The obsolescence of receivables. - Accumulation of accounts payable and liabilities - Increase bad debt - The lack of an emergency financing plan.
Interest Rate Risk	The risk that the value of an investment changes due to a change in the interest rate.	Limited	- Limited investment portfolio. - Economic fluctuations. - Market and country stability.
Corporate Governance Risk	The risk related to the rules that dictate how rights and responsibilities are shared between the different shareholders of the company, the directors, the main administrators, and other financial shareholders.	Applicable	- Unclear roles of senior management and personnel. - Violation of the code of conduct - Failure to implement and establish the committees imposed by the Saudi Central Bank - Failure to apply the regulations imposed and stipulated by the legislature.
Currency Exchange Risk	The risk related to changing the value of the investment due to changes in currency exchange rates, and then impact on export and import activities, as well as international investments.	Limited	- Limited investment portfolio - Economic fluctuations - International and domestic stability - Maintaining reserves from volatile currencies.



Re-Insurance Risk	The risk associated with a portion of the risk transfer to another company.	Applicable	<ul style="list-style-type: none"> <li>- The reinsurer becomes unstable during the term of the agreement</li> <li>- Optional insurance is not part of the agreement surplus</li> <li>- A failure to introduce optional reinsurance into the reinsurance market</li> <li>- Optional reinsurance cannot be placed on the market</li> <li>- Premium payment guarantee</li> <li>- Loss of advice to the reinsurer within the agreement</li> <li>- Dealing with reinsurers who do not comply with SAMA regulations</li> </ul>
Country Risk	The risk related to changes in the business environment of a country, and then the impact on the profitability of the business carried out within it.	Applicable	<ul style="list-style-type: none"> <li>- Macroeconomic mismanagement when the authorities follow inappropriate monetary and fiscal policies, which may lead to inflation, high interest rates, recession, etc.</li> <li>- Cyclical changes and instability.</li> <li>- War or political turmoil.</li> <li>- Labour disruptions that may lead to higher costs or work stoppages.</li> </ul>
Reputation Risk	The risk associated with negative public opinion in the company. This affects the institution's ability to form relationships, provide services, or continue existing service relationships, and then expose the company to financial loss or a decline in its client base that affects profits and capital.	Applicable	<ul style="list-style-type: none"> <li>- Loss of the group's reputation</li> <li>- Poor reputation of the insurance company that the company has a large portfolio</li> <li>- Linking suspicious activities, whether by an employee, customer, or insurance service provider</li> <li>- Customer complaints about poor service and negative comments posted in the market</li> </ul>

Operational Risk	It is the financial loss resulting from inappropriate or failed internal processes or systems or from external events. The risk may arise from the policies, procedures and systems of a client or insurance company. Risk may also result from our external systems.	Applicable	<ul style="list-style-type: none"> <li>- Lack of documented policies and procedures</li> <li>- Lack of separation of duties</li> <li>- Power matrices unclear</li> <li>- The absence of a document on the strategic direction.</li> <li>- Inefficient outsourcing.</li> <li>- The risk of business continuity due to fire, failure, or systems.</li> <li>- Internal fraud.</li> <li>- Poor project management, insurance brokerage, and claimant activities operations</li> <li>- Money laundering attempts.</li> </ul>
IT Risk	Information technology risk is the risk that the technology used by the company to operate its basic operations such as sales, insurance and claims management.	Applicable	<ul style="list-style-type: none"> <li>- No backup copies.</li> <li>- Lack of a disaster and emergency recovery plan</li> <li>- The security level of the network and viruses</li> <li>- Unclear authorities.</li> <li>- Incorrect choice of software.</li> </ul>
HR Risk	It is the risk that occurs due to the human resource cycle during selection, employee management and dismissal.	Applicable	<ul style="list-style-type: none"> <li>- Limited experience</li> <li>- Unethical behaviour</li> <li>- Rotating employees, especially leadership positions</li> <li>- Lack of succession planning</li> <li>- Inflated labour cost</li> <li>- Conflict of interest</li> </ul>

<p>Information Security Risk Cyber risks</p>	<p>It is any risk that causes a defect or damage to the organization's reputation from data breaches and the security of its information</p>	<p>Applicable</p>	<ul style="list-style-type: none"> <li>- This insurance policy is not enforced on all SALAMA employees.</li> <li>- Lack of a timely prevention, detection and recovery plan for cyber-attacks.</li> <li>- The discrepancy between cybersecurity expenditures and how appropriate and correct tools and services are used</li> <li>- Ransomware attacks and others.</li> <li>- Unauthorized access to systems and uses.</li> </ul>
<p>Other Risks</p>	<p>Other risks not listed above.</p>	<p>Applicable</p>	<p>Each case is assessed on a case-by-case basis, as are the Third-Party risks, Epidemiological risks</p>

<p>Money Laundering and Terrorist Financing Operations</p>	<p>The risks that affect the company and its reputation from its misuse of money laundering or terrorist financing operations.</p>	<p>Applicable</p>	<p>Legal risk</p> <ul style="list-style-type: none"> <li>- Filing legal cases against the insurance company</li> <li>- Legal accountability by regulatory authorities - criminal responsibility</li> <li>- Financial fines</li> <li>- This is because KYC principles are not applied</li> <li>- Likewise, the insurance company failed to implement customer due diligence</li> </ul> <p>Reputation risk</p> <ul style="list-style-type: none"> <li>- It is the possibility of negative publicity (bad reputation) about the company and its business, whether it is correct or not, and this will lead to a loss of confidence of large segments of dealers towards the insurance company.</li> </ul> <p>Operational risk</p> <ul style="list-style-type: none"> <li>- It is the direct and indirect loss resulting from weak internal control procedures.</li> </ul> <p>Most of the operating risks relate to a KYC policy or a weak compliance and internal control program.</p> <p>Concentrations risk</p> <p>It is the company's failure to know all the clients' transactions and policies with the company's various branches and sectors.</p>
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# Nineteenth:

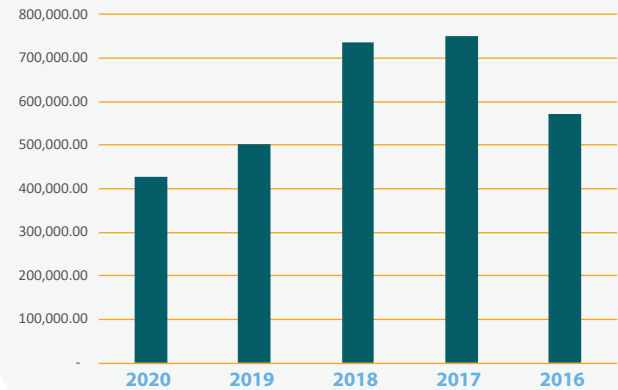
## The Company's Assets and Liabilities

The following is a review of the company's main financial indicators from 2020\1\1 until 12) 2020\12\31 months), as stipulated in the articles of association of the company.

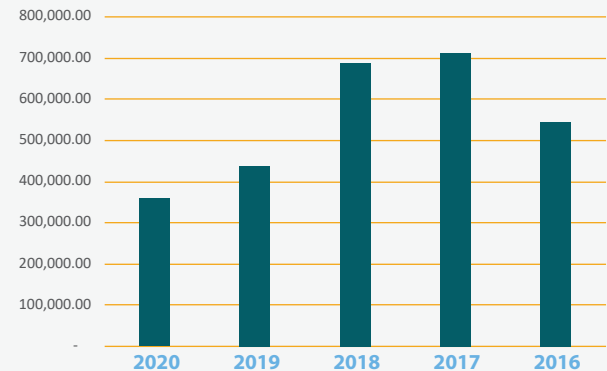
- The net profit for a period is 3,7 thousand riyals and the earnings per share is 0.15 riyals.
- The company achieved gross written premium of 427,623 thousand riyals.
- The net claims incurred during the period amounted to 280,401 thousand riyals.

## - Comparison of business results or the company's assets and liabilities in a graph:

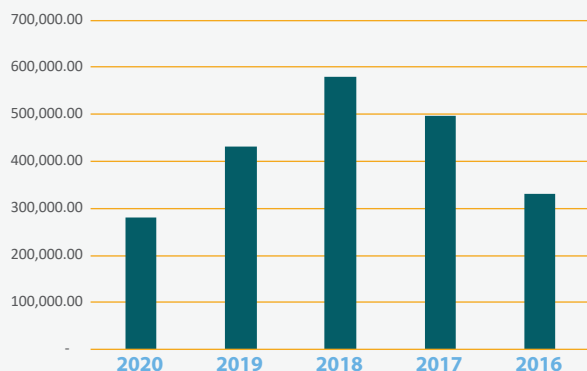
### Gross written premiums (GWP)



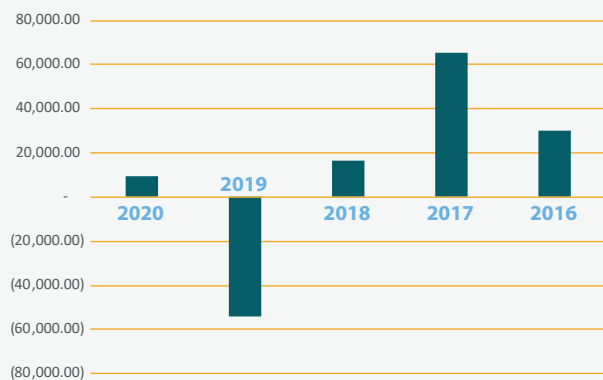
### Net written premiums (NWP)



## Net claims incurred



## Net profit - loss



## - Comparison of the Agenda in Table

Numbers are in thousands of riyals

Statement	2020	2019	2018	2017	2016
Gross written premiums (GWP)	427,623	503,504	734,982	750,691	571,353
Net written premiums (NWP)	359,964	437,864	687,344	712,826	543,098
Net claims incurred	280,401	431,516	578,781	497,888	329,961
Surplus (deficit) from insurance operations	74,185	26,692	14,392	69,285	29,770
Net profit - loss	9,702	-54,115	16,343	65,492	30,350

## -Comparison of Assets and Liabilities in Table

Numbers are in thousands of riyals

Statement	2020	2019	2018	2017	2016
<b>Insurance operations Assets</b>					
Cash and equivalents	309,231	329,572	395,539	419,848	363,265
Receivables, net	40,896	86,207	155,444	128,299	99,618
Other assets	152,647	108,366	96,957	54,361	45,732
Total assets of insurance operations	502,774	524,145	647,940	602,508	508,615
<b>Shareholders' Assets</b>					
Cash and equivalents	167,207	177,062	211,657	232,556	160,899
Other assets	41,352	41,014	27,779	40,165	47,976
Total shareholders' assets	208,559	218,012	239,436	272,721	208,875
Total assets	711,333	742,221	887,376	875,229	717,490

**- Comparison of Assets and Liabilities in Table**

Numbers are in thousands of riyals

Statement	2020	2019	2018	2017	2016
<b>Liabilities of insurance operations</b>					
Receivables from reinsurers	7,037	7,811	6,547	9,902	6,449
Technical reserves	374,592	418,659	511,354	508,910	433,127
Other liabilities	102,682	85,396	83,238	70,599	62,868
<b>Total liabilities of insurance operations</b>	<b>470,237</b>	<b>511,966</b>	<b>601,139</b>	<b>589,411</b>	<b>502,444</b>
Surplus from insurance operations	15,148	14,535	14,535	13,097	6,171
<b>Total insurance liabilities and surplus</b>	<b>485,385</b>	<b>526,501</b>	<b>615,674</b>	<b>602,508</b>	<b>508,615</b>

**Shareholders' liabilities and equity**

Shareholders' liabilities	34,799	28,549	22,447	20,353	15,699
Shareholders' equity	206,297	202,596	262,711	252,368	193,176
<b>Total shareholders' liabilities and equity</b>	<b>241,096</b>	<b>231,055</b>	<b>285,158</b>	<b>272,721</b>	<b>208,875</b>
<b>Gross liabilities and shareholders' equity</b>	<b>726,481</b>	<b>757,556</b>	<b>900,832</b>	<b>875,229</b>	<b>717,490</b>

# Twentieth:

**Geographical Analysis of the Total Revenues of the Company and its Subsidiaries**

	Statement		
Statement	Western	Central	
Written premiums	33,182	53,560	
Statement	Eastern	Other	Total
Written premiums	312,276	28,604	427,623

# Twenty First:

## Material Differences in Operational Results

### - List of insurance operations results

Numbers are in thousands of riyals

Statement	2020	2019	Percentage change
<b>Revenues</b>			
Total written premiums	427,623	503,504	-15,07%
Less: Reinsurance premiums and excess loss insurance	-67,659	-65,640	3,08%
Net written premiums	359,964	437,864	-17,79%
Changes in unearned premiums	12,787	66,134	-80,67%
Net earned premiums	372,751	503,998	-26,04%
Net commission reinsurance	6,966	5,953	17,02
Other subscription revenues	5,680	2,216	156,32%
Investment income	9,884	2,233	205,72%
Other income	3,220	1,601	101,12%
Total revenue	398,501	517,001	-22,92%
<b>Costs and Expenses</b>			
Total claims paid	347,288	501,320	-30,73%
Less: the share of reinsurers	-35,133	-31,848	10,31%
Net claims paid	312,154	469,472	-33,51%

Changes in outstanding claims	-31,752	-37,956	16,35%
Net claims incurred	280,401	431,516	% -35,02
Reserve for insurance premium deficit and other technical reserves	-12,944	4,583	% -382,44
Costs of acquiring deferred documents and other operating expenses	43,756	49,376	-11,38%
General and administrative expenses and provision for doubtful debts	81,156	94,789	-14,38%
Total costs and expenses	392,369	580,264	-32,38%
Surplus from insurance operations	6,133	63,263	-90,31%
Shareholders' share of surplus insurance operations	-5,519	-63,263	-91,28%
Insurance policyholders' share of the surplus	613	-	100,00%
Surplus accumulated at the end of the year	3,702	-60,115	-106,16%

### - List of shareholders' operations

Numbers are in thousands of riyals

Statement	2020	2019	Percentage change
Shareholders' share of surplus insurance operations	6,133	-63,263	90,31%
Investment income	5,997	10,086	-40,54%
General and administrative expenses	1,814	938 -	-93,39%
Net profit / loss for the year	9,702	-54,115	82,07%
Profit per share in riyals	0,15 SAR	-2,40 SAR	100,15%

# Twenty Second:

## Description of The Company's Policy in Distributing Dividends

Article (44) of the articles of association of the company states the following:

The dividends are distributed to the shareholders as follows:

- 1- Avoiding Zakat and assessed income tax.
- 2- Set aside (20%) of the net profits to form a statutory reserve, and the general assembly may regular discontinuation of this reserve when the said reserve reaches the total paid-up capital.
- 3- The Regular General Assembly based on a proposal of the Board of Directors to avoid a percentage of the net annual profits to form an additional reserve and allocate it to a specific purpose or purposes decided by the General Assembly.
- 4- From the remainder, a first payment of no less than (5%) of the capital shall be distributed to the shareholders paid up.
- 5- The remainder is then distributed to the shareholders as a share in the profits or transferred to an account retained earnings.
- 6- By a decision of the Board of Directors, it is permissible to distribute periodic profits to be deducted from the annual profits specified in paragraph 4 above, in accordance with the rules regulating this and issued by the competent authorities.

**As the company has not amortized the capital losses (as was explained in the financial results above), no profits will be distributed for this period. In the future, when achieving profits, the company will ensure to distribute profits to shareholders from its net profits after deducting the legal zakat and the approval of the competent authorities and the general assembly based on the recommendation of the company's board of directors.**

# Twenty Third:

Board of Directors Meetings	Number of Meetings						Total
	1st 2020\6\20	2nd 2020\7\2	3rd 2020\8\20	4th 2020\10\23	5th 2020\11\30	6th 2020\12\31	
<b>Loai Hamza Basrawi</b>	Attended	Not a member	Not a member	Not a member	Not a member	Not a member	1
<b>Moraia Saad Habash</b>	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	0
<b>Hussein Hassan Bayari</b>	Attended	Not a member	Not a member	Not a member	Not a member	Not a member	1
<b>Ahmed Ali Al-Shtifi</b>	Attended	Not a member	Not a member	Not a member	Not a member	Not a member	1
<b>Mazen Ibrahim Abdel Salam</b>	Attended	Attended	Attended	Attended	Attended	Attended	6
<b>Wael Saad Al-Rashed</b>	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	0
<b>Ahmed Tariq Murad</b>	Attended	Attended	Attended	Attended	Attended	Attended	6
<b>Khaled Jaber Al-Zaidi</b>	Not a member	Not a member	Not a member	Attended	Attended	Attended	3
<b>Raed Abdul Malik Al Qasim</b>	Not a member	Attended	Attended	Attended	Attended	Attended	5
<b>Akram Omar Gad</b>	Not a member	Attended	Attended	Attended	Attended	Attended	5
<b>Omar Nasser Makhharsh</b>	Not a member	Not a member	Not a member	Attended	Attended	Attended	3
<b>Mustafa Ghazi Khriba</b>	Not a member	Not a member	Not a member	Attended	Attended	Resigned	2



# Twenty Fourth:

## The Number of Company Requests for Shareholders Record, Dates and Reasons for Those Requests

Requests Number	Request Date	Reasons
(1)	2020/01/09	Company's procedures
(2)	2020/02/17	Company's procedures
(3)	2020/04/01	Other
(4)	2020/04/14	Company's procedures
(5)	2020/04/23	Other
(6)	2020/04/30	Other
(7)	2020/05/07	Other
(8)	2020/05/21	Other
(9)	2020/06/04	General Assembly
(10)	2020/06/10	Other
(11)	2020/06/11	Other
(12)	2020/06/15	General Assembly

(13)	2020/06/16	General Assembly
(14)	2020/06/17	Other
(15)	2020/07/08	Other
(16)	2020/07/22	Other
(17)	2020/07/29	Other
(18)	2020/09/08	Other
(19)	2020/08/13	Other
(20)	2020/08/20	Other
(21)	2020/08/27	Other
(22)	2020/08/31	Other
(23)	2020/09/19	Other
(24)	2020/09/30	Other
(25)	2020/10/06	Other
(26)	2020/10/11	Other
(27)	2020/10/12	General Assembly
(28)	2020/12/20	Other
(29)	2020/12/28	General Assembly

# Twenty Fifth:

## Contracts and Business Related Parties

There are no related parties in 2020

# Twenty Sixth:

## Statement of the Value of the Statutory and Due Payments

البيان	2020		Numbers are in thousands of riyals	
	Repaid	Due until the end of the annual fiscal period and has not been paid	Brief Description	Reasons
Zakat	0	6,000	Provision for the year 2020	Mandatory
Tax	1,553	124	Taxes on reinsurance transfers	Mandatory
Public Institution for Social Security	2,902	0	Pay subscriptions	Mandatory
SAMA's supervision costs	2,292	445	Pay fees	Mandatory
Costs of health insurance supervision	917	252	Pay fees	Mandatory
Costs of visas, passports, labour office fees, and other government expenses	1,060	0	Pay fees	Mandatory
Financial market (TADAWUL) service fees	378	0	0	
Company fines	896	0	0	

## Statement of The Value of The Company's Fines

Entity	Reason of fine	Amount	Treatment Methods
Saudi Central Bank	Failure to adhere to the announced precautionary and preventive measures	20,000	Commitment to precautionary measures and preventive measures
Saudi Central Bank	Delayed payment of a motor claim	5,000	Payment will be made on time
Saudi Central Bank	Not obtaining a no-objection on the initial statements for 2nd Quarter of 2019 and the annual statements for the year 2019 during the specified period and other violations of insurance control.	30,000	The commitment to obtain approval for the financial statements will be made at the specified time.
Saudi Central Bank	Not obtaining a no-objection on the initial statements for 2nd Quarter of 3 & 2020rd Quarter of 2020 during the specified period and other violations of insurance control.	360,000	The commitment to obtain approval for the financial statements will be made at the specified time.
Ministry of Human Resources	Dismissing of employees due to the Corona pandemic	80,000	Laws and regulations will be adhered to
Capital Market Authority	Delayed announcement of financial statements of 2nd Quarter of 2020	20,000	The will be committed announcement at the specified time
Saudi Central Bank	Delayed payment of supervision fees for 4th Quarter of 2020	16,314.38	Payments will be made on time
		531,314.38	

The company would like to clarify that the total fines are for the year 2019 (3,561.37)

# Twenty Seventh:

## Auditor's Opinion

The company has a balance of 15.1 million within other receivables as on December 2020 ,31. This balance represents differences in the system's mechanism for processing and automatically settling outstanding amounts, the absence of details of these transactions and the difficulty of identifying or tracking them due to the difficulties related to the implementation of the information transformation of the new accounting system SAP.

The Executive Management has escalated the matter to the management of SAP Company to follow up and end these differences and the outstanding amounts, up to the end of the second quarter of the current year.

# Twenty Eighth:

## Conclusion

### Tribute

The Board of Directors expresses its thanks and appreciation to the clients of the company for their valuable trust, it is also pleased to extend his sincere thanks and gratitude to all Shareholders whose shares have become instrumental in confirming the company's leadership of the Saudi Insurance Market.

Board also extends its thanks and gratitude to the Saudi Central Bank, the Saudi Financial Market Authority, the Health Insurance Board and the Ministry of Commerce for their continued support for the development of the insurance sector in the kingdom. Also, much appreciation to the Management of the Company and its Employees for their dedicated efforts during the year.

# Twenty Ninth:

## Statements

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1. The Account records have been properly prepared.
2. The internal control system is well-built and is being implemented effectively in the best possible way.
3. There is no doubt about the ability of SALAMA Company to continue its activity.
4. No loans on the company.
5. The Company acknowledges the implementation of all provisions contained in the Corporate Governance Regulations.



**@salamacic**  
**www.salama.com.sa**



**External Auditors Report for the fiscal year  
ended on 31 December 2020**

**Financial Statements for the fiscal year ended  
on 31 December 2020**

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**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**Financial Statements**  
**And Independent Auditors' Report**  
**For the year ended 31 December 2020**

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# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **Financial Statements and Independent Auditors' Report For the year ended 31 December 2020**

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<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Report	1 – 5
Statement of Financial Position	6
Statement of Income	7 – 8
Statement of Comprehensive Income	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 – 68

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Qualified Opinion**

We have audited the financial statements of Salama Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the paragraph of Basis for Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Qualified Opinion**

As stated in Note 10 to the financial statements, the Company has other receivables balance of SAR 15.1 million as of December 31, 2020, which represents accounting system processing differences related to the insurance operations due to the difficulties in the implementation of the new IT system, which has been escalated to the upper management of the IT system developer. We were unable to obtain sufficient appropriate evidence in respect of the other receivables balance. In light of the above, we were unable to determine whether any adjustments to other receivables were required and we were unable to determine the possible impact on the financial statements for the year ended December 31, 2020.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our 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 qualified 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. For each matter below, a description of how our audit addressed the matter is provided in that context:



**INDEPENDENT AUDITORS' REPORT (continued)**  
**TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**Key Audit Matters (continued)**

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matters</b>
<p><b>Valuation of ultimate claim liabilities arising from insurance contracts</b></p> <p>As at 31 December 2020, outstanding claims including claims Incurred but Not Reported (IBNR) amounted to Saudi Riyals 149,460 thousands as disclosed in Note 8 and 14 to the financial statements.</p> <p>The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.</p> <p>The Company principally 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>Due to the estimation uncertainty and subjectivity involved including uncertainties due to Covid 19 pandemic in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter.</p> <p>Refer to notes 2 and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgements and estimates.</p>	<p>We understood, evaluated and tested key controls around the claims handling and provision setting processes.</p> <p>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.</p> <p>We performed substantive tests on the amounts recorded for a sample of claims notified and paid, including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to the accounting records.</p> <p>In order to challenge management's methodologies and assumptions, we were assisted by our actuarial expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuarial expert performed the following:</p> <ul style="list-style-type: none"> <li>- Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practice and with prior periods. We sought sufficient justification for any significant differences.</li> </ul>

**INDEPENDENT AUDITORS' REPORT (continued)**  
**TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**Key Audit Matters (continued)**

Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.</li> </ul> <p>We assessed the adequacy and appropriateness of the related disclosures in the financial statements.</p>

**Other Information Included in the Company's 2020 Annual Report**

Management is responsible for the other information. Other information comprises the information included in the Company's 2020 annual report but does not include financial statements and our auditors' report thereon. The annual report 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 do not and 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 when it becomes available 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

As described in the *Basis for Qualified Opinion* section above, the Company has other receivables balance which represents accounting system processing differences related to the insurance operations due to the difficulties in the implementation of new IT system. This results in the other information being materially misstated with respect to this matter.

**INDEPENDENT AUDITORS' REPORT (continued)**  
**TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management 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, management is 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 management either intend to liquidate the Company or to cease operations, or have 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 ISAs 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 ISA 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 management.

**INDEPENDENT AUDITORS' REPORT (continued)**  
**TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of management's 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.
- 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.

**For Al Azem, Al Sudairy, Al Shaikh & Partners**  
Certified Public Accountants



Abdullah M. AlAzem  
Certified Public Accountant  
License No. 335

**For Dr. Mohamed Al-Amri & Co.**  
Certified Public Accountants



Jamal M. Al-Amri  
Certified Public Accountant  
License No. 331



26 Sha'aban 1442H  
corresponding to 8 April 2021



**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Notes	31 December 2020	31 December 2019 (Restated, note 34)	1 January 2019 (Restated, note 34)
		SR'000		
<b>ASSETS</b>				
Cash and cash equivalents	4	159,246	29,761	88,219
Term deposits	5 & 34	148,318	358,483	345,557
Premiums and reinsurers' receivable – net	6	40,896	86,207	155,444
Reinsurers' share of unearned premiums	14.2	23,270	21,858	13,139
Reinsurers' share of outstanding claims	8 & 14.1	20,910	8,745	13,316
Reinsurers' share of claims incurred but not reported	8 & 14.1	11,782	12,273	10,467
Deferred policy acquisition costs	7	21,020	9,033	14,135
Investments	9 & 34	168,874	118,390	173,420
Prepaid expenses and other assets	10	42,232	18,766	24,377
Right of use assets- net	13.1	21,927	26,936	-
Property and equipment- net	11	7,150	12,044	14,459
Intangible assets- net	12	4,539	6,304	7,157
Statutory deposit	15	37,500	37,500	25,000
Accrued commission on statutory deposit	15	3,668	3,328	2,686
<b>TOTAL ASSETS</b>		<b>711,332</b>	<b>749,628</b>	<b>887,376</b>
<b>LIABILITIES</b>				
Policyholders claims payable		13,522	13,943	7,583
Accrued expenses and other liabilities	17	30,365	31,034	52,179
Lease liabilities	13.2	19,922	23,703	-
Reinsurers' balances payable		7,037	7,811	6,547
Unearned premiums	14.2	218,302	229,678	287,093
Unearned reinsurance commission	18	3,733	3,401	2,543
Outstanding claims	8 & 14.1	27,754	38,953	58,370
Claims incurred but not reported	8 & 14.1	121,706	130,586	151,890
Premium deficiency reserve	14.1	-	9,782	5,083
Other technical reserves	14.1 & 19	3,096	6,259	6,375
Employee benefit obligations	20	9,701	9,688	8,941
Surplus distribution payable	25	15,149	14,535	14,535
Provision for zakat	24	31,131	25,131	19,761
Accrued commission income payable to SAMA	15	3,668	3,328	2,686
<b>TOTAL LIABILITIES</b>		<b>505,086</b>	<b>547,832</b>	<b>623,586</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	26	250,000	250,000	250,000
Statutory reserve		5,003	5,003	5,003
Accumulated losses		(48,705)	(52,407)	7,708
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>206,298</b>	<b>202,596</b>	<b>262,711</b>
Re-measurement reserve of defined benefit obligations – related to insurance operations		(52)	(800)	1,079
<b>TOTAL EQUITY</b>		<b>206,246</b>	<b>201,796</b>	<b>263,790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>711,332</b>	<b>749,628</b>	<b>887,376</b>
COMMITMENTS AND CONTINGENCIES	16	10,200	10,200	10,200

Chief Executive Officer

for Chief Financial Officer


Chairman


The accompanying notes from 1 to 35 form an integral part of these financial statements.


**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

		31 December 2020	31 December 2019
	Notes	SR'000	
<b><u>REVENUES</u></b>			
Gross premiums written	14.2	427,623	503,504
Reinsurance premiums ceded			
- Local		(1,087)	(691)
- Foreign		(44,565)	(48,614)
	14.2	(45,652)	(49,305)
Excess of loss expenses			
- Local		(1,353)	(464)
- Foreign		(20,654)	(15,871)
	14.2	(22,007)	(16,335)
<b>Net premiums written</b>	14.2	<b>359,964</b>	<b>437,864</b>
Changes in unearned premiums, net		12,788	66,134
<b>Net premiums earned</b>	14.2	<b>372,752</b>	<b>503,998</b>
Reinsurance commissions	18	6,967	5,953
Other underwriting income		5,680	2,216
<b><u>TOTAL REVENUES</u></b>		<b>385,399</b>	<b>512,167</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	8	347,288	501,320
Reinsurers' share of claims paid	8	(35,133)	(31,848)
<b>Net claims paid</b>		<b>312,155</b>	<b>469,472</b>
Changes in outstanding claims, net		(23,364)	(14,846)
Changes in claims incurred but not reported, net		(8,389)	(23,110)
<b>Net claims incurred</b>	8	<b>280,402</b>	<b>431,516</b>
Changes in premium deficiency reserve		(9,782)	4,699
Changes in other technical reserves		(3,163)	(116)
Policy acquisition costs	7	17,312	28,031
Other underwriting expenses		26,444	21,345
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>		<b>311,213</b>	<b>485,475</b>
<b>NET UNDERWRITING INCOME</b>		<b>74,186</b>	<b>26,692</b>

  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF INCOME - Continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

		31 December 2020	31 December 2019
	Notes	<u>SR'000</u>	
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>			
Allowance for doubtful debts/ (Reversal of provision for doubtful debts)	6	(238)	4,604
General and administrative expenses	28	(82,734)	(100,331)
Investment income/(loss)		2,077	(208)
Commission from held to maturity investments	9	2,098	163
Commission income from term deposit		8,087	8,413
Unrealized gain on investments	9	3,620	4,951
Other income		3,220	1,601
<b><u>TOTAL OTHER OPERATING EXPENSES</u></b>		<u>(63,870)</u>	<u>(80,807)</u>
Net income / (loss) before surplus and zakat		10,316	(54,115)
Income attributed to the insurance operations		(614)	-
<b>Income / (loss) for the year attributable to the shareholders before zakat</b>		9,702	(54,115)
Zakat	24	(6,000)	(6,000)
<b>NET INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<u>3,702</u>	<u>(60,115)</u>
Weighted average number of ordinary shares outstanding (thousands shares )		25,000	25,000
Basic and diluted earnings / (loss) per share	29	0.15	(2.40)

  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.


**SALAMA COOPERATIVE INSURANCE COMPANY**  
 (A Saudi Joint Stock Company)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	<u>31 December 2020</u>	<u>31 December 2019</u>
		<u>SR'000</u>	
NET INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		3,702	(60,115)
<b><u>OTHER COMPREHENSIVE INCOME / (LOSS)</u></b>			
<b>Items that will not be reclassified to statements of income in subsequent years</b>			
Actuarial gains / (losses) on defined benefit obligation – related to Insurance operations	20	748	(1,879)
<b>Total comprehensive income / (loss) for the year</b>		<u>4,450</u>	<u>(61,994)</u>

  
 \_\_\_\_\_  
 Chief Executive Officer

  
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 for Chief Financial Officer

  
 \_\_\_\_\_  
 Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statement.




**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total Equity SR'000
<b>2020</b>					
Balance as at 1 January 2020	250,000	5,003	(52,407)	(800)	201,796
<b>Total comprehensive income for the year:</b>					
Net income for the year – Attributable to shareholders	-	-	3,702	-	3,702
Other comprehensive income	-	-	-	748	748
<b>Total comprehensive income</b>	-	-	3,702	748	4,450
Balance as at 31 December 2020	250,000	5,003	(48,705)	(52)	206,246
<b>2019</b>					
Balance as at 1 January 2019	250,000	5,003	7,708	1,079	263,790
<b>Total comprehensive loss for the year:</b>					
Net loss for the year – Attributable to shareholders	-	-	(60,115)	-	(60,115)
Other comprehensive loss	-	-	-	(1,879)	(1,879)
<b>Total comprehensive loss</b>	-	-	(60,115)	(1,879)	(61,994)
Balance as at 31 December 2019	250,000	5,003	(52,407)	(800)	201,796

  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

**SALAMA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	SR'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) attributed to shareholders before zakat	9,702	(54,115)
<b>Adjustments for non-cash items:</b>		
Net income attributed to insurance operations	614	-
Depreciation of property and equipment	5,031	5,042
Amortization of intangible assets	1,765	1,688
Depreciation of right of use assets	4,454	5,095
Finance cost on lease liabilities	1,293	1,521
Amortization of held to maturity investments	-	59
Allowance for doubtful debts / (Reversal of provision for doubtful debts)	238	(4,604)
Unrealized gain on investments at fair value through statement of income	(3,620)	(4,951)
Employee benefit obligations	2,106	2,220
	<b>21,583</b>	<b>(48,045)</b>
<b>Changes in operating assets and liabilities:</b>		
Premiums and reinsurers' receivable	45,073	73,841
Reinsurers' share of unearned premiums	(1,412)	(8,719)
Reinsurers' share of outstanding claims	(12,165)	4,571
Reinsurers' share of claims Incurred but not reported	491	(1,806)
Deferred policy acquisition costs	(11,987)	5,102
Prepaid expenses and other assets	(23,466)	5,611
Accrued commission from statutory deposit	(340)	(642)
Policyholders and claims payable	(421)	6,360
Accrued expense and other liabilities	(669)	(21,145)
Reinsurers' balances payable	(774)	1,264
Unearned premiums	(11,376)	(57,415)
Unearned reinsurance commission	332	858
Outstanding claims	(11,199)	(19,417)
Claims incurred but not reported	(8,880)	(21,304)
Premium deficiency reserves	(9,782)	4,699
Other technical reserves	(3,163)	(116)
Accrued commission income payable to SAMA	340	642
	<b>(27,815)</b>	<b>(75,661)</b>
Zakat paid	-	(630)
Employee benefits paid	(1,345)	(3,352)
<b>Net cash flows used in operating activities</b>	<b>(29,160)</b>	<b>(79,643)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(81,931)	(77,821)
Proceeds from sale of investments	13,071	127,645
Statutory deposit	-	(12,500)
Placement of term deposits	(247,000)	(405,000)
Proceeds from term deposits	457,165	392,075
Proceeds from held to maturity investments	21,996	10,097
Purchase of property and equipment	(137)	(2,627)
Purchase of intangible assets	-	(835)
<b>Net cash flows from investing activities</b>	<b>163,164</b>	<b>31,034</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease liabilities	(4,519)	(9,849)
<b>Net cash flows used in financing activities</b>	<b>(4,519)</b>	<b>(9,849)</b>
Net change in cash and cash equivalents	129,485	(58,458)
Cash and cash equivalents, at the beginning of the year	29,761	88,219
<b>Cash and cash equivalents, at the end of the year</b>	<b>159,246</b>	<b>29,761</b>

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1. GENERAL**

Salama Cooperative Insurance Company (“the Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal 1428H (corresponding to 23 May 2007).

The registered office address of the Company is:

Salama Tower;  
Al Madinah Road  
P.O. Box 4020;  
Jeddah 21491;  
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

### **2. BASIS OF PREPARATION**

#### **a. Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed in the Kingdom of Saudi Arabia (“KSA”), and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The financial statements of the Company as at and for the year ended 31 December 2020 were prepared in compliance with IFRS as endorsed in KSA.

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value and re-measurement of employee benefit obligations. The Company’s statement of financial position is presented in order of liquidity. Except for property and equipment, right of use assets, intangible assets, statutory deposit, employee benefits, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

Similarly, the Company’s annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **2. BASIS OF PREPARATION – (continued)**

#### **a. Basis of presentation – (continued)**

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented on pages 53 to 59 of 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 requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of 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.

The inclusion of separate information of the insurance operations with the financial information of the Company in the statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

During 2018, under the supervision of SAMA, the insurance companies' management prepared and adopted the illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

#### **b. Functional and presentation currency**

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousands, except where otherwise indicated.

#### **c. Fiscal year**

The Company follows a fiscal year ending December 31.

#### **d. Critical accounting judgments, estimates and assumptions**

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In preparing these financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimation uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management is unable at this time to reasonably quantify the estimation uncertainties as disclosed in note 31 to these financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **2. BASIS OF PREPARATION – (continued)**

#### **d. Critical accounting judgments, estimates and assumptions – (continued)**

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

##### **i) The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

##### **ii) Impairment of financial assets**

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

##### **iii) Impairment of receivables**

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

##### **iv) Fair value of financial instruments**

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2. BASIS OF PREPARATION – (continued)

#### d. Critical accounting judgments, estimates and assumptions – (continued)

v) Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews residual values and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

vi) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### e. Seasonality of operations

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, except as explained below:

#### a) New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The following new standards, interpretations, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020, as applicable:

<b>Standard/ Amendments</b>	<b>Description</b>
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3 Conceptual Framework	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Amendments to References to Conceptual Framework in IFRS Standards
	Interest rate benchmark reform

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

#### **Amendments to IAS 1 and IAS 8 on the definition of material**

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

#### **Amendments to IFRS 3 – definition of a business**

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

#### **Amendments to References to the Conceptual Framework in IFRS Standards**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)

##### Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss. These will be considered while implementing of IFRS 17 effective from 1 January 2023.

#### b) Standards issued but not yet effective

The following are the standards issued but not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Annual periods beginning on or after</u>
IFRS 17	Insurance Contracts	See below
IFRS 9	Financial Instruments	See below
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2021
IFRS 16	Leases for COVID-19 rent related concessions	1 January 2021
IFRS 3	Reference to Conceptual Framework	1 January 2021
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2021
IAS 37	Onerous contracts: Cost of Fulfilling a contract	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

### IFRS 17 – Insurance Contracts

#### Overview

This standard has been published in 18 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. 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 model 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

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Standards issued but not yet effective (continued)

##### IFRS 17 – Insurance Contracts (continued)

- 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, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. 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.

The Variable Fee Approach (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, the CSM is also adjusted for:

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

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the 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 General Measurement Model 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

Issued in May 2017, IFRS 17 sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds. In June 2020, the International Accounting Standards Board (Board) issued latest amendments to IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. 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 together with amendments to presentation and disclosures.



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Standards issued but not yet effective (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:

Impact Area	Summary of impact
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3.
IT Systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17 and as part of the system exercise, company is in the process of onboarding a solution vendor for IFRS 17.
Impact on RI Arrangements	Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products.
Impact on Policies & Control Frameworks	<p>The company is in the process of updating Accounting and Finance Policies and Procedures to cover the following new and additional requirements:</p> <ul style="list-style-type: none"><li>• Unbundling</li><li>• Level of aggregation</li><li>• Measurement models</li><li>• Risk Adjustment Methodologies</li><li>• New presentation and disclosure requirements</li></ul> <p>The revised manual to be followed by Finance function to ensure that financial statements are in conformity with International Financial Reporting Standards 17 (IFRS 17) on effective date.</p>
Human resources	The Company will also recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17 and also provide trainings to the existing employees.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Standards issued but not yet effective (continued)

##### IFRS 17 – Insurance Contracts (continued)

Impact

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 impact
Governance and control	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 is in the process of selecting an IFRS 17 solution vendor while finalizing various processes needed for transition and assessment of new resources, if any, 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.
IT Systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17. As part of the system exercise, company is in the process of onboarding a solution vendor for IFRS 17.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

##### IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at 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 are 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.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Standards issued but not yet effective (continued)

##### IFRS 9 – Financial Instruments (continued)

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.

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 liability 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.

##### 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.

##### 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 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 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
2. annual reporting periods beginning on or after 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to 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 predominantly connected with insurance and have not applied IFRS 9 previously; or,

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Standards issued but not yet effective (continued)

##### IFRS 9 – Financial Instruments (continued)

3. 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 beginning of 1 January 2020 which included below:

1. 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
2. the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments 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 the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

#### Impact assessment

As at 31 December, 2020, the Company has total financial assets and insurance related assets amounting to SR 551,077 thousand (2019: 613,859 thousand ) and SR 155,328 thousand (2019: 128,647 thousand ), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 494,539 thousand (2019: SR 428,104 thousand ). Other financial assets consist of available for sale investments amounting to SR 1,923 thousand (2019: 1,923 thousand). The Company expect to use the FVOCI classification of 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. Other financial assets have a fair value of SR 153,319 thousand (2019: SR 183,832 thousand) with a fair value change during the year SR 4,532 thousand (2019: SR 9,027). Credit risk exposure, concentration of credit risk and credit quality of these assets are mentioned in note 31.

The Company financial assets have low credit risk as at 31 December 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.

#### Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **b) Standards issued but not yet effective (continued)**

##### **Amendments to IFRS 16 - Leases for COVID-19 rent related concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments remove the potential for confusion regarding lease incentives by amending an Illustrative example 13 accompanying IFRS 16.

##### **Amendments to IFRS 3, IAS 16, IAS 37**

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

#### **c) The significant accounting policies used in preparing these financial statements are set out below:**

##### **Insurance contracts**

Insurance contracts are those 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 assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate policy holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **c) The significant accounting policies used in preparing these financial statements are set out below (continued):**

The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and agency repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelry all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability, medical malpractice and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

- (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.
- (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

#### **Surplus distribution payable**

In accordance with the Implementing Regulations issued by SAMA, the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

#### **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 11 years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the finance rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate. Generally, the Company uses its incremental financing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the incremental financing cost. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

c) **The significant accounting policies used in preparing these financial statements are set out below (continued):**

#### **Revenue Recognition**

Recognition of premium

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term policies (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Last three months premium at a reporting date is considered as unearned 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 increases towards the end of the tenure of the policy; and

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 recognised over the period of risk.

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or 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 insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

#### **Investment income**

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

#### **Dividend income**

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

#### **Claims**

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position 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 including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

c) **The significant accounting policies used in preparing these financial statements are set out below (continued):**

#### **Salvage and subrogation**

Some insurance contracts permit the Company to sell (usually damaged) assets 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 the asset.

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 third party.

#### **Reinsurance contracts held**

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting 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 as incurred. 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.

#### **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.

#### **Liability adequacy test**

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in preparing these financial statements are set out below (continued):

#### Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in “Other general and administrative expenses” in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 6 fall under the scope of IFRS 4 “Insurance contracts”.

#### Investments

##### a) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under “Net change in fair value – Available-for-sale investments”. Realized gains or losses on sale of these investments are reported in the related statements of income under “Realized gain / (loss) on investments available for sale investments.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders’ operations, as part of the net investment income / loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

#### **Reclassification:**

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the Effective Interest Rate “EIR”. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in preparing these financial statements are set out below (continued):

b) **Held as FVSI**

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

**Reclassification:**

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

c) **Held to maturity**

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

**Reclassification:**

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in preparing these financial statements are set out below (continued):

#### De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal 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 is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

#### 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

#### Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in preparing these financial statements are set out below (continued)

#### Impairment of financial assets – (continued)

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under “Realized gain / (loss) on investments available for sale investments.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 18 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market’s assessment of creditworthiness as reflected in the bond yields, rating agencies’ assessment of creditworthiness, country’s ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income.

#### Intangible assets

Separately acquired intangible assets (mention category) are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the following periods:

Software	5 years
Licenses	4 years

#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

Motor vehicle	5 years
Furniture and fixtures	5 years
Computers and office equipment	3 years

The assets’ residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in “Other income, net” in the statement of income.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

c) **The significant accounting policies used in preparing these financial statements are set out below (continued)**

#### **Impairment of non-financial assets**

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### **Employees benefit obligations**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

#### **Zakat and income tax**

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity and net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis.

#### **Dividend distribution**

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and balances with banks including Murabaha deposits with less than three months' maturity from the date of acquisition.

#### **Term deposits**

Term deposits including murabaha deposits are classified within loans and receivables category as per IAS 39. They are initially recognised at fair value including direct transaction costs and subsequently measured at amortised cost, less provision for impairment in value and are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

#### **Cash flow statement**

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

#### **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 are taken to the statements of income and comprehensive 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. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. SIGNIFICANT ACCOUNTING POLICIES – (continued)**

c) **The significant accounting policies used in preparing these financial statements are set out below (continued)**

#### **Operating segments**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

#### **Statutory reserves**

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders' operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

#### **Fair values**

The fair values of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

#### **Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### **Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **Provision for outstanding claims**

Judgments by management are required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

c) The significant accounting policies used in preparing these financial statements are set out below (continued)

#### Provision for outstanding claims – (continued)

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

#### Premium deficiency reserve

Estimation of the premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future.

#### Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 4. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	2020	2019
	SR'000	
Bank balance and cash	<u>47,892</u>	<u>26,834</u>
	Shareholders' operations	
	2020	2019
	SR'000	
Bank balances	<u>111,354</u>	<u>2,927</u>

### 5. TERM DEPOSITS

The term deposits represent deposits held with the commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three-months and less than twelve-months. As of 31 December 2020, the deposit carrying commission rates ranges from 0.8% to 4% (2019: from 2.2% to 4%).

	Insurance operations		
	31 December	31 December	1 January
	2020	2019	2019
	SR'000		
Term deposits	<u>148,318</u>	<u>258,282</u>	<u>245,178</u>

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****5. TERM DEPOSITS (continued)**

	<b>Shareholders' operations</b>		
	<b>31 December 2020</b>	31 December 2019 (Restated)	1 January 2019 (Restated)
	<b>SR'000</b>		
Term deposits	-	100,201	100,379

**6. PREMIUMS AND REINSURERS' RECEIVABLE – NET**

Receivables comprise amounts due from the following:

	<b>2020</b>	2019
	<b>SR'000</b>	
Policyholders	<b>74,563</b>	118,649
Receivables from reinsurers	<b>3,701</b>	4,688
	<b>78,264</b>	123,337
Provision for doubtful receivables	<b>(37,368)</b>	(37,130)
<b>Premiums and reinsurers' receivable – net</b>	<b>40,896</b>	86,207

Movement in provision for doubtful debts during the year was as follows:

	<b>2020</b>	2019
	<b>SR'000</b>	
Balance at the beginning of the year	<b>37,130</b>	41,734
Provision for the year	<b>238</b>	-
Reversal of provision	-	(4,604)
<b>Balance at the end of the year</b>	<b>37,368</b>	37,130

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	<b>Up to three months</b>	<b>Above three and up to six months</b>	<b>Above six and less than twelve months</b>	<b>Twelve months and above</b>	<b>Total</b>
	<b>SR'000</b>				
<b>2020</b>	<b>23,072</b>	<b>2,797</b>	<b>3,139</b>	<b>11,888</b>	<b>40,896</b>
2019	41,594	23,367	14,299	6,947	86,207

Past due but not impaired receivables 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 the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customers' balances accounted for approximately 26% of this balance as at 31 December 2020 (31 December 2019: 24%). Premiums receivable comprise a large number of customers and insurance companies all within the Kingdom of Saudi Arabia.

**7. DEFERRED POLICY ACQUISITION COST**

	<b>2020</b>	2019
	<b>SR'000</b>	
Balance at the beginning of the year	<b>9,033</b>	14,135
Incurred for the year	<b>29,299</b>	22,929
Charge for the year	<b>(17,312)</b>	(28,031)
<b>Balance at the end of the year</b>	<b>21,020</b>	9,033



## SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 8. CLAIMS INCURRED

	2020	2019
	SR'000	SR'000
Gross claims paid	347,288	501,320
Gross outstanding claims at the end of the year (see note (i) below)	149,460	169,539
	496,748	670,859
Gross outstanding claims at the beginning of the year	(169,539)	(210,260)
Gross claims incurred	327,209	460,599
Reinsurance recoveries	(35,133)	(31,848)
Reinsurers' share of outstanding claims at the end of the year (see note (ii) below)	(32,692)	(21,018)
	(67,825)	(52,866)
Reinsurers' share of outstanding claims at the beginning of the year	21,018	23,783
Reinsurers' share of claims	(46,807)	(29,083)
Net claims incurred	280,402	431,516

(i) Gross outstanding claims as at 31 December 2020 represent the provision for IBNR amounting to SR 149,460 thousands (2019: SR 169,539 thousands).

(ii) Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

#### CLAIM DEVELOPMENT TABLE

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 aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 8. CLAIMS INCURRED – (continued)

#### CLAIM DEVELOPMENT TABLE – (continued)

##### 31 DECEMBER 2020

Accident year	2016 & earlier	2017	2018	2019	2020	Total
	SR '000					
Estimate of ultimate claims cost:						
At the end of accident year	635,792	512,589	609,709	453,979	329,956	
One year later	584,477	517,900	589,837	446,386	-	
Two years later	545,421	516,589	587,015	-	-	
Three years later	538,820	512,304	-	-	-	
Four years later	748,796	-	-	-	-	
Current estimate of cumulative claims	748,796	512,304	587,015	446,386	329,956	2,624,457
Cumulative payments to date	(747,557)	(505,607)	(559,876)	(426,327)	(235,630)	(2,474,997)
Liability recognised in statement of financial position	1,239	6,697	27,139	20,059	94,326	149,460

##### 31 DECEMBER 2019

Accident year	2015 & earlier	2016	2017	2018	2019	Total
	SR '000					
Estimate of ultimate claims cost:						
At the end of accident year	293,230	342,562	512,589	609,709	453,979	
One year later	278,395	306,082	517,900	589,837	-	
Two years later	264,510	280,911	516,589	-	-	
Three years later	242,611	296,209	-	-	-	
Four years later	262,882	-	-	-	-	
Current estimate of cumulative claims	262,882	296,209	516,589	589,837	453,979	2,119,496
Cumulative payments to date	(260,993)	(292,055)	(503,655)	(544,846)	(348,408)	(1,949,957)
Liability recognised in statement of financial position	1,889	4,154	12,934	44,991	105,571	169,539

### 9. INVESTMENTS

Investments are classified as follows:

	Insurance operations		
	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
	SR'000		
- Held as FVSI (9-a)	103,021	25,926	39,942
- Held to maturity (9-c)	10,000	18,530	28,627
Total	113,021	44,456	68,569
	Shareholders' operations		
	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
	SR'000		
- Held as FVSI (9-a)	48,947	53,562	89,401
- Available for sale (9-b)	1,923	1,923	1,923
- Held to maturity (9-c)	4,983	18,449	13,527
Total	55,853	73,934	104,851

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****9. INVESTMENTS – (continued)**

## a) FVSI

Movement in held as FVSI investment balance is as follows:

	<b>Insurance operations</b>	
	<b>31 December 2020</b>	31 December 2019 (Restated)
	<b>SR'000</b>	
Opening balance	25,926	39,942
Purchased during the year	81,931	72,839
Disposals during the year	(4,644)	(83,434)
	<b>103,213</b>	29,347
Changes in fair value	(192)	(3,421)
Closing balance	<b>103,021</b>	25,926

Details of held as FVSI investment balance is as follows:

	<b>Source of Fair Value</b>	<b>2020</b>	2019
		<b>SR'000</b>	
Investment in equity securities	Quoted	31,661	3,127
Units in local Sukuk funds	NAV**	55,068	-
Local DPM* money market securities	NAV**	16,292	22,799
		<b>103,021</b>	25,926

	<b>Shareholders' operations</b>	
	<b>2020</b>	2019
	<b>SR'000</b>	
Opening balance	53,562	89,401
Disposals during the year	(8,427)	(44,211)
	<b>45,135</b>	45,190
Changes in fair value	3,812	8,372
Closing balance	<b>48,947</b>	53,562

Details of held as FVSI investment balance is as follows:

	<b>Source of Fair Value</b>	<b>2020</b>	2019
		<b>SR'000</b>	
Units in local real estate funds	NAV**	10,041	10,041
Local DPM* money market securities	NAV**	15,705	24,025
Local DPM* equity securities	Quoted	23,201	19,496
Total		<b>48,947</b>	53,562

\* Managed at the discretion of a local regulated financial institution ("DPM").

\*\* NAV: Net Asset Value as announced by asset manager.

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****9. INVESTMENTS – (continued)****b) Available for sale investments**

Movement in available-for-sale investment balance is as follows:

	Shareholders' operations	
	2020	2019
	SR'000	
Opening balance	1,923	1,923
Closing balance	1,923	1,923

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2019: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

**c) Held to maturity investments**

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	2020	2019
	SR'000	
Opening balance	18,530	28,627
Disposals during the year	(8,530)	-
Matured during the year	-	(10,097)
Closing balance	10,000	18,530

	Shareholders' operations	
	2020	2019
	SR'000	
Opening balance	18,449	13,526
Purchased during the year	-	4,982
Disposals during the year	(13,466)	-
Amortization of held to maturity investments	-	(59)
Closing balance	4,983	18,449

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****10. PREPAYMENT EXPENSES AND OTHER ASSETS**

	<b>Insurance operations</b>	
	<b>2020</b>	2019
	<b>SR'000</b>	
Prepayments	2,115	1,294
Advances to staff	2,728	2,595
Deposits	300	-
Accrued commission	178	178
Other receivables	36,726	14,513
	<b>42,047</b>	<b>18,580</b>
	<b>Shareholders' operations</b>	
	<b>2020</b>	2019
	<b>SR'000</b>	
Other receivables	<b>185</b>	186

(\*) As per the management declaration; the company that developed the accounting system had prepared the financial transactions in the SAP system with an automated CBC system, whereby all operations are processed automatically and closed through suspense accounts through the system immediately. The management was unable to determine the details of these transactions and the reason for their accumulation in the suspense accounts due to the lack of a complete ledger and detailed statements illustrating the details of these differences and the outstanding transactions. The management escalated the matter to the developing company and a meeting was held with its representative in the Kingdom of Saudi Arabia in order to provide the company's management with the details and reasons behind these system differences that led to the existence of these accumulated amounts in the system. The management believes that the financial statements were prepared on the assumption of continuity and resolving technical and programmatic matters during the second quarter of 2021, based on management's assessment.

**11. PROPERTY AND EQUIPMENT- NET**

	<b>Motor Vehicle</b>	<b>Furniture and fixtures</b>	<b>Computers &amp; Equipment</b>	<b>Total 2020</b>	Total 2019
	<b>SR'000</b>				
<b>Cost:</b>					
1 January	96	18,234	16,165	34,495	31,922
Additions	-	21	116	137	2,627
Disposals	-	-	-	-	(54)
31 December	<b>96</b>	<b>18,255</b>	<b>16,281</b>	<b>34,632</b>	34,495
<b>Accumulated Depreciation:</b>					
1 January	39	10,741	11,671	22,451	17,463
Charge for the year	19	2,354	2,658	5,031	5,042
Disposals	-	-	-	-	(54)
31 December	<b>58</b>	<b>13,095</b>	<b>14,329</b>	<b>27,482</b>	22,451
<b>Net book value</b>					
<b>31 December 2020</b>	<b>38</b>	<b>5,160</b>	<b>1,952</b>	<b>7,150</b>	-
31 December 2019	57	7,493	4,494	-	12,044

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****12. INTANGIBLE ASSETS – NET**

<b>Software and license</b>	<b>2020</b>	<b>2019</b>
	<b>SR'000</b>	
<b>Cost:</b>		
1 January	<b>8,850</b>	8,015
Additions	-	835
31 December	<b>8,850</b>	8,850
<b>Accumulated Amortization:</b>		
1 January	<b>2,546</b>	858
Charge for the year	<b>1,765</b>	1,688
31 December	<b>4,311</b>	2,546
<b>Net book value:</b>		
<b>31 December 2020</b>	<b>4,539</b>	
31 December 2019		<b>6,304</b>

**13. LEASES****13.1 Right of use assets**

	<b>2020</b>	<b>2019</b>
	<b>SR'000</b>	
1 January	<b>26,936</b>	31,601
Additions during the year	<b>1,438</b>	2,005
Depreciation charge for the year	<b>(4,454)</b>	(5,095)
Terminations	<b>(1,993)</b>	(1,575)
<b>Net book value at 31 December</b>	<b>21,927</b>	26,936

The depreciation expense was charged to the statement of income within general and administrative expenses.

**13.2 Lease liability**

The weighted average incremental borrowing rate applied to lease liabilities was 4.4%.

	<b>2020</b>	<b>2019</b>
	<b>SR'000</b>	
Less than one year	-	4,134
One year to five years	<b>2,320</b>	12,373
More than five year	<b>17,602</b>	7,196
<b>Total lease liability</b>	<b>19,922</b>	23,703

Total interest expense on lease liabilities for the year ended 31 December 2020 was SR 1,293 thousands (2019: SR 1,521 thousands).

## SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 14. TECHNICAL RESERVE

##### 14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2020	2019
	SR'000	
Gross outstanding claims	56,863	59,098
Less: Realizable value of salvage and subrogation	<b>(29,109)</b>	(20,145)
Net outstanding claims	27,754	38,953
Claims incurred but not reported	121,706	130,586
Premium deficiency reserve	-	9,782
Other technical reserves	3,096	6,259
	<b>152,556</b>	185,580
Less:		
- Reinsurers' share of outstanding claims	<b>(20,910)</b>	(8,745)
- Reinsurers' share of claims incurred but not reported	<b>(11,782)</b>	(12,273)
	<b>(32,692)</b>	(21,018)
Net outstanding claims and reserves	<b>119,864</b>	164,562

##### 14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2020		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	229,678	(21,858)	207,820
Premium written during the year	427,623	(67,659)	359,964
Premium earned during the year	(438,999)	66,247	(372,752)
Balance as at the end of the year	<b>218,302</b>	<b>(23,270)</b>	<b>195,032</b>
	2019		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	287,093	(13,139)	273,954
Premium written during the year	503,504	(65,640)	437,864
Premium earned during the year	(560,919)	56,921	(503,998)
Balance as at the end of the year	229,678	(21,858)	207,820

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 15. STATUTORY DEPOSIT

	2020	2019
	SR'000	
Statutory deposit	<u>37,500</u>	<u>37,500</u>

As required by Saudi Arabian Insurance Regulations, the Company has deposited an amount equivalent to 15% of its paid up capital amount of SR 37.5 million (2019: SR 37.5 million) in a bank designated by the Saudi Arabian Monetary Authority (“SAMA”). Accrued income on this deposit is payable to SAMA amounting to SR 3.7 million (2019: SR 3.3 million) and this deposit cannot be withdrawn without approval from SAMA. During 2019, the Company has deposited an additional 5% of its paid up capital equivalent to SA 12.5 million to reach to a total amount of SR 37.5 million.

### 16. COMMITMENTS AND CONTINGENCIES

a. The Company’s commitments and contingencies are as follows:

	2020	2019
	SR'000	
Letters of guarantee in favour of non-government customers	700	700
Letters of guarantee in favour of GAZT	<u>9,500</u>	<u>9,500</u>
	<u>10,200</u>	<u>10,200</u>

b. The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities. .

c. The Company’s bankers have given guarantees to non-government customers amounting to SR 0.7 million (2019: SR 0.7 million) in respect of motor insurance and to General Authority of Zakat and Tax amounting to SR 9.5 million (2019: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012.

### 17. ACCRUD EXPENSES AND OTHER LIABILITIES

	2020	2019
	SR'000	
Accrued expenses	6,704	11,319
Payables to brokers and agents	11,298	9,276
Other suppliers and payables	<u>12,363</u>	<u>10,439</u>
	<u>30,365</u>	<u>31,034</u>

### 18. UNEARNED REINSURANCE COMMISSION

	2020	2019
	SR'000	
Balance at the beginning of the year	3,401	2,543
Commission received during the year	7,299	6,811
Commission earned during the year	<u>(6,967)</u>	<u>(5,953)</u>
	<u>3,733</u>	<u>3,401</u>



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. OTHER TECHNICAL RESERVES

	2020	2019
	SR'000	
Catastrophe reserve	-	1,004
Data deficiency reserve	3,096	3,662
Reinsurance accrual reserve	-	1,593
	<u>3,096</u>	<u>6,259</u>

### 20. EMPLOYEE BENEFIT OBLIGATIONS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value is as follows:

**20.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value is as follows:**

	2020	2019
	SR'000	
Present value of defined benefit obligation	<u>9,701</u>	<u>9,688</u>

#### 20.2 Movement of defined benefit obligation

	2020	2019
	SR'000	
Opening balance	9,688	8,941
Charge to statement of income	2,106	2,220
Charge to other comprehensive income	(748)	1,879
Payment of benefits during the year	<u>(1,345)</u>	<u>(3,352)</u>
Closing balance	<u>9,701</u>	<u>9,688</u>

#### 20.3 Reconciliation of present value of defined benefit obligation

	2020	2019
	SR'000	
Opening balance	9,688	8,941
Current service costs	1,835	1,958
Financial costs	271	262
Actuarial (gain) / loss from experience adjustments	(748)	1,879
Benefits paid during the year	<u>(1,345)</u>	<u>(3,352)</u>
	<u>9,701</u>	<u>9,688</u>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 20. EMPLOYEE BENEFIT OBLIGATIONS – (continued)

#### 20.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation liability:

	<u>2020</u>	<u>2019</u>
Valuation discount rate	<b>2.80%</b>	2.80%
Expected rate of increase in salary level across different age bands	<b>1.00%</b>	1.00%

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	<u>2020</u>	<u>2019</u>
	<u>SAR'000</u>	<u>SAR'000</u>
Valuation discount rate		
- Increase by 1%	<b>(943)</b>	(587)
- Decrease by 1%	<b>1,120</b>	668
Expected rate of increase in salary level across different age bands		
- Increase by 1%	<b>1,183</b>	674
- Decrease by 1%	<b>(1,010)</b>	(603)

The average duration of the defined benefit plan obligation at the end of the reporting period is 11 years.

### 21. FAIR VALUES 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 fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial statement.

#### Determination of fair value and fair value hierarchy

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.

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****21. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)****a. Carrying amounts and fair value**

The following table shows the carrying amount and fair values of financial assets and financial liabilities, 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 and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

<u>Insurance Operations</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>SR'000</u>			
<b>31 December 2020</b>				
<b>Financial assets measured at fair value</b>				
- Investments held as FVSI	<u>31,661</u>	-	<u>71,360</u>	<u>103,021</u>
	<u>31,661</u>	-	<u>71,360</u>	<u>103,021</u>
<b>31 December 2019</b>				
<b>Financial assets measured at fair value</b>				
- Investments held as FVSI	<u>3,127</u>	-	<u>22,799</u>	<u>25,926</u>
	<u>3,127</u>	-	<u>22,799</u>	<u>25,926</u>

Certain prior year investment classified under level 2 were restated to level 3.

## SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 21. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

##### a. Carrying amounts and fair value – (continued)

Shareholders' Operations	Level 1	Level 2	Level 3	Total
	SR'000			
<b>31 December 2020</b>				
<b>Financial assets measured at fair value</b>				
- Investments held as FVSI	23,201	-	25,746	48,947
	<u>23,201</u>	<u>-</u>	<u>25,746</u>	<u>48,947</u>
<b>31 December 2019</b>				
<b>Financial assets measured at fair value</b>				
- Investments held as FVSI	19,496	-	34,066	53,562
	<u>19,496</u>	<u>-</u>	<u>34,066</u>	<u>53,562</u>

Certain prior year investment classified under level 2 were restated to level 3.

#### 22. OPERATING SEGMENTS

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.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

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

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22. OPERATING SEGMENTS– (continued)

Segment assets do not include cash and cash equivalents, short term deposits, net premiums and reinsurers' receivable, net, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. 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.

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

	As at 31 December 2020					
	Insurance operations			Insurance operations	Shareholders' operations	Total
	Medical	Motor	Others			
SR'000						
<b>Assets</b>						
Reinsurers' share of unearned premiums	-	15,975	7,295	23,270	-	23,270
Reinsurers' share of outstanding claims	-	(1,526)	22,436	20,910	-	20,910
Reinsurers' share of claims Incurred but not reported	1,348	7,783	2,651	11,782	-	11,782
Deferred policy acquisition costs	5,003	14,120	1,897	21,020	-	21,020
Unallocated assets				425,790	208,560	634,350
<b>Total Assets</b>				<b>502,772</b>	<b>208,560</b>	<b>711,332</b>
<b>Liabilities</b>						
Unearned premiums	43,935	159,757	14,610	218,302	-	218,302
Unearned reinsurance commission	-	1,836	1,897	3,733	-	3,733
Outstanding claims	8,907	(11,167)	30,014	27,754	-	27,754
Claims incurred but not reported	18,058	100,402	3,246	121,706	-	121,706
Other technical reserves	270	2,370	456	3,096	-	3,096
Unallocated liabilities and surplus				95,696	34,799	130,495
<b>Total Liabilities</b>				<b>470,287</b>	<b>34,799</b>	<b>505,086</b>
<b>Shareholders' Equity</b>						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(48,705)	(48,705)
<b>Total Shareholders' Equity</b>				<b>-</b>	<b>206,298</b>	<b>206,298</b>
Re-measurement reserve of defined benefit obligations – related to insurance operations				(52)	-	(52)
<b>Total Equity</b>				<b>(52)</b>	<b>206,298</b>	<b>206,246</b>
<b>Total Liabilities and Equity</b>				<b>470,235</b>	<b>241,097</b>	<b>711,332</b>

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****22. OPERATING SEGMENTS – (continued)**

	As at 31 December 2019					Total
	Insurance operations			Insurance operations	Shareholders' operations	
	Medical	Motor	Others			
SR'000						
<b>Assets</b>						
Reinsurers' share of unearned premiums	-	16,103	5,755	21,858	-	21,858
Reinsurers' share of outstanding claims	-	-	8,745	8,745	-	8,745
Reinsurers' share of claims incurred but not reported	-	10,948	1,325	12,273	-	12,273
Deferred policy acquisition costs	3,234	4,602	1,197	9,033	-	9,033
Unallocated assets				479,643	218,076	697,719
<b>Total Assets</b>				<b>531,552</b>	<b>218,076</b>	<b>749,628</b>
<b>Liabilities</b>						
Unearned premiums	59,069	161,020	9,589	229,678	-	229,678
Unearned reinsurance commission	-	1,852	1,549	3,401	-	3,401
Outstanding claims	14,104	11,974	12,875	38,953	-	38,953
Claims incurred but not reported	18,306	110,180	2,100	130,586	-	130,586
Premium deficiency reserve	9,238	-	544	9,782	-	9,782
Other technical reserves	1,594	3,661	1,004	6,259	-	6,259
Unallocated liabilities and surplus				100,714	28,459	129,173
<b>Total Liabilities</b>				<b>519,373</b>	<b>28,459</b>	<b>547,832</b>
<b>Shareholders' Equity</b>						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(52,407)	(52,407)
Total Shareholders' Equity				-	202,596	202,596
Re-measurement reserve of defined benefit obligations – related to insurance operations				(800)	-	(800)
<b>Total Equity</b>				<b>(800)</b>	<b>202,596</b>	<b>201,796</b>
<b>Total Liabilities and Equity</b>				<b>518,573</b>	<b>231,055</b>	<b>749,628</b>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22. OPERATING SEGMENTS – (continued)

	For the year ended 31 December 2020			
	Medical	Motor	Others	Total
	SR'000			
<b><u>REVENUES</u></b>				
Individual	-	284,983	3,939	288,922
Large	17,339	7,077	4,877	29,293
Medium	10,178	9,757	8,047	27,982
Small	15,353	8,367	6,742	30,462
Very Small	46,492	3,711	761	50,964
Gross premiums written	89,362	313,895	24,366	427,623
Reinsurance premiums ceded				
- Local	-	(82)	(1,005)	(1,087)
- Foreign	-	(31,284)	(13,281)	(44,565)
	-	(31,366)	(14,286)	(45,652)
Excess of loss expenses				
- Local	(943)	(148)	(262)	(1,353)
- Foreign	(14,234)	(5,437)	(983)	(20,654)
	(15,177)	(5,585)	(1,245)	(22,007)
<b>Net premiums written</b>	<b>74,185</b>	<b>276,944</b>	<b>8,835</b>	<b>359,964</b>
Changes in unearned premiums, net	15,134	1,136	(3,482)	12,788
<b>Net premiums earned</b>	<b>89,319</b>	<b>278,080</b>	<b>5,353</b>	<b>372,752</b>
Reinsurance commissions	-	3,612	3,355	6,967
Other underwriting income	2,253	1,236	2,191	5,680
<b>TOTAL REVENUES</b>	<b>91,572</b>	<b>282,928</b>	<b>10,899</b>	<b>385,399</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>				
Gross claims paid	97,386	248,488	1,414	347,288
Reinsurers' share of claims paid	(13,503)	(20,845)	(785)	(35,133)
<b>Net claims paid</b>	<b>83,883</b>	<b>227,643</b>	<b>629</b>	<b>312,155</b>
Changes in outstanding claims, net	(5,197)	(21,614)	3,447	(23,364)
Changes in claims incurred but not reported, net	(1,596)	(6,614)	(179)	(8,389)
<b>Net claims incurred</b>	<b>77,090</b>	<b>199,415</b>	<b>3,897</b>	<b>280,402</b>
Changes in premium deficiency reserves	(8,969)	(40)	(773)	(9,782)
Changes in other technical reserves	(1,594)	(1,251)	(318)	(3,163)
Policy acquisition costs	6,010	8,865	2,437	17,312
Other underwriting expenses	7,506	18,765	173	26,444
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>80,043</b>	<b>225,754</b>	<b>5,416</b>	<b>311,213</b>
<b>NET UNDERWRITING INCOME</b>	<b>11,529</b>	<b>57,174</b>	<b>5,483</b>	<b>74,186</b>
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>				
Allowances for doubtful debts				(238)
General and administrative expenses				(82,734)
Investment income				2,077
Commission from held to maturity investments				2,098
Commission income from term deposit				8,087
Unrealized gain on investments				3,620
Other income				3,220
<b>TOTAL OTHER OPERATING EXPENSES</b>				<b>(63,870)</b>
<b>NET INCOME FOR THE YEAR BEFORE ZAKAT</b>				<b>10,316</b>
Zakat				(6,000)
<b>NET INCOME FOR THE YEAR</b>				<b>4,316</b>
Net Income for the year attributable to insurance operations				(614)
<b>Net Income for the year attributable to the shareholders</b>				<b>3,702</b>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22. OPERATING SEGMENTS – (continued)

	For the year ended 31 December 2019			
	Medical	Motor	Others	Total
	SR'000			
<b>REVENUES</b>				
Individual	7,022	213,809	2,287	223,118
Large	52,958	42,567	4,086	99,611
Medium	12,628	78,031	7,537	98,196
Small	16,368	11,660	5,174	33,202
Very Small	34,280	14,279	818	49,377
Gross premiums written	123,256	360,346	19,902	503,504
Reinsurance premiums ceded				
- Local	-	-	(691)	(691)
- Foreign	-	(36,059)	(12,555)	(48,614)
	-	(36,059)	(13,246)	(49,305)
Excess of loss expenses				
- Local	-	(234)	(230)	(464)
- Foreign	(9,923)	(4,927)	(1,021)	(15,871)
	(9,923)	(5,161)	(1,251)	(16,335)
<b>Net premiums written</b>	113,333	319,126	5,405	437,864
Changes in unearned premiums, net	310	66,683	(859)	66,134
<b>Net premiums earned</b>	113,643	385,809	4,546	503,998
Reinsurance commissions	-	2,098	3,855	5,953
Other underwriting income	-	2,216	-	2,216
<b>TOTAL REVENUES</b>	113,643	390,123	8,401	512,167
<b>UNDERWRITING COSTS AND EXPENSES</b>				
Gross claims paid	131,629	366,306	3,385	501,320
Reinsurers' share of claims paid	(7,065)	(22,458)	(2,325)	(31,848)
<b>Net claims paid</b>	124,564	343,848	1,060	469,472
Changes in outstanding claims, net	(2,602)	(12,904)	660	(14,846)
Changes in claims incurred but not reported, net	7,908	(31,172)	154	(23,110)
<b>Net claims incurred</b>	129,870	299,772	1,874	431,516
Changes in premium deficiency reserves	4,155	-	544	4,699
Changes in other technical reserves	(799)	-	683	(116)
Policy acquisition costs	6,661	19,080	2,290	28,031
Other underwriting expenses	11,833	9,234	278	21,345
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	151,720	328,086	5,669	485,475
<b>NET UNDERWRITING (LOOS) INCOME</b>	(38,077)	62,037	2,732	26,692
<b>OTHER OPERATING EXPENSES (EXPENSES) / INCOME</b>				
Reversal of provision for doubtful debts				4,604
General and administrative expenses				(100,331)
Investment loss				(208)
Commission from term deposits				8,413
Commission from held to maturity investments				163
Unrealized gain on investments				4,951
Other income				1,601
<b>TOTAL OTHER OPERATING (EXPENSES) / INCOME</b>				(80,807)
<b>NET LOSS FOR THE YEAR BEFORE ZAKAT</b>				(54,115)
Zakat				(6,000)
<b>NET LOSS FOR THE YEAR</b>				(60,115)
<b>Net income for the year attributable to insurance operations</b>				-
<b>Net loss for the year attributable to the shareholders</b>				(60,115)



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel [Key Management Personnel includes all directors, executive and non-executive, and senior management] 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.

	Nature of transactions	Amount of transactions	
		For the year ended 31 December	
		2020	2019
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>		<b>SR'000</b>	
Tajeer Co. (affiliate)	Premium written	-	38,772
Chairman of the Board	Premium written	-	233
Rusd Global Company	Premium written	-	90
Al Firdous Group Co.	Premium written	-	766
Jabal Edsas Est.	Rent paid	-	4,114
Tajeer International Co.	Services received	-	5,923
Concord Insurance and Reinsurance Brokerage	Insurance commission	-	3,561
Kwader Pro	Services received	-	77
Alawwal Capital Co.	Investments in DPM and mutual funds	-	(105,985)

\*As at 24 July 2019 certain due from related party balances have been reclassified from related party balances to premium's receivables due to the fact that the previous chairman of Salama Company has due from balances through the related companies as he holds the same post as a chairman in the mention related party companies. Accordingly, the balances as of 31 December were transferred and included within premiums receivable.

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

	2020	2019
	SR'000	
Salaries and other allowances	2,975	366
End of service indemnities	1,042	1,420
	<b>4,017</b>	<b>1,786</b>
Remuneration to those charged with governance – Board of Directors	18	186
Remuneration to those charged with governance – Board Committees	9	-
	<b>27</b>	<b>186</b>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 24. ZAKAT

#### a. Charge for the year

The Zakat charge for the year is calculated based on the following:

	2020	2019
	SR'000	
Equity	202,595	262,711
Opening provision and adjustments	63,595	100,088
Net book value of long term assets	(232,772)	(93,740)
	33,418	269,059
Adjusted income for the year	10,637	(53,774)
Zakat base	44,055	215,285

#### Movements in provision during the year

	2020	2019
	SR'000	
Balance at the beginning of the year	25,131	19,761
Charge for the year	6,000	6,000
Paid during the year	-	(630)
Balance at the end of the year	31,131	25,131

#### b. Status of zakat assessments

The Company submitted the Zakat declarations for the year ended 31 December 2019 and obtained the necessary Zakat and tax certificate.

The GAZT has issued assessments for the years from 2006 to 2012 amounting to SR 17,1 million which represents SR 9,3 million as zakat differences and SR 4,4 million as withholding tax differences and SR 3,4 million as withholding fines. The company has settled the amount of withholding tax differences amounting to SR 4,4 million and partially settled the delay fines amounting to SR 3,1 million and accordingly issued a letter of guarantee amounting to SR 9,5 million on the favour of GAZT for the zakat differences for the said years. The case is currently pending with the General Secretariat of the tax committees and their conclusion is awaited.

A settlement request was submitted to GAZT to pay an amount of SR 3 million to close the case, but the Zakat disputes committee reached to a decision to settle an amount of SR 7,7 million to finalize the assessments for the said years. The GAZT has rejected the Zakat disputes committee's decision with the completion of the hearing of the case raised to the Appeal Committee. The management expects that the volume of zakat liability will reach to SR 4,2 million and based on the objection and the information submitted to GAZT and the committees.

The GAZT has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to SR 1,2 million. The assessment was objected, and the objection was rejected by GAZT. The case has been escalated to the Preliminary Committee of the Tax Committees and their decision is awaited. The management believes that the volume of zakat liability will reach to SR 1,2 million.

The GAZT raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to SR 14,1 million, and withholding tax liability for the years from 2014 to 2018, amounting to SR 7 million. Subsequent to the year ended 31 December 2020, the Company has settled the withholding tax differences to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty). The management believes that the volume of zakat liability will reach to SR 14,7 million.

## SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 25. SURPLUS DISTRIBUTION PAYABLE

	2020	2019
	SR'000	
Balance at the beginning of the year	14,535	14,535
Income attributed to the insurance operations	614	-
Closing balance	<u>15,149</u>	<u>14,535</u>

#### 26. SHARE CAPITAL

The authorized and issued share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

#### 27. CAPITAL MANAGEMENT

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

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.

#### 28. GENERAL AND ADMINISTRATIVE EXPENSE

	Insurance operations	
	2020	2019
	SR'000	
Employees' costs	47,667	58,154
Office rent	1,155	1,337
Financial charges	1,293	1,521
Information technology	4,632	6,002
Training and development	30	366
Depreciation and amortization (see note 11,12 & 13)	11,250	11,825
Travelling	353	719
Communication	2,456	2,342
Printing and stationary	331	1,168
Fee and subscriptions	139	228
Utilities	281	312
Repair and maintenance	548	1,006
Audit and professional fees	3,994	5,152
Marketing and advertisement	885	837
Others	5,905	8,424
	<u>80,919</u>	<u>99,393</u>

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****28. GENERAL AND ADMINISTRATIVE EXPENSE - (continued)**

	<b>Shareholders' Operations</b>	
	<b>2020</b>	<b>2019</b>
	<b>SR'000</b>	
Board attendance fees (see note a below)	<b>135</b>	133
Committee expenses (see note b below)	<b>38</b>	434
Others	<b>1,642</b>	371
	<b>1,815</b>	938

- a) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
- b) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

**29. EARNINGS / (LOSS) PER SHARE**

Earnings / (Loss) per share for the year has been calculated by dividing the net income for the year attributable to the shareholders by the weighted average number of issued and outstanding shares for the year.

**30. SUPPLEMENTARY INFORMATION****a) Statement of financial position**

	<b>2020</b>			<b>2019</b>		
	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>
	<b>SR '000</b>			<b>SR '000</b>		
<b>ASSETS</b>						
Cash and cash equivalents	<b>47,892</b>	<b>111,354</b>	<b>159,246</b>	26,834	2,927	29,761
Term deposits	<b>148,318</b>	-	<b>148,318</b>	258,282	100,201	358,483
Premiums and reinsurers' receivable – net	<b>40,896</b>	-	<b>40,896</b>	86,207	-	86,207
Reinsurers' share of unearned premiums	<b>23,270</b>	-	<b>23,270</b>	21,858	-	21,858
Reinsurers' share of outstanding claims	<b>20,910</b>	-	<b>20,910</b>	8,745	-	8,745
Reinsurers' share of claims incurred but not reported	<b>11,782</b>	-	<b>11,782</b>	12,273	-	12,273
Deferred policy acquisition costs	<b>21,020</b>	-	<b>21,020</b>	9,033	-	9,033
Investments	<b>113,021</b>	<b>55,853</b>	<b>168,874</b>	44,456	73,934	118,390
Prepaid expenses and other assets	<b>42,047</b>	<b>185</b>	<b>42,232</b>	18,580	186	18,766
Right of use assets – net	<b>21,927</b>	-	<b>21,927</b>	26,936	-	26,936
Property and equipment	<b>7,150</b>	-	<b>7,150</b>	12,044	-	12,044
Intangible assets	<b>4,539</b>	-	<b>4,539</b>	6,304	-	6,304
Statutory deposit	-	<b>37,500</b>	<b>37,500</b>	-	37,500	37,500
Accrued commission on statutory deposit	-	<b>3,668</b>	<b>3,668</b>	-	3,328	3,328
Due from insurance operations	-	<b>32,537</b>	<b>32,537</b>	-	12,979	12,979
	<b>502,772</b>	<b>241,097</b>	<b>743,869</b>	531,552	231,055	762,607
(Less): Inter-operations eliminations	-	<b>(32,537)</b>	<b>(32,537)</b>	-	(12,979)	(12,979)
<b>TOTAL ASSETS</b>	<b>502,772</b>	<b>208,560</b>	<b>711,332</b>	531,552	218,076	749,628

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. SUPPLEMENTARY INFORMATION – (continued)

#### a) Statement of financial position – (continued)

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000			SR '000		
<b>LIABILITIES</b>						
Policyholders claims payable	13,522	-	13,522	13,943	-	13,943
Accrued and other liabilities	30,365	-	30,365	31,034	-	31,034
Lease liabilities	19,922	-	19,922	23,703	-	23,703
Reinsurers' balances payable	7,037	-	7,037	7,811	-	7,811
Unearned premiums	218,302	-	218,302	229,678	-	229,678
Unearned reinsurance commission	3,733	-	3,733	3,401	-	3,401
Outstanding claims	27,754	-	27,754	38,953	-	38,953
Claims incurred but not reported	121,706	-	121,706	130,586	-	130,586
Premium deficiency reserves	-	-	-	9,782	-	9,782
Other technical reserves	3,096	-	3,096	6,259	-	6,259
Employee benefits obligation	9,701	-	9,701	9,688	-	9,688
Surplus distribution payable	15,149	-	15,149	14,535	-	14,535
Provision for zakat	-	31,131	31,131	-	25,131	25,131
Accrued commission income payable to SAMA	-	3,668	3,668	-	3,328	3,328
Due to shareholders' operations	32,537	-	32,537	12,979	-	12,979
	<b>502,824</b>	<b>34,799</b>	<b>537,623</b>	<b>532,352</b>	<b>28,459</b>	<b>560,811</b>
(Less): Inter-operations eliminations	(32,537)	-	(32,537)	(12,979)	-	(12,979)
<b>TOTAL LIABILITIES</b>	<b>470,287</b>	<b>34,799</b>	<b>505,086</b>	<b>519,373</b>	<b>28,459</b>	<b>547,832</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	5,003	5,003	-	5,003	5,003
Accumulated loss	-	(48,705)	(48,705)	-	(52,407)	(52,407)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>206,298</b>	<b>206,298</b>	<b>-</b>	<b>202,596</b>	<b>202,596</b>
Re-measurement reserve of defined benefit obligation – related to insurance operations	(52)	-	(52)	(800)	-	(800)
<b>TOTAL EQUITY</b>	<b>(52)</b>	<b>206,298</b>	<b>206,246</b>	<b>(800)</b>	<b>202,596</b>	<b>201,796</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>470,235</b>	<b>241,097</b>	<b>711,332</b>	<b>518,573</b>	<b>231,055</b>	<b>749,628</b>
COMMITMENTS AND CONTINGENCIES	700	9,500	10,200	700	9,500	10,200

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. SUPPLEMENTARY INFORMATION – (continued)

#### b) Statement of income

	For the year ended 31 December					
	2020			2019		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<b>REVENUES</b>						
Gross premiums written	427,623	-	427,623	503,504	-	503,504
Reinsurance premiums ceded	427,623	-	427,623	503,504	-	503,504
- Local	(1,087)	-	(1,087)	(691)	-	(691)
- Foreign	(44,565)	-	(44,565)	(48,614)	-	(48,614)
	(45,652)	-	(45,652)	(49,305)	-	(49,305)
Excess of loss expenses						
- Local	(1,353)	-	(1,353)	(464)	-	(464)
- Foreign	(20,654)	-	(20,654)	(15,871)	-	(15,871)
	(22,007)	-	(22,007)	(16,335)	-	(16,335)
<b>Net premiums written</b>	<b>359,964</b>	<b>-</b>	<b>359,964</b>	<b>437,864</b>	<b>-</b>	<b>437,864</b>
Changes in unearned premiums, net	12,788	-	12,788	66,134	-	66,134
<b>Net premiums earned</b>	<b>372,752</b>	<b>-</b>	<b>372,752</b>	<b>503,998</b>	<b>-</b>	<b>503,998</b>
Reinsurance commissions	6,967	-	6,967	5,953	-	5,953
Other underwriting income	5,680	-	5,680	2,216	-	2,216
<b>TOTAL REVENUES</b>	<b>385,399</b>	<b>-</b>	<b>385,399</b>	<b>512,167</b>	<b>-</b>	<b>512,167</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	347,288	-	347,288	501,320	-	501,320
Reinsurers' share of claims paid	(35,133)	-	(35,133)	(31,848)	-	(31,848)
<b>Net claims paid</b>	<b>312,155</b>	<b>-</b>	<b>312,155</b>	<b>469,472</b>	<b>-</b>	<b>469,472</b>
Changes in outstanding claims, net	(23,364)	-	(23,364)	(14,846)	-	(14,846)
Changes in claims incurred but not reported, net	(8,389)	-	(8,389)	(23,110)	-	(23,110)
<b>Net claims incurred</b>	<b>280,402</b>	<b>-</b>	<b>280,402</b>	<b>431,516</b>	<b>-</b>	<b>431,516</b>
Change premium deficiency reserves	(9,782)	-	(9,782)	4,699	-	4,699
Change other technical reserves	(3,163)	-	(3,163)	(116)	-	(116)
Policy acquisition costs	17,312	-	17,312	28,031	-	28,031
Other underwriting expenses	26,444	-	26,444	21,345	-	21,345
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>311,213</b>	<b>-</b>	<b>311,213</b>	<b>485,475</b>	<b>-</b>	<b>485,475</b>
<b>NET UNDERWRITING INCOME</b>	<b>74,186</b>	<b>-</b>	<b>74,186</b>	<b>26,692</b>	<b>-</b>	<b>26,692</b>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. SUPPLEMENTARY INFORMATION – (continued)

#### b) Statement of income – (continued)

	For the year ended 31 December					
	2020			2019		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<b><u>OTHER OPERATING (EXPENSES)/INCOME</u></b>						
Allowance for doubtful debts / (reversal of provision for bad debts)	(238)	-	(238)	4,604	-	4,604
General and administrative expenses	(80,919)	(1,815)	(82,734)	(99,393)	(938)	(100,331)
Investment income/(loss)	1,710	367	2,077	1,047	(1,255)	(208)
Commission from held to maturity investments	2,098	-	2,098	163	-	163
Commission income from term deposit	6,271	1,816	8,087	5,444	2,969	8,413
Unrealized (loss) / gain on investments	(192)	3,812	3,620	(3,421)	8,372	4,951
Other income	3,220	-	3,220	1,601	-	1,601
<b><u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u></b>	<b><u>(68,050)</u></b>	<b><u>4,180</u></b>	<b><u>(63,870)</u></b>	<b><u>(89,955)</u></b>	<b><u>9,148</u></b>	<b><u>(80,807)</u></b>
<b>NET INCOME / (LOSS) FOR THE YEAR BEFORE ZAKAT</b>	<b>6,136</b>	<b>4,180</b>	<b>10,316</b>	<b>(63,263)</b>	<b>9,148</b>	<b>(54,115)</b>
Zakat	-	(6,000)	(6,000)	-	(6,000)	(6,000)
<b>NET INCOME / (LOSS) FOR THE YEAR AFTER ZAKAT</b>	<b>6,136</b>	<b>(1,820)</b>	<b>4,316</b>	<b>(63,263)</b>	<b>3,148</b>	<b>(60,115)</b>
Transfer to shareholders	(5,522)	1,820	(3,702)	63,263	(3,148)	60,115
<b><u>NET RESULT FROM INSURANCE OPERATIONS</u></b>	<b><u>614</u></b>	<b><u>-</u></b>	<b><u>614</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Earnings / (Loss) per share (Expressed in SAR per share)</b>						
Weighted average number of shares outstanding (thousands shares)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings / (loss) per share	-	0.15	0.15	-	(2.40)	(2.40)

**SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS – (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2020****30. SUPPLEMENTARY INFORMATION – (continued)****c) Statement of comprehensive income**

	For the year ended 31 December					
	2020			2019		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
Net income / (loss) for the year	614	3,702	4,316	-	(60,115)	(60,115)
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to statement of income in subsequent periods</b>						
Actuarial (losses) / gains on defined benefit obligations	748	-	748	(1,879)	-	(1,879)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<b>1,362</b>	<b>3,702</b>	<b>5,064</b>	<b>(1,879)</b>	<b>(60,115)</b>	<b>(61,994)</b>
Less: income attributed to the insurance operations			(614)			-
Net income / (loss) attributed to the shareholders			<b>4,450</b>			<b>(61,994)</b>



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. SUPPLEMENTARY INFORMATION – (continued)

#### d) Statement of cash flows

For the year ended 31 December

	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income / (Loss) before surplus and zakat	614	9,702	10,316	-	(54,115)	(54,115)
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	5,031	-	5,031	5,042	-	5,042
Amortization of intangible assets	1,765	-	1,765	1,688	-	1,688
Depreciation of right of use assets	4,454	-	4,454	5,095	-	5,095
Finance cost on lease liabilities	1,293	-	1,293	1,521	-	1,521
Amortization of held to maturity investments	-	-	-	-	59	59
Allowance for doubtful debts/ (reversal of provision for bad debts)	238	-	238	(4,604)	-	(4,604)
Unrealized gain on investments at FVTSI	192	(3,812)	(3,620)	3,421	(8,372)	(4,951)
Employee benefit obligations	2,106	-	2,106	2,220	-	2,220
	<b>15,693</b>	<b>5,890</b>	<b>21,583</b>	<b>14,383</b>	<b>(62,428)</b>	<b>(48,045)</b>
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	45,073	-	45,073	73,841	-	73,841
Reinsurers' share of unearned premiums	(1,412)	-	(1,412)	(8,719)	-	(8,719)
Reinsurers' share of outstanding claims	(12,165)	-	(12,165)	4,571	-	4,571
Reinsurers' share of claims Incurred but not reported	491	-	491	(1,806)	-	(1,806)
Deferred policy acquisition costs	(11,987)	-	(11,987)	5,102	-	5,102
Prepaid expenses and other assets	(23,467)	1	(23,466)	5,704	(93)	5,611
Accrued commission from statutory deposit	-	(340)	(340)	-	(642)	(642)
Policyholders claims payables	(421)	-	(421)	6,360	-	6,360
Accrued expenses and other liabilities	(669)	-	(669)	(21,145)	-	(21,145)
Reinsurers' balances payable	(774)	-	(774)	1,264	-	1,264
Unearned premiums	(11,376)	-	(11,376)	(57,415)	-	(57,415)
Unearned reinsurance commission	332	-	332	858	-	858
Outstanding claims	(11,199)	-	(11,199)	(19,417)	-	(19,417)
Claims incurred but not reported	(8,880)	-	(8,880)	(21,304)	-	(21,304)
Premium deficiency reserves	(9,782)	-	(9,782)	4,699	-	4,699
Other technical reserve	(3,163)	-	(3,163)	(116)	-	(116)
Accrued commission income payable to SAMA	-	340	340	-	642	642
	<b>(33,706)</b>	<b>5,891</b>	<b>(27,815)</b>	<b>(13,140)</b>	<b>(62,521)</b>	<b>(75,661)</b>
Zakat paid	-	-	-	-	(630)	(630)
Employee benefits paid	(1,345)	-	(1,345)	(3,352)	-	(3,352)
<b>Net cash flows (used in) / from operating activities</b>	<b>(35,051)</b>	<b>5,891</b>	<b>(29,160)</b>	<b>(16,492)</b>	<b>(63,151)</b>	<b>(79,643)</b>

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. SUPPLEMENTARY INFORMATION – (continued)

#### d) Statement of cash flows – (continued)

	For the year ended 31 December					
	2020			2019		
	Insurance operations	Share-holders' operation	Total	Insurance operations	Share-holders' operations	Total
SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of investments	(81,931)	-	(81,931)	(72,839)	(4,982)	(77,821)
Proceeds from sale of investments	4,644	8,427	13,071	83,434	44,211	127,645
Statutory deposit	-	-	-	-	(12,500)	(12,500)
Placement of term deposits	(147,000)	(100,000)	(247,000)	(205,000)	(200,000)	(405,000)
Proceeds from term deposits	256,964	200,201	457,165	191,896	200,179	392,075
Proceeds from held to maturity investments	8,530	13,466	21,996	10,097	-	10,097
Purchase of property and equipment	(137)	-	(137)	(2,627)	-	(2,627)
Purchase of intangible assets	-	-	-	(835)	-	(835)
<b>Net cash flows from investing activities</b>	<b>41,070</b>	<b>122,094</b>	<b>163,164</b>	<b>4,126</b>	<b>26,908</b>	<b>31,034</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payment of lease liabilities</b>	<b>(4,519)</b>	<b>-</b>	<b>(4,519)</b>	<b>(9,849)</b>	<b>-</b>	<b>(9,849)</b>
Due to shareholders' operations	19,558	(19,558)	-	(32,743)	32,743	-
<b>Net cash flows (used in) / from financing activities</b>	<b>15,039</b>	<b>(19,558)</b>	<b>(4,519)</b>	<b>(42,592)</b>	<b>32,743</b>	<b>(9,849)</b>
Net change in cash and cash equivalents	21,058	108,427	129,485	(54,958)	(3,500)	(58,458)
Cash and cash equivalents, beginning of the year	26,834	2,927	29,761	81,792	6,427	88,219
<b>Cash and cash equivalents, end of the year</b>	<b>47,892</b>	<b>111,354</b>	<b>159,246</b>	<b>26,834</b>	<b>2,927</b>	<b>29,761</b>

### 31. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

#### Risk management structure

##### Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

##### Audit committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **31. RISK MANAGEMENT – (continued)**

#### **Risk management structure – (continued)**

The risks facing the Company and the way these risks are mitigated by management are summarized below:

#### **Insurance risk**

The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance reserves. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient resources are available to cover claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Certain portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

The insurance claim liabilities are sensitive to various assumptions mentioned in note 2.

#### Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors such as flood, environmental and economical, atmospheric disturbance and concentration of risk etc. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

#### Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

The company monitors concentration of risk primarily by class of business. The major concentration lies in motor and medical line of business.

#### Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

#### Key assumption

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 31. RISK MANAGEMENT – (continued)

#### Insurance risk – (continued)

##### Sensitivities

The company believes that claim liabilities under insurance contract (Gross outstanding claim less reinsurance share of outstanding claim) outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from claim liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. Sensitivity of loss for the year before Zakat to change in claim liabilities and IBNR based on an increase / decrease of 10% in outstanding claim reserve and increase / decrease of 15 % in IBNR is given below for each business segment.

	2020 SR'000		2019 SR'000	
	Effect of 10% increase	Effect of 10% decrease	Effect of 10% increase	Effect of 10% decrease
<u>Outstanding claim net of reinsurance</u>				
Motor	964	(964)	(1,197)	1,197
Medical	(890)	890	(1,410)	1,410
Others	(758)	758	(413)	413
	<u>(684)</u>	<u>684</u>	<u>(3,020)</u>	<u>3,020</u>

	2020 SR'000		2019 SR'000	
	Effect of 15% increase	Effect of 15% decrease	Effect of 15% increase	Effect of 15% decrease
<u>IBNR</u>				
Motor	(13,893)	13,893	(14,885)	14,885
Medical	(2,507)	2,507	(2,746)	2,746
Others	(89)	89	(116)	116
	<u>(16,489)</u>	<u>16,489</u>	<u>(17,747)</u>	<u>17,747</u>

#### Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

# **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **31. RISK MANAGEMENT – (continued)**

#### **Regulatory framework risk**

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

#### **Capital management risk**

Capital requirements are set and regulated by the Saudi Central Bank. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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, if required in future. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

#### **Financial risk**

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, cash and cash equivalents, term deposits, investments, other receivables, outstanding claims and policy holder claims, reinsurance payable and certain other assets and liabilities. The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

##### **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused either by factors specific to the individual security, the issuer of the security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its FVIS investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees. A 100 basis point increase / (decrease) in net asset value of these funds can impact statement of insurance operations and accumulated surplus by SR 1,030 thousand (2019: SR 259 thousand) and statement of shareholder operations by SR 489 thousand (2019: SR 536 thousand).

##### **Commission rate risk**

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its held to maturity investments and term deposits.

The Company is subject to commission rate fair value risk on its fixed rate Murabaha deposits classified as term deposits in the statement of financial position. The company does not account for fixed commission rate instrument as held for trading or as FVIS investment. Accordingly, there is no impact on the income or equity of reasonably possible change in commission rate.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 31. RISK MANAGEMENT – (continued)

Commission rate risk– (continued)

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

#### Insurance Operations

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2020 and 2019 are as follows:

	2020			Total
	SR '000			
	Less than 1 year	1 to 5 years	over 5 years	
Investments held to maturity (note 9)	-	10,000	-	10,000
	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>

	2019			Total
	SR '000			
	Less than 1 year	1 to 5 Years	over 5 years	
Investments held to maturity (note 9)	8,530	10,000	-	18,530
	<u>8,530</u>	<u>10,000</u>	<u>-</u>	<u>18,530</u>

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments were as follows:

	2020	2019
Saudi Riyal denominated financial assets	1.75%	2.15%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2020	2019
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in interest rates by 100 basis points	2,475	2,905
Decrease in interest rates by 100 basis points	(2,475)	(2,905)

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 31. RISK MANAGEMENT – (continued)

#### Financial risk – (continued)

Commission rate risk – (continued)

Details of maturities of the major classes of commission bearing securities for shareholders' operations as at 31 December 2020 and 2019 are as follows:

#### Shareholders Operations

	2020			Total
	SR '000			
	Less than 1 year	1 to 5 years	over 5 years	
Investments held to maturity	-	4,983	-	4,983
	<u>-</u>	<u>4,983</u>	<u>-</u>	<u>4,983</u>

	2019			Total
	SR '000			
	Less than 1 year	1 to 5 Years	over 5 years	
Investments held to maturity	-	18,449	-	18,449
	<u>-</u>	<u>18,449</u>	<u>-</u>	<u>18,449</u>

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date. The effective interest rates for the commission bearing financial instruments were as follows:

	2020	2019
Foreign currency denominated financial assets	1.41%	1.64%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in commission rates, with all other variables held constant.

	2020	2019
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in commission rates by 100 basis points	918	1,192
Decrease in commission rates by 100 basis points	<u>(918)</u>	<u>(1,192)</u>

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

#### 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. All of the Company's underwriting activities are carried out in Saudi Arabia. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 31. RISK MANAGEMENT – (continued)

#### Credit risk – (continued)

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2020	2019
	SR' 000	
<b>Insurance' Operations</b>		
Cash and cash equivalents	47,892	26,834
Term deposits	148,318	258,282
Premiums receivable, net	38,900	83,320
Held to maturity investments	10,000	18,530
Reinsurance receivables, net	1,996	2,887
Other receivables	42,047	18,580
Reinsurers' share of outstanding claims including IBNR	32,692	21,018
	321,845	429,451
	2020	2019
	SR' 000	
<b>Shareholders' Operations</b>		
Cash and cash equivalents	111,354	2,927
Term deposit	-	100,201
Other receivables	185	186
Held to maturity investments	4,983	18,449
	116,522	121,763

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 15), and held to maturity assets, which are expected to be held until their maturities as mentioned in commission rate risk disclosure above. All financial liabilities are non-interest bearing.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on remaining expected obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.



# SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 31. RISK MANAGEMENT – (continued)

#### Liquidity risk (continued)

	As of 31 December 2020			As of 31 December 2019		
	SR' 000			SR' 000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>Assets- Insurance operations</b>						
Cash and cash equivalents	47,892	-	47,892	26,834	-	26,834
Term deposits	148,318	-	148,318	258,282	-	258,282
Premium and reinsures receivable - net	40,896	-	40,896	86,207	-	86,207
Reinsurers' share of unearned premiums	23,270	-	23,270	21,858	-	21,858
Reinsurers' share of outstanding claims	20,910	-	20,910	8,745	-	8,745
Reinsurers' share of IBNR	11,782	-	11,782	12,273	-	12,273
Investments	31,661	81,360	113,021	25,926	18,530	44,456
	<b>324,729</b>	<b>81,360</b>	<b>406,089</b>	<b>440,125</b>	<b>18,530</b>	<b>458,655</b>

	As of 31 December 2020			As of 31 December 2019		
	SR' 000			SR' 000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>Liabilities- Insurance operations</b>						
Policy holder claims payable	13,522	-	13,522	13,943	-	13,943
Reinsurers' balance payable	7,037	-	7,037	7,811	-	7,811
Other payables	23,661	-	23,661	19,715	-	19,715
Gross outstanding claims	27,754	-	27,754	38,953	-	38,953
Claims incurred but not reported	121,706	-	121,706	130,586	-	130,586
Premium deficiency reserve	-	-	-	9,782	-	9,782
Other technical reserves	3,096	-	3,096	6,259	-	6,259
Surplus distribution payable	15,149	-	15,149	14,535	-	14,535
<b><u>TOTAL LIABILITIES AND SURPLUS</u></b>	<b>211,925</b>	<b>-</b>	<b>211,925</b>	<b>241,584</b>	<b>-</b>	<b>241,584</b>

	As of 31 December 2020			As of 31 December 2019		
	SR' 000			SR' 000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>Assets- Shareholders operations</b>						
Cash and cash equivalents	111,354	-	111,354	2,927	-	2,927
Investments	23,201	32,652	55,853	20,847	53,087	73,934
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued income on statutory deposit	-	3,668	3,668	-	3,328	3,328
<b>TOTAL ASSETS</b>	<b>134,555</b>	<b>73,820</b>	<b>208,375</b>	<b>23,774</b>	<b>93,915</b>	<b>117,689</b>

	As of 31 December 2020			As of 31 December 2019		
	SR' 000			SR' 000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>Liabilities- Shareholders operations</b>						
Accrued commission income payable to SAMA	3,668	-	3,668	3,328	-	3,328
<b><u>TOTAL LIABILITIES AND SURPLUS</u></b>	<b>3,668</b>	<b>-</b>	<b>3,668</b>	<b>3,328</b>	<b>-</b>	<b>3,328</b>

## **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **32. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS**

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and statement of cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts “due to / from” shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 30 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 30 (b)).

#### **33. IMPACT OF COVID-19**

On 11 March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews

In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities in the Saudi Arabia market, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes 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 is protected and kept intact.

As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

#### **Medical technical reserves**

Based on the management’s assessment, the management believes that the Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience.

#### **Motor technical reserves**

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the “circular”) dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.

## **SALAMA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **33. IMPACT OF COVID-19 – (continued)**

For new retail motor policies issued as per above circular, the premium is earned over the period of 12 months as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management for the year ended December 31, 2020.

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been 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.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2020. The Company's management continues to monitor the situation closely.

#### **34. COMPARATIVE FIGURES AND PRIOR YEARS ADJUSTEMENTS**

During the year, management identified certain adjustments required to prior years financial statements and restated them accordingly. The details are provided below:

- Certain short term deposits of SR 102.9 million at 31 December 2019 (2018: SR 104 million) previously classified as held-to-maturity investments were reclassified to the term deposits line item.
- Investment in a managed fund of SR 8.3 million at 31 December 2019 (2018: SR 21.96 million) that was previously classified as held-to-maturity investment was reclassified to FVSI investments.

The above adjustments did not have a significant impact on the comparative statement of income and statement of changes in equity.

- In addition, certain of the prior year figures in the statement of financial position, statement of income and statement of cash flows have been reclassified to conform to current year presentation.

#### **35. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 18 Sha'aban 1442H, corresponding to 31 March 2021.

## إلى السادة مساهمي شركة سلامة للتأمين التعاوني المحترمين

السلام عليكم ورحمة الله وبركاته

### مقدمة:

يسر لجنة المراجعة في شركة سلامة للتأمين التعاوني أن تقدم لمساهمي الشركة الكرام تقريرها السنوي عن السنة المالية المنتهية في 31 ديسمبر 2020 والمتضمن تفاصيل أدائها لاختصاصتها ومهامها المنصوص عليها في لائحة لجان المراجعة في شركات التأمين الصادرة من البنك المركزي السعودي، ورأي لجنة المراجعة في مدى كفاية نظام الرقابة الداخلية.

### تكوين اللجنة:

تتكون اللجنة الحالية من 3 أعضاء مستقلين ومنهم مختصون في الشؤون المالية والمحاسبية وقد تشكلت اللجنة في 28 ديسمبر 2020 وهم:

- 1- الأستاذ / خالد الزايدى - رئيس اللجنة وعضو مستقل من داخل المجلس.
- 2- الأستاذ / رائد الرصيص - عضو مستقل من خارج المجلس.
- 3- الأستاذ / وليد مرعي - عضو مستقل من خارج المجلس.

### أهم أعمال اللجنة:

- 1- دراسة القوائم المالية للعام 2020م و مناقشتها مع الإدارة التنفيذية ومراجعي الحسابات الخارجيين والتأكد مما يلي:
  - أ. ملاءمة وثبات السياسات والمعايير المحاسبية المتبعة.
  - ب. سلامة أسس التقديرات المحاسبية في إعداد القوائم المالية وكفاية المخصصات.
  - ج. كفاية وملاءمة الإفصاحات بالقوائم المالية.
  - د. الالتزام بالقوانين واللوائح ذات الصلة بالقوائم المالية.
- 2- استعراض المعاملات مع الأطراف ذوي العلاقة للسنة المالية المنتهية في 31 ديسمبر 2020م.
- 3- مناقشة الموقف الزكوي للشركة في 31 ديسمبر 2020م وكذلك تقديرات الادارة والاعتراضات عن الأعوام 2006م حتى 2012م و الفترة ما بين 2014م حتى 2018م و التوصية حيالها والأوضاع القانونية ومدى تأثيرها على القوائم المالية.
- 4- دراسة خطة المراجعة التي أعدها مراجعي الحسابات الخارجيين لمراجعة القوائم المالية والتأكد من قيام إدارة الشركة بتوفير كافة البيانات والمعلومات اللازمة لأغراض المراجعة.
- 5- دراسة نتائج المراجعة ومسودة تقرير مراجعي الحسابات الخارجيين عن السنة المالية المنتهية في 31 ديسمبر 2020م.
- 6- دراسة العروض المقدمة من مراجعي الحسابات الخارجيين والتوصية بتعيين المراجعين الخارجيين للعام 2021م.
- 7- دراسة تقارير المراجعة الداخلية المقدمة خلال 2020م و الربع الأول من العام 2021م ومتابعة الإجراءات المتخذة بشأن تنفيذ ما ورد بها من توصيات.
- 8- دراسة خطة المراجعة الداخلية و تقييم المخاطر مع المراجع الداخلي والتأكد من تغطية الخطة لكافة الأنشطة والعمليات الهامة بالشركة.
- 9- مناقشة خطة عمل الالتزام للعام 2021م.

- 10- مناقشة تقرير الاكتواري الخارجي للعام 2020م والتحقق من التزام الشركة بتوصيات الخبير الاكتواري حسب الأنظمة واللوائح.
- 11- دراسة خطة الشركة للالتزام بتطبيق المعيار الدولي للتقارير المالية رقم 17 وفقا للتعميم الصادر من البنك المركزي بتاريخ 29 أكتوبر 2020م والموافقة عليها.
- 12- تقييم الوضع الراهن لإدارتي الالتزام و المراجعة الداخلية و تحديد التوصيات لرفع مستوى عمل الإدارتين.
- 13- اجراء المقابلات اللازمة و تعيين مديرين لإدارتي الالتزام و المراجعة الداخلية و تحديد الراتب الشهري لهما.
- 14- العمل على مناقشة ملاحظات البنك المركزي ومراجعة الخطط التصحيحية المقدمة من إدارة الشركة.
- 15- مناقشة الدعاوى القانونية الهامة المرفوعة من الشركة أو المرفوعة ضد الشركة مع الإدارة التنفيذية.
- 16- التأكد من استقلالية إدارتي المراجعة والإلتزام.
- 17- مناقشة اعمال الإدارة التنفيذية للعام 2020م و الاجتماع مع كبار التنفيذيين في الشركة.
- 18- دراسة أعمال و منجزات لجنة المراجعة السابقة.

#### رأي اللجنة في مدى كفاية وفاعلية نظام الرقابة الداخلية:

بناءً على ما نصت عليه المادة 104 من نظام الشركات من ضرورة إعداد تقرير عن رأيها في شأن مدى كفاية نظام الرقابة الداخلي في الشركة، وبناءً عليه وبعد إطلاع اللجنة على تقارير المراجعة الداخلية خلال العام 2020 والمقدمة من قبل فريق عمل المراجعة الداخلية وتقرير المراجع الخارجي وإدارة الالتزام ، لم يتبين للجنة المراجعة وجود أي ضعف جوهري في نظم واجراءات الرقابة الداخلية التي وضعتها الشركة مع الحاجة إلى تحسين بعض أوجه الفاعلية في نظام الرقابة الداخلية عن العام المالي 2020 المنصرم، علماً بأن أي نظام رقابة داخلية بغض النظر عن سلامة تصميمه وفعالية تطبيقه لا يمكن أن يوفر تأكيداً مطلقاً.

وتقبلوا منا خالص التحية والتقدير،،،

تحريراً في: 2021/05/02م

رئيس لجنة المراجعة

الأستاذ / خالد الزايدي