
SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY

(A Saudi Joint Stock Company)

Financial Statements and Independent Auditors' Report

For The Year Ended 31 December 2020

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KPMG Professional Services



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company

Opinion

We have audited the financial statements of **Saudi Re for Cooperative Reinsurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2020 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with the 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 Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. 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.



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Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<p><u>Valuation of ultimate claims liabilities arising from reinsurance contracts</u></p> <p>As at 31 December 2020, the gross outstanding claims including claims Incurred but Not Reported (IBNR) amounted to SR 1,067.7 million (2019: SR 1,092.5 million) as reported in Note 8 of the financial statements.</p> <p>The valuation of ultimate reinsurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate reinsurance contract liabilities, we have determined it to be a key audit matter.</p> <p>Refer to note 4 which disclosed the estimated liability arising from claims under reinsurance contracts and note 3 which discloses accounting policies for claims.</p>	<ul style="list-style-type: none"> • We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. • We tested on a samples basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also assessed the actuarial reserve report issued by the Company's appointed actuary. • We evaluated the completeness and accuracy of data used by management in their calculation of ultimate reinsurance contract liabilities and evaluated the results of liability adequacy test. • We assessed the adequacy and appropriateness of the related disclosures in the financial statements.



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Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2020 annual report but does not include the 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 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the 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 the IFRSs as endorsed in KSA, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, the Board of Directors of the Company, 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 ISAs 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.



KPMG Professional Services



Ibrahim Ahmed Al-Bassam & Co

Certified Public Accountants - Al-Bassam & Co.

(member firm of PKF International)

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of managements' 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, then 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 of the Company.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 for the current year 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.

KPMG Professional Services

P. O. Box 92876

Riyadh 11663

Kingdom of Saudi Arabia

Hani Hamzah A. Bedairi

Certified Public Accountant

License No. 460



15 Shaban 1442H
28 March 2021

For Al-Bassam & Co.

P. O. Box 89658

Riyadh 11557

Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam

Certified Public Accountant

License No. 337



SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
<u>ASSETS</u>			
Bank balances and cash	5	13,156,722	13,169,059
Time deposits	13	193,459,502	378,031,179
Accrued special commission income from time deposits		3,211,493	7,974,404
Reinsurance premium receivables, net	6	293,755,148	233,392,376
Investments held at fair value through income statement	7	512,081,378	417,847,821
Accrued special commission income from bonds, sukuk and held-to-maturity investments		6,180,645	2,793,154
Accrued reinsurance premiums	14	594,263,077	467,070,866
Retroceded share of unearned premiums	10	71,861,774	50,836,786
Deferred excess of loss premiums		12,783,693	11,743,563
Retroceded share of outstanding claims	8	154,674,308	282,718,771
Retroceded share of claims incurred but not reported	8	45,796,293	34,812,075
Deferred policy acquisition costs	11	149,403,279	106,279,101
Held-to-maturity investments	17	184,022,721	37,500,000
Prepaid expenses, deposits and other assets	9	289,098,884	244,639,898
Property and equipment, net	12	33,625,332	33,575,528
Investment in an equity accounted investee	16	120,141,077	101,445,631
Statutory deposit	28	81,000,000	121,500,000
Accrued income on statutory deposit	28	20,185,653	17,992,463
TOTAL ASSETS		2,778,700,979	2,563,322,675
<u>LIABILITIES</u>			
Accounts payable		31,974,787	39,928,645
Margin loan payable	17	23,116,816	-
Retrocession balances payable		47,710,736	46,173,239
Accrued retroceded premiums		39,812,365	21,741,812
Unearned premiums	10	548,541,182	401,997,592
Outstanding claims	8	716,946,866	737,229,272
Claims incurred but not reported	8	350,741,781	355,254,946
Unearned retrocession commission	15	15,805,185	8,396,072
Accrued expenses and other liabilities	19	23,860,764	19,420,788
Employees' end of service benefits	18	10,673,191	8,828,705
Provision for zakat and tax	21	15,173,830	23,742,062
Accrued commission income payable to SAMA	28	20,185,653	17,992,463
TOTAL LIABILITIES EXCLUDING REINSURANCE OPERATIONS' SURPLUS		1,844,543,156	1,680,705,596
<u>REINSURANCE OPERATIONS' SURPLUS</u>			
Accumulated surplus		10,978,352	7,546,140
TOTAL REINSURANCE OPERATIONS' SURPLUS		10,978,352	7,546,140
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS		1,855,521,508	1,688,251,736
<u>EQUITY</u>			
Share capital	22	810,000,000	810,000,000
Statutory reserve	23	27,087,676	17,904,115
Retained earnings		85,847,666	49,113,416
Other reserves		244,129	(1,946,592)
TOTAL EQUITY		923,179,471	875,070,939
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS AND EQUITY		2,778,700,979	2,563,322,675

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2020

		2020	2019
	Notes	SR	SR
REVENUES			
Gross written premiums		935,114,217	792,847,561
Retroceded premiums		(132,993,489)	(127,843,625)
Excess of loss expenses		(29,481,546)	(18,398,659)
Net written premiums	10	772,639,182	646,605,277
Change in net unearned premiums	10	(125,518,602)	(4,070,415)
Net earned premiums	10	647,120,580	642,534,862
Retrocession commissions	15	12,693,388	18,175,998
TOTAL REVENUES		659,813,968	660,710,860
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(481,191,479)	(436,701,322)
Retroceded share of claims paid		181,476,339	60,006,499
Net claims paid		(299,715,140)	(376,694,823)
Change in outstanding claims, net		(107,762,057)	9,524,357
Changes in incurred but not reported claims, net		15,497,385	(49,899,318)
Net claims incurred		(391,979,812)	(417,069,784)
Policy acquisition costs and profit commissions	11	(194,682,388)	(172,780,534)
Other underwriting expenses		(4,002,629)	(3,616,464)
TOTAL UNDERWRITING COSTS AND EXPENSES		(590,664,829)	(593,466,782)
NET UNDERWRITING INCOME		69,149,139	67,244,078
OTHER OPERATING INCOME / (EXPENSES)			
Special commission income from time deposits		10,729,027	18,325,400
Realized (loss) / gain on investments held at fair value through income statement	7(iii)	(885,373)	13,903,154
Unrealized gains on investments held at fair value through income statement	7(iii)	1,685,649	3,792,706
Special commission income from bonds and sukuk		11,427,008	4,156,498
Special commission expense from margin loan		(9,969)	--
Dividend income		3,310,492	1,862,222
Share of profit of equity accounted investee	16	12,071,843	5,114,506
Investment management expenses		(889,558)	(1,675,117)
Net investment income		37,439,119	45,479,369
Other income		1,144,525	999,616
Reversal of provision for Zakat	21	5,567,920	--
Reversal of doubtful debts	6	647,860	517,929
General and administrative expenses	24	(49,571,677)	(50,716,581)
Board of directors' remunerations, meetings fees and expenses	25	(2,271,237)	(2,570,297)
Foreign exchange translation gains		2,018,202	1,881,530
Total income for the year before zakat and tax		64,123,853	62,835,644
Total income attributed to the reinsurance operations	32	(3,432,212)	(3,517,945)
Net income for the year before zakat and tax attributable to the shareholders	32	60,691,641	59,317,699
Zakat and tax charge for the year		(14,773,830)	(13,873,425)
Net income for the year after zakat and tax attributable to the shareholders		45,917,811	45,444,274
Basic and diluted earnings per share for the year	27	0.57	0.56

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
Net income for the year after zakat and tax attributable to shareholder		45,917,811	45,444,274
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified to income statement subsequently</i>			
Re-measurement of employee' end of service benefit obligations	18	(735,982)	(2,058,517)
Items that may be classified to income statement subsequently			
Share of foreign currency translation reserve of an equity accounted investee	16	2,926,703	(962,691)
		2,190,721	(3,021,208)
Total comprehensive income for the year		48,108,532	42,423,066



Managing Director / Chief Executive Officer



Chairman of the Board



Chief Financial Officer

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SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	GCC Shareholders and General Public				Non – GCC Shareholders				Total				
	Share Capital	Statutory reserve	Retained earnings	Other reserves	Share capital	Statutory reserve	Retained earnings	Other reserves	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
	SR	SR	SR		SR	SR	SR		SR	SR	SR		SR
Balance as at 1 January 2020	749,907,990	16,575,765	42,683,543	(1,821,931)	60,092,010	1,328,350	6,429,873	(124,661)	810,000,000	17,904,115	49,113,416	(1,946,592)	875,070,939
Transfer during the year	19,564,650	432,539	3,972,543	(27,266)	(19,564,650)	(432,539)	(3,972,543)	27,266	--	--	--	--	--
Net profit for the year	--	--	43,620,543	--	--	--	2,297,268	--	--	--	45,917,811	--	45,917,811
Other comprehensive income	--	--	--	2,081,119	--	--	--	109,602	--	--	--	2,190,721	2,190,721
Total comprehensive income for the year	--	--	43,620,543	2,081,119	--	--	2,297,268	109,602	--	--	45,917,811	2,190,721	48,108,532
Transfer to statutory reserve	--	8,724,108	(8,724,108)	--	--	459,453	(459,453)	--	--	9,183,561	(9,183,561)	--	--
Balance as at 31 December 2020	769,472,640	25,732,412	81,552,521	231,922	40,527,360	1,355,264	4,295,145	12,207	810,000,000	27,087,676	85,847,666	244,129	923,179,471
Balance as at 1 January 2019	783,693,750	8,528,901	9,431,953	1,019,067	26,306,250	286,359	3,326,044	55,549	810,000,000	8,815,260	12,757,997	1,074,616	832,647,873
Transfer during the year	(33,785,760)	(367,689)	(406,620)	(43,933)	33,785,760	367,689	406,620	43,933	--	--	--	--	--
Net profit for the year	--	--	42,072,763	--	--	--	3,371,511	--	--	--	45,444,274	--	45,444,274
Other comprehensive income	--	--	--	(2,797,065)	--	--	--	(224,143)	--	--	--	(3,021,208)	(3,021,208)
Total comprehensive income for the year	--	--	42,072,763	(2,797,065)	--	--	3,371,511	(224,143)	--	--	45,444,274	(3,021,208)	42,423,066
Transfer to statutory reserve	--	8,414,553	(8,414,553)	--	--	674,302	(674,302)	--	--	9,088,855	(9,088,855)	--	--
Balance as at 31 December 2019	749,907,990	16,575,765	42,683,543	(1,821,931)	60,092,010	1,328,350	6,429,873	(124,661)	810,000,000	17,904,115	49,113,416	(1,946,592)	875,070,939

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
OPERATING ACTIVITIES			
Total income for the year before zakat and tax		64,123,853	62,835,644
<i>Adjustments to reconcile total income for the year before zakat and tax to net cash used in operating activities:</i>			
Special commission income from bond and sukuk		(11,427,008)	(4,156,498)
Special commission expense from margin loan		9,969	--
Employees' end of service benefits	18	1,123,174	1,184,418
Reversal of provision for zakat		(5,567,920)	--
Depreciation of property and equipment	24	2,341,856	1,729,724
Realized losses / (gains) on investments held at fair value through income statement	7(iii)	885,373	(13,903,154)
Unrealized gains on investments held at fair value through income statement	7(iii)	(1,685,649)	(3,792,706)
Share of profit of equity accounted investee	16	(12,071,843)	(5,114,506)
Reversal of doubtful debts	6	(647,860)	(517,929)
Operating income before changes in operating assets and liabilities		37,083,945	38,264,993
Changes in operating assets and liabilities:			
Reinsurance premium receivable, gross		(59,714,912)	(32,850,934)
Accrued reinsurance premiums		(127,192,211)	(57,292,729)
Retroceded share of unearned premiums		(21,024,988)	(17,755,892)
Unearned premiums		146,543,590	21,826,307
Retroceded share of outstanding claims		128,044,463	(84,286,253)
Retroceded share of claims incurred but not reported		(10,984,218)	25,125,104
Deferred acquisition costs		(43,124,178)	(6,383,510)
Deferred excess of loss premiums		(1,040,130)	(311,954)
Prepaid expenses, deposits and other assets		(44,458,986)	(35,680,666)
Accounts payable		(7,953,857)	20,001,006
Retrocession balances payable		1,537,497	23,274,680
Accrued retroceded premiums		18,070,553	5,902,095
Outstanding claims		(20,282,406)	74,761,900
Claims incurred but not reported		(4,513,165)	24,774,213
Unearned commission income		7,409,113	1,985,832
Accrued expenses and other liabilities		4,439,976	6,873,836
		2,840,086	8,228,028
Zakat and tax paid	21	(17,774,142)	(28,375,616)
Employees' end of service benefits paid	18	(14,670)	(1,008,205)
Net cash used in operating activities		(14,948,726)	(21,155,793)
INVESTING ACTIVITIES			
Time deposits		149,906,802	(122,984,057)
Accrued special commission income on time deposits		4,762,911	(5,894,780)
Special commission income received from bonds and sukuks		8,039,516	4,027,236
Special commission expense paid against margin loan		(9,969)	--
Purchase of property and equipment, net		(2,391,660)	(2,716,354)
Additions in investments held at fair value through income statement	7(iii)	(500,020,456)	(354,245,449)
Proceeds from disposal of investments held at fair value through income statement	7(iii)	406,587,175	506,667,595
Additions in equity accounted investment	16	(3,696,900)	--
Release of Statutory deposit		40,500,000	--
Held-to-maturity investments	17	(146,522,721)	(37,500,000)
Net cash used in investing activities		(42,845,302)	(12,645,809)
<i>To be continued</i>			


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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

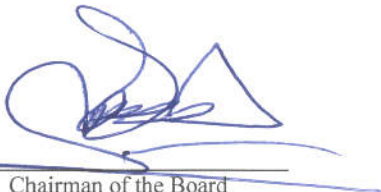
STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
FINANCING ACTIVITIES			
Proceeds from margin loans	<i>17</i>	23,116,816	--
Net cash generated from financing activities		23,116,816	--
DECREASE IN CASH AND CASH EQUIVALENTS		(34,677,212)	(33,801,602)
Cash and cash equivalents at the beginning of the year		47,833,934	81,635,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<i>5</i>	13,156,722	47,833,934
NON-CASH INFORMATION			
Remeasurement gain / (loss) on end-of-service benefit obligations	<i>18</i>	(735,982)	(2,058,517)
Foreign currency impact on equity accounted investment	<i>16</i>	2,926,703	(962,691)
Right of use asset		--	660,129
Lease liability		295,834	512,785



Managing Director / Chief Executive Officer



Chairman of the Board



Chief Financial Officer

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 7001556021 dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company’s registered office is at 4130 Northern Ring Road Al Wadi, Unit number 1, Riyadh 13313-6684, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Basis of presentation

The financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standard “IFRS” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization of Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: bank balances and cash, time deposits, accrued special commission income from time deposits, reinsurance premium receivables, net, investments held at fair value through income statement, deferred excess of loss premiums, retroceded share of outstanding claims, retroceded share of claims incurred but not reported, prepaid expenses, deposits and other assets, accrued special commission income from bonds and sukuk, accounts payable, retrocession balances payable, outstanding claims, claims incurred but not reported, accrued expenses and other liabilities, provision for zakat and tax and accumulated surplus. The following balances would generally be classified as non-current: held to maturity investments, accrued reinsurance premiums, retroceded share of unearned premiums, deferred policy acquisition costs, property and equipment, net, Investment in an equity accounted investee, statutory deposit, accrued income on statutory deposit, accrued retroceded premiums, unearned premiums, unearned retrocession commission, employees end of service benefits and accrued commission income payable to SAMA.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Reinsurance Operations and Shareholders’ Operations and presents the financial statements accordingly (refer to Note 32). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 32 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by the Saudi Central Bank (‘SAMA’) implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the reinsurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the reinsurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the reinsurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the reinsurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

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

Surplus is distributed between reinsurance operations and shareholders operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from reinsurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on reinsurance operations is transferred to the shareholders' operation in full.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments held at fair value through income statement and Investment in an equity accounted investee which is accounted for under the equity method and End of Service Benefits (EOSB) at present value of future obligations using projected unit credit method.

(c) Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SR), which is also the functional currency of the Company.

(d) Fiscal year

The Company's fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies 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. Based on the adoption of amendments to existing standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual financial statements.

A. Amendments to existing standards

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect date in future dates.

IFRS 9 – Financial Instruments

This standard was published on July 24, 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, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

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

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

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

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

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

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 special commission 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after 1 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 1 January 2021 to 1 January 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,
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment 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

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

As at 31 December 2020, the Company has total financial assets amounting to SR 2,062,810,785 (2019: SR 1,756,231,815) and insurance related assets amounting to SR 434,519,347 (2019: SR 486,390,296) respectively. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 30. The Company is currently assessing the impact on application and implementation of IFRS 9, however the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9 as company is yet to perform a detailed review.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

IFRS 17 Insurance Contracts

Overview

This standard has been published on May 18, 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 Measurement Model (GMM) is based on the following “building blocks”:

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

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

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 reinsurance contracts and retrocession and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.

Impact assessment:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The status of the implementation is as follows:

Impact Area	Summary of Impact
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance framework which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve design phase decisions and assign roles and responsibilities to various stakeholders.
Operational area	The Company has completed the assessment of its business requirements and is currently in the final stages of its vendor selection, while also assessing various processes needed for transition and its resource need. The Company is in the process of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary, and the end state functional design.
Technical and financial area	The Company has completed technical policy papers documenting the policy decisions required under the IFRS 17 standard. The policy decisions are taken after performing detailed assessments and due deliberations among various stakeholders. A majority of the policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for the transitional and post-implementation periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

The Company will complete the Design phase by 31 March 2021. This will be followed by the Implementation phase, which will involve refinement of phase 3 design decisions, implementing changes to the accounting, actuarial modelling, processes and controls, data and systems, and performing UAT, dry runs, parallel runs and transition calculation to get the Company IFRS 17 compliant by 1 January 2023.

The Company has not early adopted the following new IFRS and amendments to IFRS effective for annual years beginning after 1 January 2020. The Company is still in the process of assessing the impact of these standards.

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16)
- Amendments to IAS 1 – “Classification of Liabilities as Current or Non-current”, applicable for the period beginning on or after January, 1, 2022
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

C. Significant accounting policies adopted in the preparation of these financial statements

The accounting policies 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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months from the date of acquisition.

Gross written premiums

Gross written premiums comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

Where contract terms require the reinstatement of coverage after a ceding company's loss, the mandatory reinstatement premiums are calculated in accordance with the contract terms.

Reinsurance premium receivable

Reinsurance premium receivable are recognized when notified by cedants and are measured on initial recognition at the fair value of the considerations received or receivable. Subsequently, it is measured at amortized cost. The carrying value of reinsurance premium receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Reinsurance premium receivable are derecognized when the derecognition criteria for financial assets have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retrocession

The Company uses retrocession agreements to reduce its exposure to risks assumed to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. Amounts receivable from retrocession is estimated in a manner consistent with the claim liability associated with the reinsured parties. An impairment review of amounts recoverable under retrocession agreements 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 retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of income.

Premiums and claims are presented on a gross basis for both assumed reinsurance and retroceded business.

Retrocession liabilities represent balances due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract. Retroceded assets and liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Deferred policy acquisition costs (DAC)

Direct costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of unearned premium. Subsequent to initial recognition, deferred costs are amortized using the same basis as for unearned premiums. Amortization is recorded 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. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. DAC is also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

Investment in an equity accounted investee

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the financial statements include the share of the profit or loss and Other comprehensive income of associates, until the date on which significant influence ceases.

Investments held at fair value through income statement

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realised gains and losses are recognized in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held to maturity investments

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.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of 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

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. 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 can be measured reliably. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of income as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment is stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred. Land and capital work-in-progress are not depreciated.

The cost of all other property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	Years
Building	33
Computers and equipment	3-5
Furniture and fixtures	5
Motor vehicles	4
Leasehold improvements	10

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events 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.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income or taken into income in the year the asset is derecognised.

Lease

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

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

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 level for which there are separately identifiable cash flows (cash-generating units).

Accounts payable and accruals

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

Claims

Claims, comprise of amounts of claims estimates notified by ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to statement of income.

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year. The Company does not discount its liabilities for unpaid claims as substantially most claims are expected to be paid within one year of the financial reporting date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratios which are reviewed at regular intervals by the Company's appointed actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on gross basis and the related share of retroceded is shown separately.

Liability adequacy test

At each statement of financial position date, a liability adequacy test is performed to ensure the adequacy of the reinsurance contracts liabilities net of related deferred 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 initially by writing off related deferred acquisition costs and subsequently, by establishing a provision for losses arising from liability adequacy tests.

End of service benefits

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 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. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Premiums earned and commission income

Premiums and commission income are earned over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and are deferred based on the following methods:

- Actual number of days for facultative reinsurance and non-proportional reinsurance treaties and portfolio transferred from insurance companies.
- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

<u>Line of business</u>	<u>Years</u>
Engineering	4
Others	2
Special contracts	Based on underlying terms and nature

The change in the provision for unearned premiums and commission income is taken to the statement of income in order to recognize revenue over the period to cover the reinsurance risks.

Deferred Excess of Loss premiums

The company uses non-proportional excess of loss retrocession agreements on loss occurring basis to reduce its exposure arising from per risk and catastrophic losses on risks assumed and to manage underwriting capacity. The costs related to these agreements are amortized over the period of underwriting contracts and charged to statement of income

Special commission income

Special commission income is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

General and administrative expenses

All expenses incurred during the fiscal year not directly relating to underwriting are classified as general and administrative expenses.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of income.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. 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. The Company is organised into business units based on their products and services and has seven reportable operating segments as follows:

- Engineering is a comprehensive insurance cover that is available to the insured in respect of contingencies which may happen on a construction or erection site. It provides an all risks cover for the works as well as a liability cover towards third parties for material damage or injury sustained as a result of the work being undertaken. The cover is also available for machinery.
- Fire insurance pays for specific losses when a property is damaged due to fire, flood, earthquake and other external perils. It may also provide indemnity for loss of profit in case of an industrial or commercial activity.
- Marine insurance covers the loss or damage to cargo, terminals and or damage of ships or other means of transport of cargo by which property is transferred between the points of origin and final destination.
- Motor insurance pays for loss or damage to own motor vehicles involved in accidents. It also pays for losses caused by its use to third party properties and bodily injuries
- Protection includes Term and credit life insurance. Term life insurance is used to provide financial aid for dependents in case of death and in certain cases of illness or disability. It can be an individual or a group policy with set duration limit on the coverage with the option to renew the policy or not. Credit life insurance is used to pay off a borrower's debt if that borrower dies, with set duration limit on coverage with the option to renew the policy or not.
- General accident covers a variety of events/properties such as money, liabilities and personal accident whether for individual or group.
- Speciality includes company's participation in Lloyd's market which specialises in writing worldwide property, marine, energy, speciality and non-U.S. liability insurance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segmental reporting (continued)

- Others include following business segments:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

- Whole accounts covers ceding company's retention (mainly in property, engineering, marine hull, marine cargo and sometimes include general accident and/or motor) on Excess of loss basis
- Aviation (covers Aviation Hull, Aviation Liabilities and Spare Parts)
- Energy (covers Property Damage, Liabilities and Business Interruption)
- Agriculture (covers standing crops)
- Political Risk (covers Political Violence and Sabotage and Terrorism)

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Further, the Company has considered the following:

- On 11 March 2020, the World Health Organisation ("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 GCC, non-GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, 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
 - the continuity of its business throughout the world is protected and kept intact.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Accrued reinsurance premium

Estimates have to be made for expected future premium from policies already written but not reported at the reporting date. Due to the nature of reinsurance business, it takes a significant period of time before all premiums are reported for a given underwriting period. Therefore, considerable judgement, experience and knowledge of the business is required by management in the estimation of accrued premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated accrued premium income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Accrued reinsurance premium (continued)

Effective 1 January 2020, the Company has revised method of estimating accrued reinsurance premium to enhance objectivity and consistency in the process. Accordingly, the accrued reinsurance premium at the reporting date is now determined by using actuarial techniques unlike previous basis of estimated premium income (EPI) recommended by the underwriters. The change has not resulted in a material adjustment in the statement of income, however it has resulted in an increase in accrued reinsurance premium balance as of 31 December 2020 by SR 4.76 million. The change in the estimation of accrued reinsurance premium has not only impacted the gross written premium for the period but also various elements including retroceded premium, change in unearned premium, net, retrocession commissions, changes in incurred but not reported claims, net, policy acquisition cost and profit commissions, other underwriting expenses and their related balances in the statement of financial position.

The management believes that it is not practicable for the Company to quantify and disclose the impact of the change in the estimation methodology on the individual financial statement captions as it would require undue cost and effort to recompute impact on individual elements.

The accrued premium estimates are reviewed regularly by the management by using various methods, but primarily by using historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analysed by underwriting year, by type and line of business.

Determination of whether control exist over associate

The Company has investment in an associate which is not 'controlled' by the Company and therefore, the associate is not consolidated in these financial statements. Determining whether the Company controls the associate usually focuses on the assessment whether the Company is exposed to, or has the right to, variable returns from its involvement with the associate and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more of the elements of control.

The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the end of financial reporting date.

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. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Risk and Underwriting Committee, in conjunction with the Company's external actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

Deferred policy acquisition costs

Commission and other costs directly and indirectly related to the acquisition and renewal of reinsurance contracts are recorded as deferred acquisition costs ("DAC") and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment.

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 to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Fair values of financial instruments (continued)

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Investment Committee, in conjunction with the Company's external fund managers, evaluates the performance of each investment to determine whether the same is reasonable in comparison to the market.

The Company's management evaluates the changes in the fair value of each of the other assets and liabilities, to determine whether the applied methodology is reasonable.

Going concern

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

5. CASH AND CASH EQUIVALENTS

	Reinsurance operations	
	2020	2019
	SR	SR
Cash in hand (A)	48,999	40,000
Bank balances (A)	7,985,348	6,021,323
Deposits maturing within 3 months from the acquisition date (B)	--	21,586,875
	8,034,347	27,648,198

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5. CASH AND CASH EQUIVALENTS (CONTINUED)

	Shareholders' operations	
	2020	2019
	SR	SR
Bank balances (C)	5,122,375	7,107,736
Deposits maturing within 3 months from the acquisition date (D)	--	13,078,000
	5,122,375	20,185,736
Total Bank balances and cash (A+C)	13,156,722	13,169,059
Total Deposits maturing within 3 months from acquisition date (B+D)*	--	34,664,875
Total	13,156,722	47,833,934

* Included within time deposits

Time deposits are placed with banks which have credit ratings of BBB+ and above and have maturity period of less than three months from the date of original placement. Average effective special commission rate for these deposits is Nil (2019: 1.70%)

Cash at banks are placed with counterparties which have investment grade credit ratings of BBB+ and above.

6. REINSURANCE PREMIUM RECEIVABLES, NET

<u>Reinsurance operations</u>	2020	2019
	SR	SR
Policyholders	295,385,275	235,474,039
Related parties (note 26)	915,722	1,112,046
Less: provision for doubtful debts	(2,545,849)	(3,193,709)
	293,755,148	233,392,376

The movement in provision for doubtful debt is as follows:

	2020	2019
	SR	SR
Opening balance	3,193,709	3,711,638
Reversal for the year	(647,860)	(517,929)
Closing balance	2,545,849	3,193,709

As at 31 December, the ageing of gross reinsurance premium receivables is as follows:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Less than 90 days	91 to 180 days	More than 180 days		
	SR	SR	SR	SR	SR	SR
2020						
Policyholders, net of payables	153,787,954	61,958,864	27,320,652	49,745,336	2,572,469	295,385,275
Related parties, net of payables	--	700,472	234,375	7,496	(26,621)	915,722
Total	153,787,954	62,659,336	27,555,027	49,752,832	2,545,848	296,300,997
	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Less than 90 days	91 to 180 days	More than 180 days		
	SR	SR	SR	SR	SR	SR
2019						
Policyholders, net of payables	148,202,617	21,452,546	22,152,836	40,395,732	3,270,308	235,474,039
Related parties, net of payables	1,067,976	(146,391)	808,147	(541,087)	(76,599)	1,112,046
Total	149,270,593	21,306,155	22,960,983	39,854,645	3,193,709	236,586,085

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

6. REINSURANCE PREMIUM RECEIVABLES, NET (CONTINUED)

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

The five largest customers account for 38% (2019: 37%) of the reinsurance premium receivable as at 31 December 2020.

Reinsurance premium receivables include premium deposits of SR 49,796,634 (2019: SR 35,256,794) and claims deposits of SR 13,734,834 (2019: SR 17,441,105). These deposits are retained by the cedants as per the terms of reinsurance treaties and are of rolling nature. These deposits are released within 12 months after the inception of the reinsurance treaty.

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following:

	2020			2019		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Money market funds	201,003,059	148,338,596	349,341,655	40,877,141	197,916,148	238,793,289
Investment funds	--	101,474,960	101,474,960	--	71,081,131	71,081,131
Equities	--	--	--	--	17,460,885	17,460,885
Fixed-rate bonds/sukuk	--	41,264,763	41,264,763	--	50,512,516	50,512,516
Floating-rate bonds/sukuk	--	20,000,000	20,000,000	--	40,000,000	40,000,000
	201,003,059	311,078,319	512,081,378	40,877,141	376,970,680	417,847,821

ii. The analysis of the composition of investments for shareholders' operations is as follows:

	2020		
	Quoted SR	Unquoted SR	Total SR
Shareholders' operations			
Money market funds	148,338,596	--	148,338,596
Investment funds	73,951,258	27,523,702	101,474,960
Equities	--	--	--
Fixed-rate bonds/sukuk	--	41,264,763	41,264,763
Floating-rate bonds/sukuk	--	20,000,000	20,000,000
	222,289,854	88,788,465	311,078,319
	2019		
	Quoted SR	Unquoted SR	Total SR
Shareholders' operations			
Money market funds	197,916,148	--	197,916,148
Investment funds	46,081,131	25,000,000	71,081,131
Equities	17,460,885	--	17,460,885
Fixed-rate bonds/sukuk	--	50,512,516	50,512,516
Floating-rate bonds/sukuk	--	40,000,000	40,000,000
	261,458,164	161,593,647	376,970,680

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

As at 31 December 2020 and 2019, all investments under reinsurance operations which are measured at fair value are quoted in secondary market. The investment in money market funds amounting to SR 201,003,059 (2019: SR 40,877,141) is classified as level 2 investments.

The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

	2020			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money market funds	--	148,338,596	--	148,338,596
Investment funds	--	73,951,258	27,523,702	101,474,960
Fixed-rate bonds/sukuk	--	--	41,264,763	41,264,763
Floating-rate bonds/sukuk	--	--	20,000,000	20,000,000
	--	222,289,854	88,788,465	311,078,319

	2019			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money market funds	--	197,916,148	--	197,916,148
Investment funds	--	46,081,131	25,000,000	71,081,131
Equities	17,460,885	--	--	17,460,885
Fixed-rate bonds/sukuk	--	--	50,512,516	50,512,516
Floating-rate bonds/sukuk	--	--	40,000,000	40,000,000
	17,460,885	243,997,279	115,512,516	376,970,680

Fair values of investment funds is based on the net assets value ("NAV") calculated on the basis of the fair value of the underlying real estate as disclosed in the fund's latest available financial statements. The discounted cash flow ("DCF") model has been used to value the debt securities, this model considers the present value of net cash flows to be generated from the debt security, discounted at the market yield of similar quoted instruments. The estimate is adjusted for the effect of non-marketability of the debt securities. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

	Opening	Purchase	Sale	Realized loss	Unrealized gain	Closing
2020	115,512,516	--	(30,000,000)	--	3,275,949	88,788,465
2019	116,387,866	--	(1,047,575)	(340,290)	512,515	115,512,516

Sensitivity Analysis

For the fair value of level 3 investments, reasonable possible changes at the reporting date to one of the unobservable inputs, holding other inputs constant, would have the following effects.

	2020	2019
Fixed rate investments held at fair value through income statement	41,264,763	50,512,516
Impact on unrealized gain for the year ended:		
<i>If increased by 5% in market rate</i>	(39,233)	(134,430)
<i>If decreased by 5% in market rate</i>	39,233	134,430

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2020 and year ended 31 December 2019.

iii. The movement of investments held at fair value through income statement is as follows:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

	2020			2019		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Opening balance	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107
Additions	174,427,890	325,592,566	500,020,456	38,572,307	315,673,142	354,245,449
Disposals	(14,196,700)	(392,390,475)	(406,587,175)	(54,204,897)	(452,462,698)	(506,667,595)
Unrealized (losses) / gains	(264,021)	1,949,670	1,685,649	216,118	3,576,588	3,792,706
Realized gains / (losses)	158,749	(1,044,122)	(885,373)	193,267	13,709,887	13,903,154
Closing balance	201,003,059	311,078,319	512,081,378	40,877,141	376,970,680	417,847,821

iv. The geographical split of investments held at fair value through income statement is as follows:

	Domestic		International		Total	
	2020 SR	2019 SR	2020 SR	2019 SR	2020 SR	2019 SR
Reinsurance operations						
Money market funds	201,003,059	40,877,141	--	--	201,003,059	40,877,141
Fixed-rate bonds/sukuk	--	--	--	--	--	--
Floating-rate bonds/sukuk	--	--	--	--	--	--
	201,003,059	40,877,141	--	--	201,003,059	40,877,141
	Domestic		International		Total	
	2020 SR	2019 SR	2020 SR	2019 SR	2020 SR	2019 SR
Shareholders' operations						
Money market funds	148,338,596	197,916,148	--	--	148,338,596	197,916,148
Investment funds	101,474,960	71,081,131	--	--	101,474,960	71,081,131
Equities	-	17,460,885	--	--	--	17,460,885
Fixed-rate bonds/sukuk	41,264,763	40,480,100	--	10,032,416	41,264,763	50,512,516
Floating-rate bonds/sukuk	20,000,000	40,000,000	--	--	20,000,000	40,000,000
	311,078,319	366,938,264	--	10,032,416	311,078,319	376,970,680
Total	512,081,378	407,815,405	--	10,032,416	512,081,378	417,847,821

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7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

v. The analysis of investments by counterparty is as follows:

	2020 SR			2019 SR		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Fixed income counterparties						
Saudi Government	--	41,264,763	41,264,763	--	40,480,100	40,480,100
Non-Saudi Government	--	-	-	--	10,032,416	10,032,416
Corporate and financial institutions	--	20,000,000	20,000,000	--	40,000,000	40,000,000
	--	61,264,763	61,264,763	--	90,512,516	90,512,516
Others						
Money Market Funds	201,003,059	148,338,596	349,341,655	40,877,141	197,916,148	238,793,289
Investment Funds	--	101,474,960	101,474,960	--	71,081,131	71,081,131
Equities	--	--	--	--	17,460,885	17,460,885
	201,003,059	249,813,556	450,816,615	40,877,141	286,458,164	327,335,305
Total	201,003,059	311,078,319	512,081,378	40,877,141	376,970,680	417,847,821

8. CLAIMS

	2020 SR	2019 SR
Outstanding claims	716,946,866	737,229,272
Claims incurred but not reported	350,741,781	355,254,946
	1,067,688,647	1,092,484,218
Less:		
- Retroceded share of outstanding claims	154,674,308	282,718,771
- Retroceded share of claims incurred but not reported	45,796,293	34,812,075
	200,470,601	317,530,846
Net outstanding claims reserves	867,218,046	774,953,372

9. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

	2020			2019		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Refundable deposit	103,722	--	103,722	103,722	--	103,722
Recoverable Deposits (refer note 31b) & 21e))	107,039,225	113,204,718	220,243,943	119,359,875	71,752,470	191,112,345
Guarantee deposit (note 31b)	37,330,434	--	37,330,434	37,330,434	--	37,330,434
Advances to employees	643,559	--	643,559	1,168,996	--	1,168,996
Advance payments	486,548	--	486,548	293,024	--	293,024
Prepaid insurance	444,597	593,758	1,038,355	391,737	--	391,737
Value added tax	27,877,280	--	27,877,280	12,915,098	--	12,915,098
Others	625,042	750,001	1,375,043	341,448	983,094	1,324,542
	174,550,407	114,548,477	289,098,884	171,904,334	72,735,564	244,639,898

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10. UNEARNED PREMIUMS

	Gross SR	2020 Retroceded share SR	Net SR
Opening balance	401,997,592	(50,836,786)	351,160,806
Premiums written during the year	935,114,217	(162,475,035)	772,639,182
Net premium earned	(788,570,627)	141,450,047	(647,120,580)
Change in net unearned premiums	146,543,590	(21,024,988)	125,518,602
Closing balance	548,541,182	(71,861,774)	476,679,408

	Gross SR	2019 Retroceded share SR	Net SR
Opening balance	380,171,285	(33,080,894)	347,090,391
Premiums written during the year	792,847,561	(146,242,284)	646,605,277
Net premiums earned	(771,021,254)	128,486,392	(642,534,862)
Change in net unearned premiums	21,826,307	(17,755,892)	4,070,415
Closing balance	401,997,592	(50,836,786)	351,160,806

The table below shows the breakdown of reinsurance premium written and earned during the year per domicile:

	KSA SR	2020 Non-KSA SR	Total SR
Booked premium	306,830,037	425,629,467	732,459,504
Pipeline premium*	40,051,249	162,603,464	202,654,713
Total premium	346,881,286	588,232,931	935,114,217
Change in unearned premium on booked premium	4,039,659	(12,117,004)	(8,077,345)
Change in unearned premium on pipeline premium	(49,579,028)	(88,887,217)	(138,466,245)
Total change in unearned premium	(45,539,369)	(101,004,221)	(146,543,590)
Earned portion on booked premium	310,869,696	413,512,463	724,382,159
Earned portion on pipeline premium	(9,527,779)	73,716,247	64,188,468
Total earned premium	301,341,917	487,228,710	788,570,627

	KSA SR	2019 Non-KSA SR	Total SR
Booked premium	308,730,141	398,672,958	707,403,099
Pipeline premium*	13,319,686	72,124,776	85,444,462
Total premium	322,049,827	470,797,734	792,847,561
Change in unearned premium on booked premium	(15,901,009)	10,800,540	(5,100,469)
Change in unearned premium on pipeline premium	(3,385,623)	(13,340,215)	(16,725,838)
Total change in unearned premium	(19,286,632)	(2,539,675)	(21,826,307)
Earned portion on booked premium	292,829,132	409,473,498	702,302,630
Earned portion on pipeline premium	9,934,063	58,784,561	68,718,624
Total earned premium	302,763,195	468,258,059	771,021,254

*Pipeline premiums are those premiums written but not reported (expected to be reported in future) to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

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11. DEFERRED POLICY ACQUISITION COSTS

	2020 SR	2019 SR
Opening balance	106,279,101	99,895,591
Incurred during the year	237,806,566	179,164,044
Charged for the year	(194,682,388)	(172,780,534)
Closing balance	<u>149,403,279</u>	<u>106,279,101</u>

12. PROPERTY AND EQUIPMENT, NET

Reinsurance operations:	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Right of Use SR	Total SR
As at 1 January 2020	15,094,355	366,669	723,661	982,014	298,484	660,129	18,125,312
Additions during the year	1,232,590	--	--	--	1,159,070	--	2,391,660
As at 31 December 2020	16,326,945	366,669	723,661	982,014	1,457,554	660,129	20,516,972
Accumulated depreciation:							
As at 1 January 2020	12,779,443	355,660	714,257	183,717	--	150,913	14,183,990
Charged for the year	1,245,525	4,307	9,404	86,737	--	220,300	1,566,273
As at 31 December 2020	14,024,968	359,967	723,661	270,454	--	371,213	15,750,263
Net book value							
As at 31 December 2020	2,301,977	6,702	--	711,560	1,457,554	288,916	4,766,709

Reinsurance operations:	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Right of Use SR	Total SR
Cost:							
As at 1 January 2019	13,401,508	366,669	723,661	380,334	536,786	--	15,408,958
Additions during the year	1,692,847	--	--	601,680	23,512	660,129	2,978,168
Transfers during the year	--	--	--	--	(261,814)	--	(261,814)
As at 31 December 2019	15,094,355	366,669	723,661	982,014	298,484	660,129	18,125,312
Accumulated depreciation:							
As at 1 January 2019	12,027,862	329,002	693,519	145,727	--	--	13,196,110
Charged for the year	751,581	26,658	20,738	37,990	--	150,913	987,880
As at 31 December 2019	12,779,443	355,660	714,257	183,717	--	150,913	14,183,990
Net book value							
As at 31 December 2019	2,314,912	11,009	9,404	798,297	298,484	509,216	3,941,322

* Work-in-progress represents certain advances for the IT infrastructure.

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For the year ended 31 December 2020

12. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Shareholders' operations:	Land SR	Building SR	Furniture and Fixtures SR	Total SR
Cost:				
As at 1 January 2020	18,329,960	11,454,040	4,706,907	34,490,907
As at 31 December 2020	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated depreciation:				
As at 1 January 2020	--	2,026,570	2,830,131	4,856,701
Charged for the year	--	347,092	428,491	775,583
As at 31 December 2020	--	2,373,662	3,258,622	5,632,284
Net book value:				
As at 31 December 2020	18,329,960	9,080,378	1,448,285	28,858,623
Total net book value as at 31 December 2020				33,625,332

Shareholders' operations:	Land SR	Building SR	Furniture and Fixtures SR	Total SR
Cost:				
As at 1 January 2019	18,329,960	11,454,040	4,706,907	34,490,907
As at 31 December 2019	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated depreciation:				
As at 1 January 2019	--	1,708,402	2,406,455	4,114,857
Charged for the year	--	318,168	423,676	741,844
As at 31 December 2019	--	2,026,570	2,830,131	4,856,701
Net book value:				
As at 31 December 2019	18,329,960	9,427,470	1,876,776	29,634,206
Total net book value as at 31 December 2019				33,575,528

13. TIME DEPOSITS

Time deposits are placed with banks which have credit ratings of BBB+ and above which are in line with Company's investment policy. Such deposits earn special commission at an average effective commission rate of 3.25% per annum (2019: 3.14 % per annum).

14. ACCRUED REINSURANCE PREMIUMS

The gross written premiums ("GWP") of proportional and non-proportional treaty and facultative reinsurance contracts include estimates of premiums due to the company but not yet reported by the cedant. This portion of GWP is considered as pipeline premium and accounted in the Statement of Financial Position as 'Accrued reinsurance premiums' net of related acquisition costs. These pipeline/accrued premiums are estimated at the inception of the reinsurance contract based on cedants/brokers forecasts and management's evaluation of these forecasts. Subsequent to initial recognition, the accrued reinsurance premium is adjusted using actuarial techniques. Management reviews and evaluates all premium estimates, comparing actual premiums to expected ultimate premiums on a quarterly basis and any adjustments to these estimates are recorded in the financial statements as and when updated information comes to light.

15. UNEARNED RETROCESSION COMMISSION

	2020 SR	2019 SR
Opening balance	8,396,072	6,410,240
Commission received on retroceded business during the year	20,102,501	20,161,830
Commission earned on retroceded business during the year	(12,693,388)	(18,175,998)
Closing balance	15,805,185	8,396,072

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16. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

	2019	2018
	SR	SR
Opening balance	101,445,631	97,293,816
Share of profit of equity accounted investee	12,071,843	5,114,506
Share in foreign currency translation adjustments	2,926,703	(962,691)
Addition during the year	3,696,900	--
31 December	120,141,077	101,445,631

The Company, on 6 October 2017, acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL"). The Company has accounted for this investment as an associate (equity accounted investee). PHBL operates in insurance and reinsurance businesses including Lloyds market in London, United Kingdom.

During September 2020, the Company subscribed to the rights issue of shares of PHBL for the purpose of providing funding of its own Lloyds Managing Agency to manage the Syndicate 1492. The Company retained its ordinary shareholding percentage of 49.9% by fully subscribing to the 141,644 ordinary shares allocated through the rights issue on payment of SR 3,696,900.

The following table summarizes the financial information of PHBL as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in PHBL.

	2020	2019
	SR	SR
Percentage ownership interest	49.90%	49.90%
Total assets	1,157,999,910	1,112,253,750
Total liabilities	946,571,586	938,291,250
Net assets (100%)	211,428,324	173,962,500
Company's share of net assets (49.90%)	105,502,734	86,807,288
Goodwill	14,638,344	14,638,344
Carrying amount of interest in associate	120,141,078	101,445,632
Revenue	221,867,277	261,431,447
Profit from continuing operations	24,192,070	10,249,510
Other comprehensive income - Impact of foreign currency exchange	5,865,136	(1,929,239)
Total comprehensive income (100%)	30,057,206	8,320,273
Company's share of total comprehensive income (49.90%)	14,998,546	4,151,815

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For the year ended 31 December 2020

17. HELD TO MATURITY INVESTMENTS

	<i>Shareholders' operations</i>	
	2020	2019
	SR	SR
At the beginning of the year	37,500,000	--
Purchases	146,522,721	37,500,000
Disposals/Maturities	--	--
Balance at the end of the year	184,022,721	37,500,000

Following is the breakdown of held to maturity investments per domicile:

	<u>Domestic</u>		<u>International</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Fixed rate bond and sukuks	76,608,373	37,500,000	107,414,348	--	184,022,721	37,500,000
Held to maturity	76,608,373	37,500,000	107,414,348	--	184,022,721	37,500,000

The special commission rate on these sukuks and bonds ranges from 2.15% to 5.25% and will mature on 2049, latest. The total accrued interest on these sukuks and bonds amounted to SR 4.25 million (2019: SR 0.21 million).

On December 2020, the Company obtained a margin loan amounting to SR 23,116,816 million and was fully collateralized by the underlying sukuk. The loan have no fixed maturity and carries a floating special commission payable quarterly.

Movements in held to maturity investments are as follows:

	2020		
	Quoted SR	Unquoted SR	Total SR
<i>Shareholders' operations</i>			
At the beginning of the year	37,500,000	--	37,500,000
Purchases	131,522,721	15,000,000	146,522,721
Disposals / maturities	--	--	--
Balance at the end of the year	169,022,721	15,000,000	184,022,721
	2019		
	Quoted SR	Unquoted SR	Total SR
<i>Shareholders' operations</i>			
At the beginning of the year	--	--	--
Purchases	37,500,000	--	37,500,000
Disposals / maturities	--	--	--
Balance at the end of the year	37,500,000	--	37,500,000

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18. EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employee end-of-service benefits for the years ended 31 December are as follows:

	2020 SR	2019 SR
Balance at beginning of the year	8,828,705	6,593,975
Current service cost	935,741	1,052,226
Past service (gains)/cost	--	--
Interest cost	187,433	132,192
Amount recognized in income statement	1,123,174	1,184,418
Re-measurement loss recognized in other comprehensive income	735,982	2,058,517
Benefits paid during the year	(14,670)	(1,008,205)
Balance at the end of the year	10,673,191	8,828,705

Net defined benefit as at year-end is as follows:

	2020 SR	2019 SR
Present value of defined benefit obligation	10,673,191	8,828,705

Principal actuarial assumptions

The principal actuarial assumptions used are as follows:

	2020	2019
Salary growth rate	2.90%	2.47%
Mortality rates	10%	10%
Discount rate	3.10%	2.25%

Assumption on withdrawal rates are as follows:

	2020	2019
Employee age		
20 – 35	30%	30%
35 – 40	20%	20%
40 – 45	20%	20%
45 – 100	--	--

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	2020		2019	
	Increase	Decrease	Increase	Decrease
Salary growth (0.5% movement)	502,476	(502,476)	449,581	(405,658)
Mortality rates (10% movement)	(5,471)	5,500	(2,099)	15,108
Discount rate (0.5% movement)	(451,664)	482,873	(388,843)	435,010
Withdrawal rate (50% movement)	(526,590)	491,856	(496,342)	521,982

Risks associated with defined benefit plans

Salary increase risk:

The retirement benefit of the company is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

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19. ACCRUED EXPENSES AND OTHER LIABILITIES

	2020			2019		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Consultancy fees	573,750	--	573,750	1,442,500	--	1,442,500
Employees' bonus	5,644,307	--	5,644,307	4,326,846	--	4,326,846
Withholding tax payable	856,540	15,694	872,234	2,548,093	15,694	2,563,787
Professional fees payable	926,004	703,381	1,629,385	1,158,003	1,327,323	2,485,326
Directors' remunerations	--	1,096,274	1,096,274	--	1,140,000	1,140,000
Meetings fees and expenses	--	1,029,953	1,029,953	--	1,066,384	1,066,384
Value added tax payable	7,625,861	--	7,625,861	3,217,525	--	3,217,525
Others	5,044,767	344,233	5,389,000	2,816,905	361,515	3,178,420
	20,671,229	3,189,535	23,860,764	15,509,872	3,910,916	19,420,788

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20. CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance 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 reinsurance 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 underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the future underwriting years' reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross reinsurance contract outstanding claims and IBNR provision for 2020:

Underwriting year	2010 and prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
At end of underwriting year	45,436,023	62,719,335	69,410,207	149,402,912	184,231,909	242,728,277	166,267,303	323,560,488	282,831,889	248,740,712	280,866,482	
One year later	137,056,469	85,867,098	240,834,917	344,228,030	360,219,868	1,074,743,558	324,048,753	576,963,497	539,563,402	422,832,375		
Two years later	144,689,032	128,605,983	271,444,182	290,112,923	350,425,942	1,095,518,847	352,196,791	607,942,353	532,756,041			
Three years later	146,216,560	136,476,034	261,564,093	289,836,213	370,528,846	1,068,163,227	360,149,086	635,391,519				
Four years later	156,615,746	138,517,330	261,209,436	295,560,915	363,998,517	1,064,368,673	351,483,662					
Five years later	148,215,690	127,663,267	261,873,236	295,920,333	365,260,904	1,057,430,481						
Six years later	146,834,419	129,672,755	265,897,642	297,286,661	364,410,626							
Seven years later	146,128,986	129,042,503	261,346,006	295,341,654								
Eight years later	146,217,044	127,052,656	259,079,848									
Nine years later	144,621,297	128,309,512										
Ten years later	145,394,202											
Current estimate of cumulative claims incurred	145,394,202	128,309,512	259,079,848	295,341,654	364,410,626	1,057,430,481	351,483,662	635,391,519	532,756,041	422,832,375	280,866,482	4,473,296,402
Cumulative payments to date	(142,540,625)	(122,717,116)	(250,322,279)	(264,207,892)	(340,652,001)	(1,020,058,098)	(300,043,886)	(533,870,998)	(310,445,674)	(122,475,778)	1,726,592	(3,405,607,755)
Total gross outstanding claims and claims incurred but not reported provision per the statement of financial position	2,853,577	5,592,396	8,757,569	31,133,762	23,758,625	37,372,383	51,439,776	101,520,521	222,310,367	300,356,597	282,593,074	1,067,688,647

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20. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Net reinsurance contract outstanding claims and IBNR provision for 2020:

Underwriting year	2010 and prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
		SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
At end of underwriting year	15,890,034	41,503,831	69,410,207	149,622,902	156,137,999	231,126,743	165,314,261	219,104,644	218,615,217	151,400,260	232,050,421	
One year later	43,739,911	29,674,134	196,421,434	332,081,892	316,800,613	994,226,860	325,244,631	410,535,835	427,567,472	316,464,005		
Two years later	42,746,922	80,294,387	231,459,340	282,327,873	311,680,480	1,008,411,285	341,080,047	455,321,351	451,638,168			
Three years later	47,304,068	92,050,933	225,861,892	282,125,164	342,110,021	985,848,692	355,423,583	444,474,595				
Four years later	48,689,905	96,436,030	225,767,683	283,425,994	339,134,581	987,086,976	346,698,613					
Five years later	48,759,613	88,628,999	223,532,392	283,610,964	341,005,938	984,113,721						
Six years later	47,782,505	90,663,222	227,510,566	284,953,720	328,684,468							
Seven years later	47,581,670	90,165,877	222,942,030	287,834,744								
Eight years later	47,566,601	88,008,591	224,047,129									
Nine years later	47,158,057	89,418,463										
Ten years later	47,648,813											
Current estimate of cumulative claims incurred	47,648,813	89,418,463	224,047,129	287,834,744	328,684,468	984,113,721	346,698,613	444,474,595	451,638,168	316,464,005	232,050,421	3,753,073,140
Cumulative payments to date	(46,717,625)	(85,337,949)	(215,304,221)	(256,969,609)	(315,982,297)	(949,738,339)	(296,571,701)	(362,746,454)	(271,038,801)	(88,581,504)	3,133,406	(2,885,855,094)
Net outstanding claims and claims incurred but not reported provision per the statement of financial position	931,188	4,080,514	8,742,908	30,865,135	12,702,171	34,375,382	50,126,912	81,728,141	180,599,367	227,882,501	235,183,827	867,218,046

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21. ZAKAT AND INCOME TAX

a) Zakat

Zakat charge for the year of SR 14,697,932 (2019: SR 13,719,362) is based on the following:

	2020 SR	2019 SR
Share Capital	810,000,000	810,000,000
Statutory reserve – beginning of the year	17,904,115	8,815,260
Retained earnings – beginning of the year	49,113,416	12,757,997
Adjusted net Income for the year	57,071,615	58,975,983
Accumulated surplus	7,546,140	--
Provisions	17,446,280	19,724,516
	959,081,566	910,273,756
Deductions:		
Statutory deposit	(81,000,000)	(121,500,000)
Others non-current assets	(313,651,260)	(254,990,414)
Zakat base	564,430,306	533,783,342
Zakat base for Saudi shareholders 99.10% (2019: 99.10%)	559,350,433	528,979,292
Zakat provision for the year	14,697,932	13,719,362

b) Income tax

Income tax for the year of SR 75,898 (2019: SR 154,063) is based on the following:

	2020 SR	2019 SR
Net income for the year	60,691,641	59,317,699
Adjusted profit	56,220,614	58,975,983
Portion of net taxable income for non-Saudi shareholders 0.90% (2019: 0.90%)	505,986	530,784
Non-GCC share in losses carried forward up to 25% of their share from the portion of taxable income	(126,496)	(132,696)
KSA operations' income tax base	379,489	398,088
Labuan Branch Income tax Base	--	2,481,480
Income tax provision for the year	75,898	154,063

c) The movement of the provision for zakat and income tax is as follows:

	2020 SR	2019 SR
Opening balance	23,742,062	38,244,253
Income tax provision for the year	75,898	154,063
Zakat provision for the year	14,697,932	13,719,362
Reversal of provision for zakat	(5,567,920)	--
Paid during the year	(17,774,142)	(28,375,616)
Closing balance	15,173,830	23,742,062

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21. ZAKAT AND INCOME TAX (CONTINUED)

The Company has recorded zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the General Authority of Zakat and Income Tax (GAZT), in which Saudi public listed companies are to provide for tax and zakat based on the shareholding percentages of GCC and non-GCC founding shareholders. The shareholding percentages of GCC and non-GCC founding shareholders were 99.1% and 0.90% respectively as at 31 December 2020 and 31 December 2019.

d) Status of assessment

In 2019, the company finalized its tax/Zakat position with the General Authority of Zakat and Income tax (GAZT) for the years 2008 to 2013. During the year 2020, the company finalized its tax/ Zakat position with GAZT for the years from 2014 to 2018 by settling the additional amount of SR 3,770,476.76 per the assessment issued by GAZT for 2014, 2015, 2016, 2017 & 2018. The above amount was covered from the Zakat & Tax provision which company held for these years without any additional impact on its equity. The company has filed the tax/ Zakat Declaration for year ended 31 December 2019 and obtained the final Zakat certificate up to 2019. However, it is at GAZT's discretion to issue further assessment for 2019.

e) Status of VAT assessment

Other assets include payment made by the Company in relation to VAT assessment raised by General Authority of Zakat and Tax ("GAZT") for 2018 and 2019 financial years amounting to SR 38.5 million. The payments were made to GAZT, 'Paid under Protest', to avoid penalties and subsequent to period ended 30 September 2020, the Company has submitted objections to the GAZT assessment. GAZT accepted the Company's objection regarding local standard rated purchases and refunded the full amount of SAR 3.4 million subsequent to the year end and rejected the appeal on the remaining items totaling to SR 35 million. The Company, subsequently, has filed an appeal against the GAZT decision of rejections in General Secretariat of Tax Committees (GSTC) and waiting for the hearing date. The Company's management believes that there is strong basis that the assessment raised by the GAZT will be reversed and the full amount will be refunded in due course.

22. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 810 million (2019: SR 810 million) divided into 81 million (2019: 810 million) shares of SR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	2020		
	Authorized and issued	Paid up	
No. of Shares	Value per share	SR	
Ahmed Hamad Algosaiibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000

	2019		
	Authorized and issued	Paid up	
No. of Shares	Value per share	SR	
Ahmed Hamad Algosaiibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000

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 year.

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23. STATUTORY RESERVE

In accordance with the Article 70 (2g) of the Insurance Implementing Regulations of SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Company. This reserve is not available for distribution.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2020			2019		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Salaries and related benefits	31,334,980	4,136,091	35,471,071	30,598,986	3,157,188	33,756,174
Training	119,200	-	119,200	406,863	--	406,863
Computer expenses	1,098,359	-	1,098,359	1,505,535	--	1,505,535
Travelling expenses	338,729	(9,937)	328,792	1,469,084	143,082	1,612,166
Depreciation *	2,341,856	-	2,341,856	1,729,724	--	1,729,724
Rent and premises expenses	952,517	-	952,517	1,049,520	--	1,049,520
Advertising	758,413	-	758,413	1,159,901	22,136	1,182,037
Professional fees	2,394,211	1,902,374	4,296,585	1,972,751	2,608,160	4,580,911
Withholding tax	136,191	2,669	138,860	78,573	28,262	106,835
Consulting fees	896,234	130,000	1,026,234	2,129,018	595,423	2,724,441
Licensing Fees	202,139	531,293	733,432	37,978	541,768	579,746
Others	1,212,746	1,093,612	2,306,358	1,422,264	60,365	1,482,629
	41,785,575	7,786,102	49,571,677	43,560,197	7,156,384	50,716,581

* Depreciation charge for the year for shareholders' operations assets is charged to reinsurance operations as a rent for using the assets.

25. BOARD OF DIRECTORS' REMUNERATION, MEETING FEE AND EXPENSES

	2020 SR	2019 SR
Board of directors' remuneration	1,096,274	1,140,000
Meetings fees and expenses	1,174,963	1,430,297
	2,271,237	2,570,297

26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

Details of transactions and balances with related parties during the year other than those which have been disclosed elsewhere in these financial statements are disclosed below:

Related party	Nature of transactions	Amount of transactions for the year ended		Balance as at	
		31 December 2020 SR	31 December 2019 SR	31 December 2020 SR	31 December 2019 SR
Board of Directors	- Consulting fees	164,773	150,322	--	--
	- Remunerations, meetings fees and expenses	2,271,237	2,570,297	2,108,726	1,875,000

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26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party	Nature of transactions	Amount of transactions for the year ended		Balance as at	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		SR	SR	SR	SR
Key management					
Personnel	- Short term benefits	9,823,210	10,072,375	1,792,027	2,854,771
	- End of service benefits	953,872	464,525	4,118,674	3,164,802
Companies represented by the Board members					
	- Gross written premiums	1,083,546	1,327,703	773,778	395,564
	- Claims incurred	4,912,010	555,090	2,425,485	882,174
	- Commissions expense	153,686	295,341	--	--
	- Investments held at fair value through income statement	--	--	40,197,220	88,246,912
	- Realized loss on investments held at fair value	1,777,501	--	--	--
	- Unrealized loss on investments held at fair value through income statement	2,622,189	896,350	--	--
	- Investments management fees	181,602	147,000	--	--
Associate*	- Gross written premiums	161,168,533	76,491,201	156,171,863	56,867,169
	- Net premium earned	97,770,424	34,853,761	--	--
	- Net claims incurred	43,005,629	16,167,586	50,826,793	18,790,931
	- Policy acquisition cost	35,876,109	13,677,518	--	--

*No claims have yet been paid to or reported by the associate.

Balances with related parties are included in reinsurance premium receivables, accrued premium, claims incurred but not reported, accrued expenses and other liabilities shown in the statement of financial position.

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2020 and 31 December 2019 have been calculated by dividing net income for the year by the weighted average number of ordinary shares issued and outstanding at the end of the year.

28. STATUTORY DEPOSIT

The Company has deposited an amount of SR 81.0 million (31 December 2019: SR 121.5 million) with a local bank, which has been rated "A" by Standard & Poor's Rating agency representing the statutory deposit of 15% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit generates special commission income which is accrued on regular basis and is shown as a separate line item as part of the shareholders' liabilities in the Statement of Financial Position as "Accrued commission income payable to SAMA". The accrued commission on the deposit as at December 2020 is SAR 20,185,653 (31 December 2019: 17,992,463) and has also been disclosed in assets as "Accrued income on statutory deposit".

The Company had requested SAMA to reduce the statutory deposit from 15% (31 December 2019: 121.5 million) to 10% (31 December 2020: 81 million) on its paid-up capital based on the Article 85 of the implementing regulation of insurance companies. SAMA has approved the Company's request vide their letter dated 06/09/2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

29. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses except depreciation.

Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders' operations and property and equipment.

Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees' end of service benefits.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.1. Business segments

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2020										
<u>REVENUES</u>										
Gross written premiums	167,271,588	192,844,900	94,144,255	67,370,923	43,956,896	50,764,124	27,212,414	161,088,063	130,461,054	935,114,217
Retroceded premiums	(32,395,030)	(19,469,819)	(32,443,624)	--	(21,032,257)	--	--	--	(27,652,759)	(132,993,489)
Excess of loss expenses	(5,843,747)	(12,064,507)	(638,167)	97,560	(690,858)	(959,402)	--	--	(9,382,425)	(29,481,546)
Net written premiums	129,032,811	161,310,574	61,062,464	67,468,483	22,233,781	49,804,722	27,212,414	161,088,063	93,425,870	772,639,182
Changes in unearned premiums, net	(42,481,805)	(19,245,262)	(6,651,329)	(6,783,091)	(1,837,478)	(4,572,081)	1,534,132	(41,867,739)	(3,613,949)	(125,518,602)
Net earned premiums	86,551,006	142,065,312	54,411,135	60,685,392	20,396,303	45,232,641	28,746,546	119,220,324	89,811,921	647,120,580
Retrocession commissions	2,644,113	1,628,297	102,008	--	3,933,189	(6,117)	--	--	4,391,898	12,693,388
<u>TOTAL REVENUES</u>	89,195,119	143,693,609	54,513,143	60,685,392	24,329,492	45,226,524	28,746,546	119,220,324	94,203,819	659,813,968
<u>UNDERWRITING COSTS AND EXPENSES</u>										
Gross claims paid	(34,800,644)	(91,861,092)	(41,032,525)	(30,558,094)	(32,100,515)	(31,956,598)	(24,649,880)	(48,398,597)	(145,833,534)	(481,191,479)
Retroceded share of claims paid	1,886,627	12,906,683	22,614,361	--	15,934,350	1,511,163	--	--	126,623,155	181,476,339
Net claims paid	(32,914,017)	(78,954,409)	(18,418,164)	(30,558,094)	(16,166,165)	(30,445,435)	(24,649,880)	(48,398,597)	(19,210,379)	(299,715,140)
Changes in outstanding claims, net	15,671,548	(45,986,109)	(9,850,731)	(3,532,982)	(3,379,807)	(16,083,266)	(4,124,208)	--	(40,476,502)	(107,762,057)
Changes in Incurred but not reported claims, net	4,812,523	14,539,456	(3,320,742)	(2,870,036)	10,388,547	4,738,013	7,267,307	(17,573,025)	(2,484,658)	15,497,385
Net claims incurred	(12,429,946)	(110,401,062)	(31,589,637)	(36,961,112)	(9,157,425)	(41,790,688)	(21,506,781)	(65,971,622)	(62,171,539)	(391,979,812)
Policy acquisition costs and profit commissions	(31,590,809)	(44,959,664)	(21,559,802)	(12,330,128)	(10,890,894)	(5,875,227)	(1,579,645)	(44,996,529)	(20,899,690)	(194,682,388)
Other underwriting expenses	(569,557)	(853,065)	(434,839)	(302,934)	(211,009)	(230,915)	(143,733)	(596,102)	(660,475)	(4,002,629)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(44,590,312)	(156,213,791)	(53,584,278)	(49,594,174)	(20,259,328)	(47,896,830)	(23,230,159)	(111,564,253)	(83,731,704)	(590,664,829)
NET UNDERWRITING INCOME / (LOSS)	44,604,807	(12,520,182)	928,865	11,091,218	4,070,164	(2,670,306)	5,516,387	7,656,071	10,472,115	69,149,139

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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29. SEGMENTAL INFORMATION (CONTINUED)

29.1. Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2019										
<u>REVENUES</u>										
Gross written premiums	79,118,645	204,274,173	89,856,783	59,853,709	56,172,931	49,872,049	22,764,719	96,761,205	134,173,347	792,847,561
Retroceded premiums	(7,549,472)	(17,708,898)	(32,700,422)	--	(18,962,016)	--	--	--	(50,922,817)	(127,843,625)
Excess of loss expenses	(3,639,429)	(6,062,322)	(1,176,522)	247,210	(117,734)	(814,910)	--	--	(6,834,952)	(18,398,659)
Net written premiums	67,929,744	180,502,953	55,979,839	60,100,919	37,093,181	49,057,139	22,764,719	96,761,205	76,415,578	646,605,277
Changes in unearned premiums, net	336,495	2,170,170	(3,171,260)	9,568,465	9,087,784	(245,569)	2,545,590	(13,344,396)	(11,017,694)	(4,070,415)
Net earned premiums	68,266,239	182,673,123	52,808,579	69,669,384	46,180,965	48,811,570	25,310,309	83,416,809	65,397,884	642,534,862
Retrocession commissions	1,923,535	4,080,434	1,114,827	--	3,867,982	(6,841)	--	--	7,196,061	18,175,998
<u>TOTAL REVENUES</u>	70,189,774	186,753,557	53,923,406	69,669,384	50,048,947	48,804,729	25,310,309	83,416,809	72,593,945	660,710,860
<u>UNDERWRITING COSTS AND EXPENSES</u>										
Gross claims paid	(44,492,985)	(131,502,720)	(35,416,397)	(40,031,691)	(31,933,497)	(39,791,403)	(23,803,130)	(42,741,441)	(46,988,058)	(436,701,322)
Retroceded share of claims paid	678,153	23,965,621	9,606,537	--	6,983,819	--	--	--	18,772,369	60,006,499
Net claims paid	(43,814,832)	(107,537,099)	(25,809,860)	(40,031,691)	(24,949,678)	(39,791,403)	(23,803,130)	(42,741,441)	(28,215,689)	(376,694,823)
Changes in outstanding claims, net	2,466,508	12,666,387	3,096,442	(10,244,212)	(188,745)	(1,012,823)	(532,840)	--	3,273,640	9,524,357
Changes in Incurred but not reported claims, net	(9,904,560)	(8,559,903)	(3,427,085)	(1,097,234)	(4,205,687)	1,252,469	(9,349,726)	(7,684,248)	(6,923,344)	(49,899,318)
Net claims incurred	(51,252,884)	(103,430,615)	(26,140,503)	(51,373,137)	(29,344,110)	(39,551,757)	(33,685,696)	(50,425,689)	(31,865,393)	(417,069,784)
Policy acquisition costs and profit commissions	(23,300,016)	(55,914,841)	(17,474,292)	(8,834,551)	(15,828,792)	(3,794,127)	(1,345,368)	(32,110,638)	(14,177,909)	(172,780,534)
Other underwriting expenses	(332,500)	(1,021,761)	(404,982)	(347,019)	(305,126)	(242,371)	(126,551)	(319,212)	(516,942)	(3,616,464)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(74,885,400)	(160,367,217)	(44,019,777)	(60,554,707)	(45,478,028)	(43,588,255)	(35,157,615)	(82,855,539)	(46,560,244)	(593,466,782)
<u>NET UNDERWRITING (LOSS) / INCOME</u>	(4,695,626)	26,386,340	9,903,629	9,114,677	4,570,919	5,216,474	(9,847,306)	561,270	26,033,701	67,244,078

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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29. SEGMENTAL INFORMATION (CONTINUED)

29.1. Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2020												
ASSETS												
Bank balances and cash	--	--	--	--	--	--	--	--	--	8,034,347	5,122,375	13,156,722
Time deposits	--	--	--	--	--	--	--	--	--	10,125,002	183,334,500	193,459,502
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	785,486	2,426,007	3,211,493
Reinsurance premium receivables, net	47,340,717	109,528,609	40,612,344	24,184,836	21,398,666	22,754,972	8,635,513	3,116	102,738,906	(83,442,531)	--	293,755,148
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	201,003,059	311,078,319	512,081,378
Held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	184,022,721	184,022,721
Accrued reinsurance premiums	107,159,563	88,251,533	34,407,829	37,310,280	25,150,068	42,698,160	15,987,984	195,380,503	47,917,157	--	--	594,263,077
Retroceded share of unearned premiums	29,692,755	7,744,945	7,562,806	--	9,839,862	--	--	--	17,021,406	--	--	71,861,774
Deferred excess of loss premiums	3,185,718	4,025,456	600,626	--	106,770	--	--	--	4,865,123	--	--	12,783,693
Retroceded share of outstanding claims	4,732,613	31,104,786	76,460,097	(1,263,117)	3,214,333	114,641	--	--	40,310,955	--	--	154,674,308
Retroceded share of claims incurred but not reported	2,252,463	14,262,296	7,383,480	110,993	8,458,850	66,616	15	1,670	13,259,910	--	--	45,796,293
Deferred policy acquisition costs	34,608,636	33,788,933	9,237,969	4,610,786	8,362,752	2,104,503	142,542	48,755,031	7,792,127	--	--	149,403,279
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	174,550,407	114,548,477	289,098,884
Property and equipment, net	--	--	--	--	--	--	--	--	--	4,766,710	28,858,622	33,625,332
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	--	--	--	--	6,180,645	6,180,645
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	120,141,077	120,141,077
Statutory deposit	--	--	--	--	--	--	--	--	--	--	81,000,000	81,000,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	20,185,653	20,185,653
TOTAL ASSETS	228,972,465	288,706,558	176,265,151	64,953,778	76,531,301	67,738,892	24,766,054	244,140,320	233,905,584	315,822,480	1,056,898,396	2,778,700,979

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.1. Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019												
ASSETS												
Bank balances and cash	--	--	--	--	--	--	--	--	--	6,061,323	7,107,736	13,169,059
Time deposits	--	--	--	--	--	--	--	--	--	138,195,362	239,835,817	378,031,179
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	1,728,030	6,246,374	7,974,404
Reinsurance premium receivables, net	41,176,448	93,225,725	16,348,014	25,012,608	19,080,882	9,079,607	6,077,569	(308,692)	74,556,629	(50,856,414)	--	233,392,376
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	37,500,000	37,500,000
Accrued reinsurance premiums	45,237,422	92,142,828	31,036,428	28,103,983	31,708,390	38,383,493	16,671,462	133,976,736	49,810,124	--	--	467,070,866
Retroceded share of unearned premiums	7,061,901	5,456,335	6,597,140	--	9,593,658	--	--	--	22,127,752	--	--	50,836,786
Deferred excess of loss premiums	3,015,897	3,794,146	403,280	--	99,749	--	--	--	4,430,491	--	--	11,743,563
Retroceded share of outstanding claims	6,785,245	46,220,224	116,859,302	(995,031)	3,542,132	1,626,261	--	--	108,680,638	--	--	282,718,771
Retroceded share of claims incurred but not reported	3,755,287	4,727,577	3,431,631	32,904	8,726,492	--	--	--	14,138,184	--	--	34,812,075
Deferred policy acquisition costs	20,867,565	27,478,912	6,844,095	3,257,350	7,274,190	1,313,273	129,394	31,879,345	7,234,977	--	--	106,279,101
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	171,904,335	72,735,563	244,639,898
Property and equipment, net	--	--	--	--	--	--	--	--	--	3,941,322	29,634,206	33,575,528
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	--	--	--	--	2,793,154	2,793,154
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	101,445,631	101,445,631
Statutory deposit	--	--	--	--	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL ASSETS	127,899,765	273,045,747	181,519,890	55,411,814	80,025,493	50,402,634	22,878,425	165,547,389	280,978,795	311,851,099	1,013,761,624	2,563,322,675

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.1. Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2020												
<u>LIABILITIES</u>												
Accounts payable	(2,549,000)	(1,080,115)	387,124	999,292	270,766	1,255,282	1,255,282	--	(4,182,856)	35,619,012	--	31,974,787
Margin payable	--	--	--	--	--	--	--	--	--	--	23,116,816	23,116,816
Retrocession balances payable	--	--	--	--	--	--	--	--	--	47,710,736	--	47,710,736
Accrued retroceded premiums	18,410,790	7,936,299	125,199	169,274	8,166,525	--	--	--	5,004,278	--	--	39,812,365
Unearned premiums	136,415,492	119,627,640	36,106,061	25,076,555	29,480,215	25,835,552	6,557,129	123,307,711	46,134,827	--	--	548,541,182
Outstanding claims	83,754,130	247,896,233	114,405,935	56,054,603	30,096,724	40,913,107	11,550,827	-	132,275,307	--	--	716,946,866
Claims incurred but not reported	27,631,610	44,238,385	22,817,036	52,628,339	21,650,021	20,614,974	18,186,795	106,234,545	36,740,076	--	--	350,741,781
Unearned retrocession commission	7,036,788	3,534,780	135,147	--	2,430,236	32,687	--	--	2,635,547	--	--	15,805,185
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	20,671,229	3,189,535	23,860,764
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	10,673,191	--	10,673,191
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	15,173,830	15,173,830
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	20,185,653	20,185,653
TOTAL LIABILITIES	270,699,810	422,153,222	173,976,502	134,928,063	92,094,487	88,651,602	37,550,033	229,542,256	218,607,179	114,674,168	61,665,834	1,844,543,156

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.2. Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019												
LIABILITIES												
Accounts payable	(4,835,815)	7,007,543	(16,377,915)	5,093,599	(1,891,045)	(1,585,379)	1,147,290	--	(20,746,114)	72,116,481	--	39,928,645
Retrocession balances payable	--	--	--	--	--	--	--	--	--	46,173,239	--	46,173,239
Accrued retroceded premiums	1,176,668	2,625,156	787,215	--	6,995,292	73,543	--	--	10,083,938	--	--	21,741,812
Unearned premiums	71,388,608	97,227,443	28,929,678	18,293,464	27,725,120	21,263,471	8,091,261	81,440,011	47,638,536	--	--	401,997,592
Outstanding claims	101,508,874	216,947,133	144,953,939	52,744,829	27,148,368	26,341,460	7,426,620	--	160,158,049	--	--	737,229,272
Claims incurred but not reported	33,946,957	49,242,742	15,544,440	49,680,204	32,306,225	25,366,145	25,454,102	88,661,520	35,052,611	--	--	355,254,946
Unearned retrocession commission	1,283,599	1,972,899	91,998	--	1,966,475	--	--	--	3,081,101	--	--	8,396,072
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	8,828,705	--	8,828,705
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	23,742,062	23,742,062
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL LIABILITIES	204,468,891	375,022,916	173,929,355	125,812,096	94,250,435	71,459,240	42,119,273	170,101,531	235,268,121	142,628,297	45,645,441	1,680,705,596

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.2. Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2020						
Reinsurance operations' results						
REVENUES						
Gross written premiums	346,881,286	108,596,368	37,869,697	279,437,127	162,329,739	935,114,217
Retroceded premiums	(112,018,090)	(374,234)	(146,394)	(20,454,771)	--	(132,993,489)
Excess of loss expenses	(13,668,068)	(5,068,644)	(1,844,585)	(8,669,040)	(231,209)	(29,481,546)
Net written premiums	221,195,128	103,153,490	35,878,718	250,313,316	162,098,530	772,639,182
Changes in unearned premiums, net	(24,597,081)	(20,127,056)	(548,738)	(38,185,950)	(42,059,777)	(125,518,602)
Net earned premiums	196,598,047	83,026,434	35,329,980	212,127,366	120,038,753	647,120,580
Retrocession commissions	8,686,836	(4,397)	64,428	3,946,521	-	12,693,388
TOTAL REVENUES	205,284,883	83,022,037	35,394,408	216,073,887	120,038,753	659,813,968
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(236,146,079)	(60,672,765)	(24,454,267)	(110,390,833)	(49,527,535)	(481,191,479)
Retroceded share of claims paid	156,960,095	5,636,693	-	18,488,001	391,550	181,476,339
Net claims paid	(79,185,984)	(55,036,072)	(24,454,267)	(91,902,832)	(49,135,985)	(299,715,140)
Changes in outstanding claims, net	(19,705,469)	(12,868,568)	(6,181,048)	(67,172,846)	(1,834,126)	(107,762,057)
Changes in Incurred but not reported claims, net	14,291,874	12,722,366	7,949,551	(3,146,093)	(16,320,313)	15,497,385
Net claims incurred	(84,599,579)	(55,182,274)	(22,685,764)	(162,221,771)	(67,290,424)	(391,979,812)
Policy acquisition costs and profit commissions	(51,371,560)	(23,537,876)	(10,459,691)	(64,319,323)	(44,993,938)	(194,682,388)
Other underwriting expenses	(1,541,977)	(463,530)	(188,820)	(1,206,974)	(601,328)	(4,002,629)
TOTAL UNDERWRITING COSTS AND EXPENSES	(137,513,116)	(79,183,680)	(33,334,275)	(227,748,068)	(112,885,690)	(590,664,829)
NET UNDERWRITING INCOME / (LOSS)	67,771,767	3,838,357	2,060,133	(11,674,181)	7,153,063	69,149,139

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.2. Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2019						
Reinsurance operations' results						
<u>REVENUES</u>						
Gross written premiums	322,049,827	91,840,094	48,339,005	230,148,735	100,469,900	792,847,561
Retroceded premiums	(108,450,359)	(448,149)	(6,205)	(18,938,912)	--	(127,843,625)
Excess of loss expenses	(7,988,262)	(4,586,370)	(1,212,537)	(4,484,972)	(126,518)	(18,398,659)
Net written premiums	205,611,206	86,805,575	47,120,263	206,724,851	100,343,382	646,605,277
Changes in unearned premiums, net	(2,361,747)	6,123,956	(3,681,182)	8,927,677	(13,079,119)	(4,070,415)
Net earned premiums	203,249,459	92,929,531	43,439,081	215,652,528	87,264,263	642,534,862
Retrocession commissions	14,630,123	88,581	3,998	3,453,296	--	18,175,998
<u>TOTAL REVENUES</u>	217,879,582	93,018,112	43,443,079	219,105,824	87,264,263	660,710,860
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(173,450,296)	(66,437,660)	(20,095,037)	(133,923,519)	(42,794,810)	(436,701,322)
Retroceded share of claims paid	52,435,137	88,486	29,529	7,453,347	--	60,006,499
Net claims paid	(121,015,159)	(66,349,174)	(20,065,508)	(126,470,172)	(42,794,810)	(376,694,823)
Changes in outstanding claims, net	10,729,761	2,782,790	(832,965)	(1,187,145)	(1,968,084)	9,524,357
Changes in Incurred but not reported claims, net	(12,462,854)	(13,075,139)	(5,186,038)	(10,539,367)	(8,635,920)	(49,899,318)
Net claims incurred	(122,748,252)	(76,641,523)	(26,084,511)	(138,196,684)	(53,398,814)	(417,069,784)
Policy acquisition costs and profit commissions	(49,443,010)	(27,287,641)	(11,578,637)	(51,893,944)	(32,577,302)	(172,780,534)
Other underwriting expenses	(1,444,589)	(465,290)	(214,489)	(1,153,102)	(338,994)	(3,616,464)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(173,635,851)	(104,394,454)	(37,877,637)	(191,243,730)	(86,315,110)	(593,466,782)
<u>NET UNDERWRITING INCOME / (LOSS)</u>	44,243,731	(11,376,342)	5,565,442	27,862,094	949,153	67,244,078

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.2. Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2020								
ASSETS								
Bank balances and cash	7,392,157	--	--	642,190	--	--	5,122,375	13,156,722
Time deposits	--	--	--	10,125,002	--	--	183,334,500	193,459,502
Accrued special commission income from time deposits	597,271	--	--	188,215	--	--	2,426,007	3,211,493
Reinsurance premium receivables, net	134,613,259	54,656,040	36,230,546	67,682,082	-2,939,483	3,512,704	--	293,755,148
Investments held at fair value through income statement	201,003,059	--	--	--	--	--	311,078,319	512,081,378
Held-To-Maturity investment	--	--	--	--	--	--	184,022,721	184,022,721
Accrued reinsurance premiums	167,135,854	61,159,156	25,608,632	144,179,702	196,179,733	--	--	594,263,077
Retroceded share of unearned premiums	61,689,647	322,907	9,358	9,839,862	--	--	--	71,861,774
Deferred excess of loss premiums	12,750,579	33,114	--	--	--	--	--	12,783,693
Retroceded share of outstanding claims	123,338,737	16,611,952	2,348,061	12,375,558	--	--	--	154,674,308
Retroceded share of claims incurred but not reported	25,634,334	11,432,250	371,366	8,501,194	-142,851	--	--	45,796,293
Deferred policy acquisition costs	40,067,492	18,419,904	5,896,154	36,218,491	48,801,238	--	--	149,403,279
Prepaid expenses, deposits and other assets	77,250,669	--	--	180,079	97,119,659	--	114,548,477	289,098,884
Property and equipment, net	3,619,269	--	--	1,147,440	--	--	28,858,623	33,625,332
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	6,180,645	6,180,645
Investment in an equity accounted investee	--	--	--	--	--	--	120,141,077	120,141,077
Statutory deposit	--	--	--	--	--	--	81,000,000	81,000,000
Accrued income on statutory deposit	--	--	--	--	--	--	20,185,653	20,185,653
TOTAL ASSETS	855,092,327	162,635,323	70,464,117	291,079,815	339,018,296	3,512,704	1,056,898,397	2,778,700,979
LIABILITIES								
Accounts payable	6,884,938	11,039,248	3,790,237	1,537,314	--	8,723,050	--	31,974,787
Margin payable	--	--	--	--	--	--	23,116,816	23,116,816
Retrocession balances payable	--	--	--	--	--	47,710,736	--	47,710,736
Accrued retroceded premiums	28,697,561	948,529	172,481	9,966,659	27,135	--	--	39,812,365
Unearned premiums	203,498,896	66,579,800	19,068,716	135,869,006	123,524,764	--	--	548,541,182
Outstanding claims	299,180,822	147,181,369	29,288,206	236,616,246	4,680,223	--	--	716,946,866
Claims incurred but not reported	109,919,096	42,362,795	10,261,611	81,622,772	106,575,507	--	--	350,741,781
Unearned retrocession commission	13,654,266	58,230	1,789	2,090,900	--	--	--	15,805,185
Accrued expenses and other liabilities	--	--	--	--	--	20,671,229	3,189,535	23,860,764
Employees' end of service benefits	10,673,191	--	--	--	--	--	--	10,673,191
Provision for zakat and tax	--	--	--	--	--	--	15,173,830	15,173,830
Accrued commission income payable to SAMA	--	--	--	--	--	--	20,185,653	20,185,653
TOTAL LIABILITIES	672,508,770	268,169,971	62,583,040	467,702,897	234,807,629	77,105,015	61,665,834	1,844,543,156

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

29. SEGMENTAL INFORMATION (CONTINUED)

29.2. Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019								
ASSETS								
Bank balances and cash	5,300,551	--	--	760,772	--	--	7,107,736	13,169,059
Time deposits	78,881,124	--	--	59,314,238	--	--	239,835,817	378,031,179
Accrued special commission income from time deposits	863,471	--	--	864,559	--	--	6,246,374	7,974,404
Reinsurance premium receivables, net	112,557,458	45,533,263	23,783,305	53,855,741	(3,313,544)	976,153	--	233,392,376
Investments held at fair value through income statement	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-To-Maturity investment	--	--	--	--	--	--	37,500,000	37,500,000
Accrued reinsurance premiums	136,607,255	52,954,230	28,976,678	113,640,819	134,891,884	--	--	467,070,866
Retroceded share of unearned premiums	41,115,249	126,581	1,298	9,593,658	--	--	--	50,836,786
Deferred excess of loss premiums	10,684,229	1,059,334	--	--	--	--	--	11,743,563
Retroceded share of outstanding claims	244,360,997	20,333,649	1,582,715	16,441,410	--	--	--	282,718,771
Retroceded share of claims incurred but not reported	23,801,093	916,722	204,631	9,842,863	46,766	--	--	34,812,075
Deferred policy acquisition costs	30,013,241	13,651,794	5,381,604	25,344,262	31,888,200	--	--	106,279,101
Prepaid expenses, deposits and other assets	15,058,631	--	--	155,394	--	156,690,309	72,735,564	244,639,898
Property and equipment, net	2,472,186	--	--	1,469,136	--	--	29,634,206	33,575,528
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	2,793,154	2,793,154
Investment in an equity accounted investee	--	--	--	--	--	--	101,445,631	101,445,631
Statutory deposit	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL ASSETS	701,715,485	134,575,573	59,930,231	291,282,852	163,513,306	198,543,603	1,013,761,625	2,563,322,675
LIABILITIES								
Accounts payable	12,420,446	11,542,237	2,519,498	8,790,765	2,087,962	2,567,737	--	39,928,645
Retrocession balances payable	--	--	--	--	--	46,173,239	--	46,173,239
Accrued retroceded premiums	15,933,804	(1,124,041)	(311,533)	7,243,582	--	--	--	21,741,812
Unearned premiums	157,880,145	46,341,278	18,504,245	97,806,899	81,465,025	--	--	401,997,592
Outstanding claims	402,401,571	136,453,774	22,019,223	173,189,167	3,165,537	--	--	737,229,272
Claims incurred but not reported	121,578,164	44,964,529	18,261,640	80,004,135	90,446,478	--	--	355,254,946
Unearned retrocession commission	6,404,367	24,928	302	1,966,475	--	--	--	8,396,072
Accrued expenses and other liabilities	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' end of service benefits	8,828,705	--	--	--	--	--	--	8,828,705
Provision for zakat and tax	--	--	--	--	--	--	23,742,062	23,742,062
Accrued commission income payable to SAMA	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL LIABILITIES	725,447,202	238,202,705	60,993,375	369,001,023	177,165,002	64,250,848	45,645,441	1,680,705,596

NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board of Directors. The Company is exposed to insurance, retrocession, special commission rate, credit, liquidity and currency risks.

Risk management structure

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

Board of Directors

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

Senior management

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

The risks faced by the Company and the way these risks are mitigated by Management are as follows:

30.1. Reinsurance risk

The risk resulting from reinsurance business written 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 reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of reinsurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow management to contain exposure with the risk appetite of the Company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

30. RISK MANAGEMENT (CONTINUED)

30.1. Reinsurance risk (continued)

Geographical concentration of risk

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Asia. The written premiums are distributed geographically as follows:

	For the year ended 31 December 2020	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	346,881,286	37%
Asia	279,437,127	30%
Other Middle Eastern Countries	108,596,368	12%
Africa	37,869,697	4%
Others	162,329,739	17%
	935,114,217	100%

	For the year ended 31 December 2019	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	322,049,827	41%
Asia	230,148,735	29%
Other Middle Eastern Countries	91,840,094	12%
Africa	48,339,005	6%
Others	100,469,900	13%
	792,847,561	100%

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

Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss ratio was determined using actuarial methods.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

	Change in assumptions	Impact on net liabilities SR	Impact on net income SR
31 December 2020			
Ultimate loss ratio	+10%	39,197,981	39,197,981
	-10%	(39,197,981)	(39,197,981)
	Change in assumptions	Impact on net liabilities SR	Impact on net income SR
31 December 2019			
Ultimate loss ratio	+10%	41,706,979	41,706,979
	-10%	(41,706,979)	(41,706,979)

NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT (CONTINUED)

30.2. Retrocession risk

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionaire are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets

To minimize its exposure to significant losses from retrocessionaire insolvencies, the Company evaluates the financial condition of its retrocessionaires and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retrocessionaire.

Retrocessionaires are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- a. Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- b. Reputation of particular retrocessionaire companies.
- c. Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, 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 Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements. The net credit exposure in this connection is SR 112.9 million (due from retrocessionaires) (2019: SR 249.6 million).

30.3. Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as capital adequacy to minimize the risk of default and insolvency on the part of the reinsurance companies and to enable them to meet unforeseen liabilities as these arise. The Company has stipulated risk management framework policy wherein the policies and procedures are defined to control and mitigate risk.

30.4. Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle.

The Company's claims teams are focused on delivering quality, reliable and speed of service. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

30.5. Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company actuarial team uses a range of recognised techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business (see Note 4).

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30. RISK MANAGEMENT (CONTINUED)

30.6. Credit risk

Credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position. 38% of the Company's receivables is due from two ceding and three broker companies as at 31 December 2020 (31 December 2019: 37%). The company does not provide for reinsurance premium receivable from local ceding companies. However, the following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to ceding companies through monitoring outstanding receivables.

The credit ratings of the retrocessionaires ranges from B+ to AA.

The table below shows the maximum exposure to credit risk for the financial assets of the statements of financial position.

	31 December 2020		31 December 2019	
	SR		SR	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Bank balances	7,985,348	5,122,375	6,021,323	7,107,736
Time Deposits	10,125,002	183,334,500	138,195,362	239,835,817
Reinsurance premium receivables, gross	296,300,997	--	235,474,039	--
Retroceded share of outstanding claims	154,674,308	--	282,718,771	--
Retroceded share of claims incurred but not reported	45,796,293	--	34,812,075	--
Accrued special commission income from time deposits	785,486	2,426,007	1,728,030	6,246,374
Accrued reinsurance premium	594,263,077	--	467,070,866	--
Held to maturity investments	--	184,022,721	--	37,500,000
Accrued special commission income from bonds and sukuk	--	6,180,645	--	2,793,154
Investments held at fair value through income statement	201,003,059	311,078,319	40,877,141	342,048,910
Other assets	146,228,530	113,954,719	158,597,499	72,735,564
	1,457,162,101	806,119,286	1,365,495,106	708,267,555

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30. RISK MANAGEMENT (CONTINUED)

30.6. Credit risk (continued)

The used rating grades for investments are being adopted by Standard & Poors.

The credit quality for investments held at fair value through income statement is as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2020 SR	2019 SR	2020 SR	2019 SR
AAA/Aaa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	--	--
AA/Aa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	--	--
A	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	41,264,763	40,480,100
BBB/Baa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	20,000,000	20,000,000
BB/Ba & below	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	--	10,032,416
Unrated		Bonds / Sukuks	--	--	--	20,000,000
Unrated		Money Market Funds/ Investment Funds	201,003,059	40,877,141	249,813,556	286,458,164
			201,003,059	40,877,141	311,078,319	376,970,681

The credit quality for held to maturity investments are as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2020 SR	2019 SR	2020 SR	2019 SR
A-	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	41,608,373	37,500,000
BBB+	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	45,934,730	--
BB-	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	89,462,310	--
B+	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	7,017,308	--
			--	--	184,022,721	37,500,000

30.7. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

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

All time deposits held by the Company at the statement of financial position date had original maturity periods less than five years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT (CONTINUED)

30.7. Liquidity risk (continued)

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

	31 December 2020					
	Reinsurance' operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	31,974,787	--	31,974,787	--	--	--
Retrocession balances payable	47,710,736	--	47,710,736	--	--	--
Accrued retroceded premiums	39,812,365	--	39,812,365	--	--	--
Outstanding claims	716,946,866	--	716,946,866	--	--	--
Claims incurred but not reported	350,741,781	--	350,741,781	--	--	--
Accrued expenses and other liabilities	12,188,828	--	12,188,828	3,173,841	--	3,173,841
Margin loan payable	--	--	--	23,176,628	--	23,176,628
	1,199,375,363	--	1,199,375,363	26,350,469	--	26,350,469
	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	39,928,645	--	39,928,645	--	--	--
Retrocession balances payable	46,173,239	--	46,173,239	--	--	--
Accrued retroceded premiums	21,741,812	--	21,741,812	--	--	--
Outstanding claims	737,229,272	--	737,229,272	--	--	--
Claims incurred but not reported	355,254,946	--	355,254,946	--	--	--
Accrued expenses and other liabilities	9,744,334	--	9,744,334	3,895,222	--	3,895,222
	1,210,072,248	--	1,210,072,248	3,895,222	--	3,895,222

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT (CONTINUED)

30.7. Liquidity risk (continued)

Liquidity profile

Maturity analysis on expected maturity bases

	31 December 2020					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Bank balances and cash	8,034,347	--	8,034,347	5,122,375	--	5,122,375
Time Deposits	10,125,002	--	10,125,002	183,334,500	--	183,334,500
Reinsurance premium receivables, net	293,755,148	--	293,755,148	--	--	-
Investments held at fair value through income statement	201,003,059	--	201,003,059	311,078,319	--	311,078,319
Accrued reinsurance premiums	--	594,263,077	594,263,077	--	--	--
Retroceded share of outstanding claims	154,674,308	--	154,674,308	--	--	--
Retroceded share of claims incurred but not reported	45,796,293	--	45,796,293	--	--	--
Accrued special commission income from time deposits	785,486	--	785,486	2,426,007	--	2,426,007
Accrued special commission income from bonds and sukuk	--	--	-	6,180,645	--	6,180,645
Held to maturity investments				184,022,721		184,022,721
Other assets	146,228,530	--	146,228,530	113,954,719	--	113,954,719
	860,402,173	594,263,077	1,454,665,250	806,119,286	--	806,119,286

	31 December 2020					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
LIABILITIES						
Accounts payable	31,974,787	--	31,974,787	--	--	--
Retrocession balances payable	47,710,736	--	47,710,736	--	--	--
Accrued retroceded premiums	--	39,812,365	39,812,365	--	--	--
Outstanding claims	716,946,866	--	716,946,866	--	--	--
Claims incurred but not reported	350,741,781	--	350,741,781	--	--	--
Accrued expenses and other liabilities	12,188,828	--	12,188,828	3,173,841	--	3,173,841
Margin loan payable				23,176,628		23,176,628
	1,159,562,998	39,812,365	1,199,375,363	26,350,469	--	26,350,469
Gap	(299,160,824)	554,450,712	255,289,888	779,768,817	--	779,768,817

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT (CONTINUED)

30.7. Liquidity risk (continued)

Liquidity profile (continued)

Maturity analysis on expected maturity bases (continued)

	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Bank balances and cash	6,061,323	--	6,061,323	7,107,736	--	7,107,736
Time Deposits	138,195,362	--	138,195,362	239,835,817	--	239,835,817
Reinsurance premium receivables, net	233,392,376	--	233,392,376	--	--	--
Retroceded share of outstanding claims	282,718,771	--	282,718,771	--	--	--
Retroceded share of claims incurred but not reported	34,812,075	--	34,812,075	--	--	--
Accrued special commission income from time deposits	1,728,030	--	1,728,030	6,246,374	--	6,246,374
Accrued reinsurance premium	--	467,070,866	467,070,866	--	--	--
Accrued special commission income from bonds and sukuk	--	--	--	2,663,892	--	2,663,892
Investments held at fair value through income statement	40,877,141	--	40,877,141	376,970,680	--	376,970,680
Other assets	158,597,499	--	158,597,499	72,735,564	--	72,735,564
	<u>896,382,577</u>	<u>467,070,866</u>	<u>1,363,453,443</u>	<u>705,560,063</u>	<u>--</u>	<u>705,560,063</u>

	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
LIABILITIES						
Accounts payable	39,928,645	--	39,928,645	--	--	--
Retrocession balances payable	46,173,239	--	46,173,239	--	--	--
Accrued retroceded premiums	--	21,741,812	21,741,812	--	--	--
Outstanding claims	737,229,272	--	737,229,272	--	--	--
Claims incurred but not reported	355,254,946	--	355,254,946	--	--	--
Accrued expenses and other liabilities	9,744,254	--	9,744,254	3,895,222	--	3,895,222
	<u>1,188,330,356</u>	<u>21,741,812</u>	<u>1,210,072,168</u>	<u>3,895,222</u>	<u>--</u>	<u>3,895,222</u>
Gap	<u>(443,879,292)</u>	<u>445,329,054</u>	<u>1,449,762</u>	<u>628,929,277</u>	<u>628,929,277</u>	<u>628,929,277</u>

30.8. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to USD. Furthermore, Saudi Riyals are pegged to USD.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****30. RISK MANAGEMENT (CONTINUED)****30.8. Currency risk (continued)**

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

31 December 2020	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS								
Bank balances and cash	3,837,344	--	906,056	231,856	--	--	74,128	5,049,384
Time deposits	10,125,002	--	--	--	--	--	--	10,125,002
Reinsurance premium receivables, net	9,961,080	6,596,846	22,833,745	4,763,791	10,801,754	30,819,157	95,942,402	181,718,775
Investments held at fair value through income statement	1,246,289	--	--	--	--	--	--	1,246,289
Held-to-maturity investment	184,022,721	--	--	--	--	--	--	184,022,721
Accrued reinsurance premiums	2,463,395	110,059	57,093	303,413	167,643	10,998,944	8,216,918	22,317,465
Retroceded share of unearned premiums	26,148,532	(80)	225	--	(5,944)	--	5,150,526	31,293,259
Retroceded share of outstanding claims	88,924,663	37,332	814,461	1,435,757	958,731	--	923,130	93,094,074
Deferred policy acquisition costs	7,387,581	22,645	1,780,774	26,894	1,160,035	1,182,850	10,679,216	22,239,995
Prepaid expenses, deposits and other assets	241,302,422	--	--	--	--	--	--	241,302,422
Accrued special commission income from bonds and sukuk	4,007,768	--	--	--	--	--	--	4,007,768
Investment in an equity accounted investee	120,141,077	--	--	--	--	--	--	120,141,077
	699,567,874	6,766,802	26,392,354	6,761,711	13,082,219	43,000,951	120,986,320	916,558,231

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30. RISK MANAGEMENT (CONTINUED)

30.8. Currency risk (continued)

31 December 2019	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS								
Bank balances and cash	2,053,454	--	97,285	382,227	--	--	2,358,858	4,891,824
Time deposits	59,314,238	--	--	--	--	--	--	59,314,238
Accrued special commission income from time deposits	508,101	--	--	--	--	--	--	508,101
Reinsurance premium receivables, net	42,373,924	2,252,664	22,027,486	5,453,426	6,811,185	31,345,701	62,893,678	173,158,064
Investments held at fair value through income statement	10,230,506	--	--	--	--	--	10,032,415	20,262,921
Held to maturity investments	37,500,000	--	--	--	--	--	--	37,500,000
Accrued reinsurance premiums	30,562,022	1,961,858	18,183,425	5,918,441	2,541,804	26,368,864	243,225,477	328,761,891
Deferred policy acquisition costs	11,480,514	166,255	6,818,988	598,885	1,070,616	1,688,028	56,386,980	78,210,266
Prepaid expenses, deposits and other assets	207,552,345	--	--	--	--	--	--	207,552,345
Accrued special commission income from bonds and sukuk	656,867	--	--	--	--	--	--	656,867
Investment in an equity accounted investee	104,297,936	--	--	--	--	--	--	104,297,936
	<u>506,529,907</u>	<u>4,380,777</u>	<u>47,127,184</u>	<u>12,352,979</u>	<u>10,423,605</u>	<u>59,402,593</u>	<u>374,897,408</u>	<u>1,015,114,453</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****30. RISK MANAGEMENT (CONTINUED)****30.8. Currency risk (continued)****31 December 2020**

	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES								
Accounts payable	12,232,162	2,402,188	226,483	167,488	1,772,844	184,713	8,866,705	25,852,583
Unearned premiums	48,848,911	73,757	8,072,106	103,598	4,529,571	11,949,654	39,508,201	113,085,798
Outstanding claims	202,285,183	14,510,134	29,329,042	3,191,670	16,552,009	84,860,306	171,414,773	522,143,117
Claims incurred but not reported								
Accrued expenses and other liabilities	1,044,279	--	--	--	--	--	--	1,044,279
	<u>264,410,535</u>	<u>16,986,079</u>	<u>37,627,631</u>	<u>3,462,756</u>	<u>22,854,424</u>	<u>96,994,673</u>	<u>219,789,679</u>	<u>662,125,777</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****30. RISK MANAGEMENT (CONTINUED)****30.8. Currency risk (continued)****31 December 2019**

	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES								
Accounts payable	37,089,526	1,466,982	(239,208)	289,651	95,698	(472,575)	8,095,170	46,325,244
Unearned premiums	62,686,527	545,024	21,916,100	1,969,325	3,856,951	12,227,162	171,502,183	274,703,272
Outstanding claims	294,076,626	19,703,863	25,637,237	2,831,139	22,728,783	74,722,846	105,298,463	544,998,957
Claims incurred but not reported	29,931,565	2,192,164	16,781,756	9,319,140	4,386,706	17,883,480	168,889,287	249,384,098
Accrued expenses and other liabilities	1,044,279	--	--	--	--	--	968,722	2,013,001
	424,828,523	23,908,033	64,095,885	14,409,255	31,068,138	104,360,913	454,753,825	1,117,424,572

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

30. RISK MANAGEMENT (CONTINUED)

30.9. Special commission rate risk

The Company is exposed to special commission rate risk on its bonds and sukuk investments. Special Commission rate risk arises on bonds and sukuk which are exposed to the fluctuations in special commission rates.

The Company manages special commission rate risk by investing in various long and short duration financial assets, along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. Duration of reinsurance operations and Shareholders operations' investments in bonds and sukuk portfolios as at 31 December 2020 is around 5.37 years (31 December 2019: 4.76 years). A hypothetical increase/decrease of 10 basis points in yield curve will entail decrease/increase in bond/sukuk portfolio values of reinsurance operations and Shareholders operations' investments by SR 1.30 million as at 31 December 2020 (31 December 2019: SR 0.62 million).

a. Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate caused by the factors (other than those arising from commission rate risk or currency risk), that affect all financial instruments traded in the market.

Efficient management of market price risk is key to the investment of company assets. Appropriate levels of investment risk is determined by risk/return profile of the assets. The Company has a diversified portfolio of investments, including investment in the listed equities securities. The Company manages the equity market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of income by increase / decrease of Nil (2019: SR 873,044).

30.10. Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. 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 maximise 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.

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	2020 SR	2019 SR
Total capital held	<u>923,179,471</u>	<u>875,070,939</u>
Minimum regulatory capital	<u>200,000,000</u>	<u>200,000,000</u>

In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

b. Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

31. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the reinsurance industry 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 pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Recoverable and Guarantee deposits

As at 31 December 2020, the Company has deposited SR 47,250,000 out of which SR 37,330,434 has been pledged (31 December 2019: SR 37,330,434) with local bank to obtain the standby letter of credit towards Fund At Lloyds (FAL) for its participation in a Lloyds Syndicates and for 2017 and 2018 underwriting years. In addition, the Company has deposited SR 171,812,128 (31 December 2019: 109,440,309) with Lloyd's London as FAL for its continued participation in a Lloyds Syndicates and for 2018, 2019 and 2020 underwriting year. Upon issuance of stand by letter of credit, the deposit with Lloyds will be withdrawn.

32. SUPPLEMENTARY INFORMATION

Statement of financial position

	31 December 2020			31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
ASSETS						
Bank balances and cash	8,034,347	5,122,375	13,156,722	6,061,323	7,107,736	13,169,059
Time deposits	10,125,002	183,334,500	193,459,502	138,195,362	239,835,817	378,031,179
Accrued special commission income from time deposits	785,486	2,426,007	3,211,493	1,728,030	6,246,374	7,974,404
Reinsurance premium receivables, net	293,755,148	--	293,755,148	233,392,376	--	233,392,376
Investments held at fair value through income statement	201,003,059	311,078,319	512,081,378	40,877,141	376,970,680	417,847,821
Held-to-maturity investments	--	184,022,721	184,022,721	--	37,500,000	37,500,000
Accrued reinsurance premiums	594,263,077	--	594,263,077	467,070,866	--	467,070,866
Retroceded share of unearned premiums	71,861,774	--	71,861,774	50,836,786	--	50,836,786
Deferred excess of loss premiums	12,783,693	--	12,783,693	11,743,563	--	11,743,563
Retroceded share of outstanding claims	154,674,308	--	154,674,308	282,718,771	--	282,718,771
Retroceded share of claims incurred but not reported	45,796,293	--	45,796,293	34,812,075	--	34,812,075
Deferred policy acquisition costs	149,403,279	--	149,403,279	106,279,101	--	106,279,101
Prepaid expenses, deposits and other assets	174,550,407	114,548,477	289,098,884	171,904,334	72,735,564	244,639,898
Property and equipment, net	4,766,709	28,858,623	33,625,332	3,941,322	29,634,206	33,575,528
Accrued special commission income from bonds and sukuk	--	6,180,645	6,180,645	--	2,793,154	2,793,154
Investment in an equity accounted investee	--	120,141,077	120,141,077	--	101,445,631	101,445,631
Statutory deposit	--	81,000,000	81,000,000	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	20,185,653	20,185,653	--	17,992,463	17,992,463
Due from shareholders' operations*	69,258,595	--	69,258,595	90,986,728	--	90,986,728
TOTAL ASSETS	1,791,061,177	1,056,898,397	2,847,959,574	1,640,547,778	1,013,761,625	2,654,309,403

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

32. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of financial position (continued)

	31 December 2020			31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
LIABILITIES						
Accounts payable	31,974,787	--	31,974,787	39,928,645	--	39,928,645
Margin payable	--	23,116,816	23,116,816			
Retrocession balances payable	47,710,736	--	47,710,736	46,173,239	--	46,173,239
Accrued retroceded premiums	39,812,365	--	39,812,365	21,741,812	--	21,741,812
Unearned premiums	548,541,182	--	548,541,182	401,997,592	--	401,997,592
Outstanding claims	716,946,866	--	716,946,866	737,229,272	--	737,229,272
Claims incurred but not reported	350,741,781	--	350,741,781	355,254,946	--	355,254,946
Unearned retrocession commission	15,805,185	--	15,805,185	8,396,072	--	8,396,072
Accrued expenses and other liabilities	20,671,229	3,189,535	23,860,764	15,509,872	3,910,916	19,420,788
Employees' end of service benefits	10,673,191	--	10,673,191	8,828,705	--	8,828,705
Accumulated surplus	10,978,352	--	10,978,352	7,546,140	--	7,546,140
Provision for zakat and tax	--	15,173,830	15,173,830	--	23,742,062	23,742,062
Accrued commission income payable to SAMA	--	20,185,653	20,185,653	--	17,992,463	17,992,463
Due to reinsurance operations*	--	69,258,595	69,258,595	--	90,986,728	90,986,728
TOTAL LIABILITIES	1,793,855,674	130,924,429	1,924,780,103	1,642,606,295	136,632,169	1,779,238,464
EQUITY						
Share capital	--	810,000,000	810,000,000	--	810,000,000	810,000,000
Statutory reserve	--	27,087,676	27,087,676	--	17,904,115	17,904,115
Retained earnings	--	85,847,666	85,847,666	--	49,113,416	49,113,416
Other reserves	(2,794,499)	3,038,628	244,129	(2,058,517)	111,925	(1,946,592)
TOTAL EQUITY	(2,794,499)	925,973,970	923,179,471	(2,058,517)	877,129,456	875,070,939
TOTAL LIABILITIES AND EQUITY	1,791,061,175	1,056,898,399	2,847,959,574	1,640,547,778	1,013,761,625	2,654,309,403

Statement of income

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
REVENUES						
Gross written premiums	935,114,217	--	935,114,217	792,847,561	--	792,847,561
Retroceded premiums						
- Local	--	--	--	--	--	--
- Foreign	(132,993,489)	--	(132,993,489)	(127,843,625)	--	(127,843,625)
Excess of loss expenses						
- Local	--	--	--	--	--	--
- Foreign	(29,481,546)	--	(29,481,546)	(18,398,659)	--	(18,398,659)
Net written premiums	772,639,182	--	772,639,182	646,605,277	--	646,605,277
Changes in unearned premiums, net	(125,518,602)	--	(125,518,602)	(4,070,415)	--	(4,070,415)
Net earned premiums	647,120,580	--	647,120,580	642,534,862	--	642,534,862
Retrocession commissions	12,693,388	--	12,693,388	18,175,998	--	18,175,998
TOTAL REVENUES	659,813,968	--	659,813,968	660,710,860	--	660,710,860
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(481,191,479)	--	(481,191,479)	(436,701,322)	--	(436,701,322)
Retroceded share of claims paid	181,476,339	--	181,476,339	60,006,499	--	60,006,499
Net claims paid	(299,715,140)	--	(299,715,140)	(376,694,823)	--	(376,694,823)
Changes in outstanding claims, net	(107,762,057)	--	(107,762,057)	9,524,357	--	9,524,357
Changes in Incurred but not reported claims, net	15,497,385	--	15,497,385	(49,899,318)	--	(49,899,318)
Net claims incurred	(391,979,812)	--	(391,979,812)	(417,069,784)	--	(417,069,784)
Policy acquisition costs and profit commissions	(194,682,388)	--	(194,682,388)	(172,780,534)	--	(172,780,534)
Other underwriting expenses	(4,002,629)	--	(4,002,629)	(3,616,464)	--	(3,616,464)
TOTAL UNDERWRITING COSTS AND EXPENSES	(590,664,829)	--	(590,664,829)	(593,466,782)	--	(593,466,782)
NET UNDERWRITING INCOME	69,149,139	--	69,149,139	67,244,078	--	67,244,078

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

32. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of income (continued)

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Special commission income from time deposits	3,900,546	6,828,481	10,729,027	8,889,740	9,435,660	18,325,400
Realized gains / (losses) on investments held at fair value through income statement	158,750	(1,044,123)	(885,373)	193,267	13,709,887	13,903,154
Unrealized (losses) / gains on investments held at fair value through income statement	(264,021)	1,949,670	1,685,649	216,118	3,576,588	3,792,706
Special commission income from bonds and sukuk	--	11,427,008	11,427,008	--	4,156,498	4,156,498
Special commission expense from margin loans	--	(9,969)	(9,969)	--	--	--
Dividend income	--	3,310,492	3,310,492	--	1,862,222	1,862,222
Share of profit of equity accounted investee	--	12,071,843	12,071,843	--	5,114,506	5,114,506
Investment management expenses	(120,831)	(768,727)	(889,558)	(160,361)	(1,514,756)	(1,675,117)
Net investment income	3,674,444	33,764,675	37,439,119	9,138,764	36,340,605	45,479,369
Other income	227,810	916,716	1,144,526	--	999,616	999,616
Reversal of provision for Zakat	--	5,567,920	5,567,920	--	--	--
Reversal of doubtful debts	647,861	--	647,861	517,929	--	517,929
General and administrative expenses	(41,785,575)	(7,786,102)	(49,571,677)	(43,560,197)	(7,156,384)	(50,716,581)
Board of directors' remunerations, meetings fees and expenses	--	(2,271,237)	(2,271,237)	--	(2,570,297)	(2,570,297)
Foreign exchange translation gains / (losses)	2,408,444	(390,129)	2,018,202	1,838,879	42,651	1,881,530
Total income for the year before zakat and tax	34,322,123	29,801,731	64,123,854	35,179,453	27,656,191	62,835,644
Total income attributed to the reinsurance operations	(3,432,212)	--	(3,432,212)	(3,517,945)	--	(3,517,945)
Net income for the year before zakat and tax	30,889,798	29,801,843	60,691,641	31,661,508	27,656,191	59,317,699
Zakat and tax charge for the year	--	(14,773,830)	(14,773,830)	--	(13,873,425)	(13,873,425)
Net income for the year after zakat and tax attributable to the shareholders	30,889,798	15,028,013	45,917,811	31,661,508	13,782,766	45,444,274

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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32. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of comprehensive income

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Net income for the year after zakat and tax	3,432,212	45,917,811	49,350,023	3,517,945	45,444,274	48,962,219
<i>Other comprehensive income</i>						
Items that will not be reclassified to income statement subsequently						
Re-measurement of employee' end of service benefit obligations actuarial loss	(735,982)	--	(735,982)	(2,058,517)	--	(2,058,517)
Items that may be classified to income statement subsequently						
Share of foreign currency translation reserve an equity accounted investee	--	2,926,703	2,926,703	--	(962,691)	(962,691)
Total comprehensive income for the year	2,696,230	48,844,514	51,540,744	1,459,428	44,481,583	45,941,011
Reconciliation:						
Less: Net income attributable to reinsurance operations transferred to surplus payable			(3,432,212)			(3,517,945)
Total comprehensive income for the year			48,108,532			42,423,066

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

32. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of cash flows

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
OPERATING ACTIVITIES						
Total income for the year before zakat and tax	3,432,212	60,691,641	64,123,853	3,517,945	59,317,699	62,835,644
<i>Adjustments to reconcile net income for the year to net cash from operating activities:</i>						
Special commission income	--	(11,427,008)	(11,427,008)	--	(4,156,498)	(4,156,498)
Special commission expense	--	9,969	9,969	--	--	--
Employees' end of service benefits	1,123,174	--	1,123,174	1,184,418	--	1,184,418
Reversal of provision for zakat	--	(5,567,920)	(5,567,920)	--	--	--
Depreciation of property and equipment	1,566,273	775,583	2,341,856	987,880	741,844	1,729,724
Realized (gains) / loss on investments held at fair value through income statement	(158,750)	1,044,123	885,373	(193,267)	(13,709,887)	(13,903,154)
Unrealized loss / (gains) on investments held at fair value through income statement	264,021	(1,949,670)	(1,685,649)	(216,118)	(3,576,588)	(3,792,706)
Share of profit of an equity accounted investee	--	(12,071,843)	(12,071,843)	--	(5,114,506)	(5,114,506)
Provision for doubtful receivable	(647,860)	--	(647,860)	(517,929)	--	(517,929)
Operating income before changes in operating assets and liabilities	5,579,070	31,504,875	37,083,945	4,762,929	33,502,064	38,264,993
Changes in operating assets and liabilities:						
Reinsurance premium receivable, gross	(59,714,912)	--	(59,714,912)	(32,850,934)	--	(32,850,934)
Accrued reinsurance premiums	(127,192,211)	--	(127,192,211)	(57,292,729)	--	(57,292,729)
Retroceded share of unearned premiums	(21,024,988)	--	(21,024,988)	(17,755,892)	--	(17,755,892)
Unearned premiums	146,543,590	--	146,543,590	21,826,307	--	21,826,307
Retroceded share of outstanding claims	128,044,463	--	128,044,463	(84,286,253)	--	(84,286,253)
Retroceded share of claims incurred but not reported	(10,984,218)	--	(10,984,218)	25,125,104	--	25,125,104
Deferred acquisition costs	(43,124,178)	--	(43,124,178)	(6,383,510)	--	(6,383,510)
Deferred excess of loss premiums	(1,040,130)	--	(1,040,130)	(311,954)	--	(311,954)
Prepaid expenses, deposits and other assets	(2,646,073)	(41,812,913)	(44,458,986)	5,967,311	(41,647,977)	(35,680,666)
Accounts payable	(7,953,857)	--	(7,953,857)	20,001,006	--	20,001,006
Retrocession balances payable	1,537,497	--	1,537,497	23,274,680	--	23,274,680
Accrued retroceded premiums	18,070,553	--	18,070,553	5,902,095	--	5,902,095
Outstanding claims	(20,282,406)	--	(20,282,406)	74,761,900	--	74,761,900
Claims incurred but not reported	(4,513,165)	--	(4,513,165)	24,774,213	--	24,774,213
Unearned commission income	7,409,113	--	7,409,113	1,985,832	--	1,985,832
Accrued expenses and other liabilities	5,161,357	(721,381)	4,439,976	7,949,758	(1,075,922)	6,873,836
	13,869,505	(11,029,419)	2,840,086	17,449,863	(9,221,835)	8,228,028
Zakat and income tax paid	--	(17,774,142)	(17,774,142)	--	(28,375,616)	(28,375,616)
Employees' end of service benefits paid	(14,670)	--	(14,670)	(1,008,205)	--	(1,008,205)
Net cash generated from / (used in) operating activities	13,854,836	(28,803,562)	(14,948,726)	16,441,658	(37,597,451)	(21,155,793)

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32. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of cash flows (continued)

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
INVESTING ACTIVITIES						
Time deposits	106,483,485	43,423,317	149,906,802	(92,461,486)	(30,522,571)	(122,984,057)
Accrued special commission income on time deposits	942,544	3,820,367	4,762,911	(1,319,663)	(4,575,117)	(5,894,780)
Special commission income received from bonds and sukus	--	8,039,516	8,039,516	--	4,027,236	4,027,236
Special commission expense paid against margin loan	--	(9,969)	(9,969)	--	--	--
Additions in investments held to maturity	--	(146,522,721)	(146,522,721)	--	(37,500,000)	(37,500,000)
Purchase of property and equipment, net	(2,391,660)	--	(2,391,660)	(2,716,354)	--	(2,716,354)
Additions in investments held at fair value through income statement	(174,427,890)	(325,592,566)	(500,020,456)	(38,572,307)	(315,673,142)	(354,245,449)
Statutory deposit	--	40,500,000	40,500,000	--	--	--
Proceeds from disposal of investments held at fair value through income statement	14,196,700	392,390,475	406,587,175	54,204,897	452,462,698	506,667,595
Additions to equity accounted investment	--	(3,696,900)	(3,696,900)	--	--	--
Net cash (used in) / generated from investing activities	(55,196,821)	12,351,519	(42,845,302)	(80,864,913)	68,219,104	(12,645,809)
FINANCING ACTIVITIES						
Due to / from reinsurance / shareholders' operations*	21,728,134	(21,728,134)	--	19,978,307	(19,978,307)	--
Margin Loan	--	23,116,816	23,116,816	--	--	--
Net cash generated from financing activities	21,728,134	1,388,682	23,116,816	19,978,307	(19,978,307)	--
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(19,613,851)	(15,063,361)	(34,677,212)	(44,444,948)	10,643,346	(33,801,602)
Cash and cash equivalents at the beginning of the year	27,648,198	20,185,736	47,833,934	72,093,146	9,542,390	81,635,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,034,347	5,122,375	13,156,722	27,648,198	20,185,736	47,833,934

* These items are not included in the statement of financial position and the statement of cash flows.

33. IMPACT OF COVID 19 OUTBREAK

In response to the spread of the Covid-19 in GCC and other territories and its resulting disruptions to the social and economic activities in those markets, management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, and wider community. The Company's operations may get affected due to COVID-19 claims on life and protection policies and business interruption policies. The Company's operations currently remain largely unaffected on medical segment as the insurance industry is facilitated by the Government through free treatments of the COVID-19 affected patients.

Furthermore, some claims have been reported to the Company for life and business interruption policies at this stage, however, these are not material and the Company is closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions or of a slowdown in the flow of people, goods and services, especially on new business volumes, (iii) the extent of reinsurance coverage impacted, including retrocession cover, and (iv) change in asset prices and financial conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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34. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation made in the current year, however the impact of such reclassifications was not material to the overall presentation of the financial statements.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 8 Shaban 1442H corresponding to 21 March 2021.